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Property Tax and Assessment News from Around the World

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B.C. residential development land takes tax hit

New affordable housing strategy balances market curbs and supply incentives

The British Columbia government expects to collect about $520 million in new annual revenue through additional residential property taxes and property transfer taxes. The measures, outlined in the 2018-19 provincial budget last week, are part of an effort to deter some of the forces driving housing prices upward and find funds to maintain and bolster affordable stock.

Investors and homeowners who do not pay income tax in British Columbia and/or who own residential properties worth more than $3 million will be subject to the new levies. However, a much broader range of homeowners and tenants are in line to absorb the flow-through costs of the surcharges on sites purchased for residential development or land idling in the preconstruction stage while required approvals and financing are secured.

“It could easily add a few thousand dollars to a unit,” projects Neil Moody, chief executive officer of the Canadian Home Builders’ Association of British Columbia (CHBA BC).

The new taxes will help underwrite the B.C. government’s promise for more than $1.6 billion in housing related spending over the next three years. Both the 2018 budget and an associated 30-point plan, outlining long-range intentions for a 10-year $6.6 billion investment, place the greatest emphasis on not-for-profit supply, but the private sector is identified as a supporting player. To begin, more funding has been allocated to programs that enable low-income renters to find accommodations in privately owned buildings and developers of purpose-built rental housing have been offered a potential property tax break.

The government will also attempt to facilitate more partnerships between not-for-profit and private sector players through a new office to be known as HousingHub. That’s seen as particularly instrumental for meeting a target for 14,000 low-end-of-market units in buildings that would house a mix of tenants with low and middle incomes.

“These monies do represent an opportunity for the private sector rental housing providers to house more British Columbians,” states budget analysis from the rental housing industry association, LandlordBC.

Demand management tactics

Five new tax measures to be rolled out in 2018 and 2019 are aimed at cooling market demand and, thus, stabilizing the province’s soaring housing prices. Changes to the property transfer tax will capture more high-end deals and foreign buyers at the point of purchase, while a value-triggered school property tax premium and a supplemental tax on owners/investors from outside B.C. pose a continuing tax liability.

“B.C.’s real estate market should not be used as a stock market. It should be used to provide safe and secure homes for families, renters, students and seniors,” Finance Minister Carole James told the legislature as she introduced the budget. “Soaring prices have benefited many people. We think it is fair to ask those who have benefited from those high prices to give a bit more back.”

Expanded property transfer taxes took effect on February 21 and are projected to raise about $120 million over a 12-month period. This imposes a new province-wide premium rate of 5 per cent on sale value in excess of $3 million. (Previously, property transfer taxes topped out at 3 per cent on the portion of the sale value above $2 million.) Foreign buyers, who have been subject to an additional 15 per cent tax on the purchase of properties in Greater Vancouver since the summer of 2016, now face a 20 per cent tariff in Vancouver and four other urban regions of the province, including Victoria, the Fraser Valley, Nanaimo and Kelowna/West Kelowna.

Owners/investors of residential properties in these five designated regions who do not pay income tax in British Columbia will also see a new add-on to their property tax bills, which the B.C. government has dubbed a speculation tax. For 2018, that will be equivalent to 0.5 per cent of the assessed value, but it’s slated to jump to 2 per cent for 2019, garnering an estimated $200 million.

Finally, a province-wide surcharge will be added to the provincial share of property tax — commonly known as school property tax because it is theoretically meant to support schools — beginning in 2019. This applies a further 2 per cent levy on the portion of assessed value between $3 million and $4 million, and a 4 per cent premium on assessed value greater than $4 million. This, too, is expected to raise $200 million annually.

One-time and ongoing surcharges

Residential development land is likely to be a significant contributor to the envisioned new revenue. Notably, Altus Group reports $2.5 billion worth of residential land deals in Greater Vancouver in just the first half of 2017, with the largest transaction surpassing $150 million. However, school property tax surcharges are expected to be more onerous than the one-time hit of the higher property transfer tax.

“This policy is intended for multi-million-dollar homeowners, but, at current land prices, will affect almost all developers and builders who purchase land parcels for development,” Moody says. “If a property takes four or five years before it can be developed, that’s four or five years of this added school tax.”

He also calls for clarification on how the speculation tax will be applied in the five designated jurisdictions. The budget promises upfront exemptions for most principal residences and “qualifying long-term rental properties” or a corresponding income tax credit that can be carried forward, but is silent on developers’ land holdings.

“There must be some sort of business exemption created that supports builders who have purchased land for development in advance. It’s not speculating if they have the intention to build on it and are delayed or are waiting for permits,” Moody asserts.

Indeed, Minister James acknowledged that persistent uncertainty for developers in her budget speech. “We will need to join with mayors, businesses and community leaders to speed up approvals and find ways to build more housing, faster,” she said.

Incentives for purpose-built rental

Both LandlordBC and CHBA BC commend the government for opening up a potential property tax break for new purpose-built rental housing. Nevertheless, any mitigation of the school property tax would be contingent on municipalities having revitalization plans (enabled under provincial planning legislation) in place and designating new purpose-built rental housing among properties qualifying for property tax relief. In such cases, school property tax reductions would then be matched to the percentage amount and duration of relief that the municipality has approved for its own share of property tax.

"The budget does not indicate whether or not the province will be exerting any pressure on the municipalities to take advantage of this opportunity. Revitalization agreements are somewhat obscure so we're not sure to what extent they will be used," observes David Hutniak, chief executive officer of LandlordBC. "A simpler approach might be a housing agreement with the municipality with a covenant on title whereby the municipality restricts use of the building to purpose-built rental for the life of the building, or 60 years, in exchange for the exemption."

For now, it appears that rental housing developers will continue to pay property transfer tax at the same rate as those building ownership housing. "LandlordBC specifically recommended that the government waive property transfer tax for purpose-built rental in a pre-budget submission to Finance Minister James and Housing Minister Robinson. We continue to liaise with the government on this matter in the hope that they will recognize that their failure to implement such waiver will impede the development of new purpose-built rental," the association's budget analysis affirms.

"CHBA BC continues to encourage strong incentives to help weather the unique risks to rental versus strata title," Moody concurs.

Fuelling an interminable debate

In introducing its demand management mechanisms, the B.C. government has been blatant about its intention to collect school property taxes for purposes other than schools. "This is what a progressive tax system looks like. The revenues from these taxes will help address housing affordability in our communities," the 30-point plan reiterates.

This perhaps stokes the somewhat interminable debate about what property tax should pay for, and appears to conflict with the many voices demanding a share of income tax for local governments. Municipal advocates have long advanced the argument that the property tax base is inadequate for supporting municipalities' social service responsibilities and an inappropriate instrument for income redistribution. Still, constitutionally, municipalities have little option to resist.

"Definitely, there is a concern about provincial use of the property tax ," says Almos Tassonyi, executive fellow with University of Calgary's School of Public Policy and a research associate with the International Property Tax Institute. "There are a number of aspects to this debate, but the Province, in theory, can do whatever it wants."

ONTARIO - Expect Toronto to follow suit if Vancouver's 'very aggressive' speculation tax on property succeeds

While the taxes are a step in the right direction, economists say B.C. government's budget does little to address the severe supply shortage in the market

All eyes in Toronto will be on Vancouver after British Columbia introduced new tax measures designed to crack down on housing speculation and relieve a growing affordability crisis in the market.

In its first full budget, B.C.'s NDP government created a new annual tax on investors who own empty properties and pay no income taxes in the province.

Price growth and sales in the Greater Toronto Area's booming housing market fell after Ontario introduced its own foreign buyers tax last spring and after tougher mortgage qualification rules took effect last month.

"The Toronto market is still adjusting to that round of measures so it's probably a little early for any new moves yet," said Robert Kavcic, senior economist at BMO Capital Markets. "But if we start to see evidence that the market's taking off again and foreign investment starts rising I think B.C's speculation tax in particular, is a key measure they'll need to take a closer look at."

The new "speculation tax" will amount to 0.5 per cent of a property's assessed value in 2018 and 2 per cent in following years. The result is a $40,000 annual bill for a house valued at $2 million and a $100,000 levy for a home valued at $5 million. Those prices should be enough to keep at least some non-resident speculators out of the province and to push others to add their properties to Vancouver's choked rental market where vacancies currently stand at less than 1 per cent, Kavcic said.

"The (speculation) tax is key because it will change the economics of buying and holding real estate in that part of the country," Kavcic said. "It's very aggressive and I think it's warranted. "

B.C.'s foreign buyer's tax, originally set at 15 per cent on the purchase of a home, was announced a year ahead of Ontario's. While Vancouver detached home prices initially fell by about 7 per cent, they soon returned to pre-tax levels.

Nevertheless areas that were not beholden to the foreign buyers' tax, such as Vancouver Island and Kelowna have since seen price increases of between 20 and 25 per cent, suggesting prices there soared in the absence of the levy.

However, prices in Metro Vancouver's more affordable condominium market, after briefly flattening out, soon resumed their rapid pace of growth, soaring 28 per cent since the tax was introduced.

Despite the hard hitting moves by the province, fierce demand for this housing type is expected to continue. While the taxes are "a step in the right direction" the B.C. government's budget does little to address the severe supply shortage in the market, said Benjamin Tal, deputy chief economist at CIBC World Markets.

"Both Toronto and Vancouver have a serious supply problem, but in Vancouver it's tougher because they are constrained by geography," said Tal. "But there were some things they could have done, make it easier to bring new land to the market for example."

The B.C. budget states that the government will invest $6 billion in building 114,000 affordable homes over the next decade, while the $54 billion balanced budget will create an extra $2 billion in revenue to fund affordable housing initiatives.

As for the increased rate of the foreign buyer's tax, which will extend beyond Vancouver to include the Fraser Valley, Nanaimo, the Central Okanagan and the Capital Region District, Tal "doesn't think this is a game changer."

"For some foreign buyers it is just the cost of doing business, but some will likely move capital to other locations such as Ontario. And I think that can open the door to the government in Ontario to raise its taxes."

Though he believes the base of foreign buyers in Canada's market is small and the new taxes introduced in B.C. will have limited impact among their ranks, the measures will likely go some distance to discourage domestic speculation, Tal said.

BRITISH COLUMBIA - Canadians with B.C. vacation homes to be hit with new tax

British Columbia's new property tax targeting out-of-province owners will hit Albertans and other Canadians who have vacation homes there with a big additional bill of thousands of dollars.

On Tuesday, one of the primary measures in the B.C. budget was the introduction of what the government is calling a speculation tax. It is aimed at foreign and domestic property owners who are parking capital in real estate and driving up prices in the province. It would apply to owners who do not pay income tax in British Columbia. Principal residences are exempt, as are properties with long-term renters.

A typical vacation home that is used several times a year but is otherwise empty would not be exempt. "If you are from outside the province and you leave your home vacant, you will be taxed," B.C. Finance Minister Carole James told reporters on Wednesday.

Ms. James had been more vague on Tuesday when asked about vacation homes. "We will be taking a look at details," she said. "We're in the process right now." The tax will be introduced in legislation later this year.

The new tax would be imposed on Metro Vancouver, the Fraser Valley, the Vancouver Island regions of Victoria and Nanaimo and the municipalities of Kelowna and West Kelowna in the Interior. Albertans own vacation properties in these places, although it is unclear how many. The B.C. government estimated the tax will apply to 15,000 residential properties, about 1 per cent of the total in the province.

The tax in 2018 will be 0.5 per cent of a property's assessed value, a rate that rises to 2 per cent for 2019 and thereafter. It will be charged annually, separate from regular property taxes. B.C. predicts it will generate $200-million in revenue a year.

Sean Kehoe, an Albertan, has vacationed in British Columbia since boyhood. He remembers his family piling into a small Volkswagen for the long drive from the Edmonton area to a house they rented in Christina Lake, in B.C.'s Southern Interior.

His parents retired on Vancouver Island and Mr. Kehoe became interested in Qualicum Beach, a town on the water near Nanaimo. He bought a family vacation home there two decades ago. Qualicum Beach is part of the Regional District of Nanaimo, so it will be included in the new tax.

The Kehoe family visits Qualicum Beach from Calgary for a couple of months in summer and several other times a year. Their B.C. connections have deepened recently. A son attends the University of British Columbia and a daughter attends the University of Victoria.

But now, the Calgary entrepreneur is looking at a larger property-tax bill from the province. He currently pays about $3,000. The additional tax could top $10,000 a year – and his total property tax could quintuple.

"It's a ridiculous, high number," Mr. Kehoe said. "We're not speculating. We spend time there. That's where we vacation. It's a great little spot. I just hope they [the provincial government] put a lot of thought into it. A lot of Albertans, that's where they vacation, they go to B.C., and they bought properties and supported the economy."

Mr. Kehoe was not sure of his future plans for the home. Others suggest the tax could lead to sales. Ken Cheung, a long-time Albertan, moved to Kelowna a decade ago. Mr. Cheung said the new tax would cost $12,000 for an out-of-province owner with a $600,000 condo who uses it for three months in the summer. Mr. Cheung suggested people will consider whether it's worth it and may decide to sell.

The new B.C. tax is unique in Canada, where land ownership is generally not restricted. A rare exception is Prince Edward Island, where a non-resident cannot own more than five acres or more than 50 metres of shoreline. An out-of-province buyer wanting more must seek an exemption from the provincial cabinet.

Alberta oil executives who own B.C. vacation properties will be able to afford the new tax, said Tom Davidoff, a real estate economist at UBC.

"The issue is what you're doing with the property," Prof. Davidoff said. "If it's a vacation home, you're not part of the work force that's struggling with affordability."

He added: "There's no tax on Earth that is totally perfect and hits exactly the intended targets and nobody else."

In Victoria, Ms. James said on Wednesday that property owners have the option to rent their homes. Owners seeking an exemption from the tax would have to show their properties qualify as long-term rentals, the budget said. It is not clear what would be considered a long-term rental.

"If you want to ensure you are not taxed, you can put your house on the rental market and you encourage people to rent it," Ms. James said.

Michael Lamb, a professor of real estate law at the University of Western Ontario, said he does not see any legal issues that could stop the new tax.

Prof. Lamb said it reminds him of Ontario's Land Speculation Tax Act of 1974. That plan taxed profit from properties that were not principal residences or farm land and applied to anyone. The tax was repealed four years later.

"It didn't matter who you were," Prof. Lamb said. "B.C. is perhaps following that model."

Marc Lefebvre, the mayor of Parksville, between Qualicum Beach and Nanaimo, was not sure the new tax would be a big issue for his small city, but said visitors from out of the province are a positive for the local economy.

"They spend money here," Mr. Lefebvre said. "They use our grocery stores, gas stations. It's a good thing. I don't know if this will force people to say, 'Well, I have to sell my home.'"

BRITISH COLUMBIA - Vancouver’s hot property market gets tougher for wealthy Chinese as foreign buyer tax is raised to 20pc

Foreign buyers, mainly from China, have been blamed for Vancouver’s red-hot property market, where the gap between home values and incomes has widened rapidly in the last five years

British Columbia Finance Minister Carole James announced measures targeting foreign buyers and speculators in the first budget since her government was elected on a pledge to make housing more affordable for residents of Canada’s Pacific Coast province.

Starting Wednesday, foreigners will pay the province a 20 per cent tax on top of the listing value, up from 15 per cent now, and a levy on property speculators will be introduced later this year, according to budget documents released Tuesday.

The tax echoes Hong Kong’s 15 per cent tax on residential property purchases by non-permanent-residents and corporations imposed in October 2012, a measure designed to stem a flood of mainland Chinese money into the city’s housing market.

The British Columbia government will also crack down on the condo pre-sale market and beneficial ownership to ensure that property flippers, offshore trusts and hidden investors are paying taxes on gains.

Premier John Horgan faces formidable demands after taking power in a fiercely contested election last July.

His New Democratic Party made expensive promises to topple the Liberals, whose 16-year-rule brought the fastest growth in Canada, but also surging property while incomes stagnated.

Public outrage has surged amid perceptions that global capital seeking a stable sanctuary, especially from China, is driving double-digit gains in Vancouver, the country’s most expensive property market.

"The expectations that we will do everything in our first budget are huge," James told reporters in the capital Victoria.

"Our goal is fairness – fairness for the people who live here, who work here and pay their taxes here."

James said a raft of new measures are intended to "moderate" the surge in housing prices, which she said had emerged as one of the top concerns of both residents and businesses struggling to recruit workers due to the high cost of living.

The new speculator tax takes effect this fall and would apply to foreign and domestic investors who don't pay income tax in the province.

It will start at 0.5 per cent of the property's assessed value in 2018 and rise to 2 per cent thereafter. Primary residences and homes leased as long-term rentals will be exempt.

"B.C.'s real estate market should not be used as a stock market. It should be used to provide safe and secure homes," said James.

"That's why we're cracking down on speculators who distort our market."

The levy, she said, will also capture "satellite families" – a term with Chinese origins to describe those families where the breadwinner remains in the home country while the children and spouse live abroad to take advantage of educational and employment opportunities.

The foreign buyers' tax will also be extended beyond the Vancouver region to properties in Victoria and other parts of the province. Taxes on the province's most expensive properties will also rise – homes worth more than C$3 million (US$2.4 million) would pay a 5 per cent property transfer tax when sold, up from 3 per cent.

Separately, the government and Airbnb Inc. have reached an agreement requiring the company collect an 8 per cent provincial sales tax and as much as a 3 per cent local tax on short-term rentals, according to budget documents.

Public outrage has been further stoked by fresh media reports alleging Vancouver casinos and real estate have become vehicles in recent years for laundering the illicit proceeds of high-rolling Asian gamblers and drug dealers with links to the Chinese fentanyl trade.

"We're taking steps to counter tax fraud and money laundering – that starts with closing loopholes and better access to information," James said. The province has asked the federal government to create a multi-agency group to target tax evasion, money laundering and housing, according to budget documents.

New Brunswick property tax bills to be mailed out March 1

With property assessment and tax notices being mailed out on March 1, property owners are encouraged to contact their regional assessment offices with any questions or concerns when they receive their property tax bill.

"Service New Brunswick assessment staff is prepared for a higher than normal volume of inquiries and want to hear from you," said Service New Brunswick Minister Serge Rousselle. "Assessors can give property owners relevant information with respect to their property and an explanation as to how the value was calculated."

The majority of property owners should not see any change in the assessed value of their property this year due to a government-initiated assessment freeze. The Property Assessment and Tax Notices have been changed to show both the 2017 and 2018 assessment values. While the majority of property owners will see no change in their assessment value, there are some exceptions to the freeze which include:

– a decrease in property value based on market forces;

– new construction and renovations;

– errors or omissions of property data resulting in a correction to the 2018 valuation;

– real estate/property sale transactions; or

– a change in current use/classification of the property (i.e. the subdivision of property or a change in occupancy) resulting in a change in property valuation.

While the property assessment will remain at the 2017 level, a change to the tax rate by a local government will impact the total amount of property taxes payable.

In addition, a small number of property owners who filed a Request for Review will not receive a Property Assessment and Tax Notice on March 1. While 98 per cent of the 18,596 Request for Reviews have been completed, about 344 property owners whose reviews have not been completed will not receive a property tax bill until the review has been processed. Letters are being mailed to affected property owners advising them that their 2018 Assessment and Tax Notice will be delayed until their 2017 Request for Review is processed. Deadlines will be extended for these property owners so they will have a full 90 days to make their payment.

ALBERTA - Banff property values spike by 'astronomical' 17%

Increase is more about land values than property values, says expert

Banff property values have been increasing steadily year over year, but the latest assessment may have given homeowners a bit of sticker shock.

Residential property assessments increased 17 per cent from 2016 to 2017, up from a 5.6 per cent increase the previous year.

"In terms of the increase in values, it has been astronomical ... probably over the past two-and-a-half, three years in Banff," said Christopher Vincent, senior vice president of sales with Sotheby's International Realty Canada in Banff and Canmore.

"We're definitely heading in the opposite direction of a lot of Alberta markets, in that values have had substantial increases."

The area of town that saw the biggest increase was Muskrat Street, where home values spiked a median 31 per cent. Close behind was Cave Avenue, which saw a median increase of 28 per cent.

Condos also went up in value, with a median increase of 17 per cent.

Chris Hughes, the town's manager of finance, said in many cases, the jump is due to a significant increase in land values.

"There have been quite a few sales in the last year or two that indicate that the actual value of property, and specifically in land value, have increased substantially over the last couple of years," Hughes said.

"These are cases where a developer is coming in and buying a lot that has a building on it and the building has very little value to them. They're in most cases tearing it down and building or adding density to the property."

Banff has a population and development cap set by Parks Canada — the town's vacancy rate hovers around zero per cent — putting housing in high demand.

Vincent said the increase is explained by homes catching up to their true market value.

"I think there was probably a lag on the assessed values compared to the market. Assessed values are a challenge because they are at one fixed point in time during the year, whereas the market is dynamic and growing every day or changing every day," he said.

The increase doesn't necessary mean a big windfall for the municipal government, nor does it mean that property taxes will all go up 17 per cent.

"It's part of a misconception out there that because there was a 17 per cent increase in residential assessed value that people's taxes are going to go up 17 per cent. And really that's irrelevant to the amount their taxes are going to go up," said Hughes.

Hughes said people should think of the assessment as how big of a piece of the taxation pie each homeowner pays relative to their neighbours.

"If it's gone up the average amount, you're gonna see an average tax increase. And it's not gonna be necessarily the same percentage that increased your assessed value."

The total taxable property value for both residential and non-residential properties in Banff was $2.8 billion in 2017. Residential properties accounted for $1.6 billion of that total.

SASKATCHEWAN - Regina city budget proposes 4.9% property tax hike

The proposed 4.86 per cent hike includes the already approved one per cent increase dedicated to the residential roads renewal program.

The city said the increase would translate to an extra $92.40 per year on a home worth about $350,000. For a business of the same value, it would mean an extra $153.35 per year.

Mayor Michael Fougere said the proposal is tentative and council's final decision would be made at the end of the month.

"I would hope that council will look at reducing that number over the next month. But we'll have those conversations," Fougere said after the proposal had been unveiled. "This not an approved budget."

Fougere said he understands that no residents want to see another tax increase but he said council is obligated to provide the "best possible service" to city residents.

"I'm not interested in talking about service reductions," Fougere added. "This budget maintains services in a very tight financial circumstance."

The province scrapped grants-in-lieu to municipalities from the Crown corporations of SaskEnergy and SaskPower. Instead of paying property taxes for buildings of those companies, a flat rate grant was paid to municipalities.

Since that change, Regina has received $10 million less since 2016, with projected grants in 2018 to be $33.5 million. They were $43.7 million in 2016.

The increase comes after the city hiked taxes by 6.49 per cent in April 2017, an increase expected to bring in an extra $5.25 million. The city also approved a two per cent increase to the water utility rate, which takes effect Feb. 1.

Revenue for the city decreased by $4.6 million this year due to changes last year's provincial budget.

In addition, the city is looking to increase police spending, with a $2.3-million increase on the agenda.

That would see police spending rise to $78 million from $76.5 million last year. The Regina Police Service is looking to use part of that increase to purchase an armoured vehicle, a new bomb suit and some infrastructure upgrades.

Overall spending in this year's budget has increased by $7.3 million, bringing the operating budget up to $443 million in 2018.

As well, the city plans to dip into its funding reserves to increase capital spending by $12 million, which would bring it to $132 million in total in 2018.

SASKATCHEWAN - Regina residents concerned about costs of proposed tax hike

Regina residents are concerned about the cost of the city's proposed mill rate increase in the 2018 budget.

Many people are still reeling from last year's 6.49 per cent increase. Now, they're preparing for another hit to their pocketbooks.

The city proposed a 4.86 per cent increase on Thursday. If approved, homeowners with a property appraised at $350,000 will see an additional $7.70 on their property taxes each month – adding up to about $100 a year.

The Canadian Taxpayers Federation said the trend of raising taxes isn't sustainable for people in the city.

"A lot of people are still struggling in Regina dealing with some economic struggle," said Todd MacKay, prairie director. "We can't keep going to the well and asking people who have less money to give more money."

MacKay said he believes council is trying to find efficiencies, but it's not enough to deal with the overall cost of living in the Queen City.

"There's a limited amount of money there," he said. "More of these hard decisions need to be made around the council table. They've made some of them and that's good, they deserve credit for that. They need to make more of them because they can't keep putting pressure on families in Regina."

The Regina & District Chamber of Commerce said the increase will be hard on local businesses as well.

"There (are) challenges related to the increased PST, depending on the business and how that impacts you," CEO John Hopkins said. "Property tax increases – it's all of these things together that make it more and more challenging."

If council approves the increase, it will be the second-highest tax hike in the past decade. It will go before council on Feb. 27.

ONTARIO - City approves 10% cap on property tax hikes for businesses

Move follows outcry from small businesses hit with 100-per-cent tax hikes

City council has approved a 10-per-cent cap on property tax increases for businesses, following an outcry from shop owners on Yonge Street and elsewhere that were slapped with skyrocketing tax hikes based on soaring assessment values.

Council adopted the new tax policy Wednesday by a vote of 38 to 1.

The cap applies to "commercial, industrial and multi-residential property classes" and the cap is 10 per cent of the previous year's annualized taxes, according to the motion adopted by council.

The move follows waves of criticism last year from the owners of dozens of businesses, particularly along the downtown Yonge Street strip, who were stunned by tax bills that in some cases had gone up by 100 per cent.

On Thursday, George Giarous of Northbound Leather on Yonge Street said the cap gives small businesses "a fighting chance, because it was untenable what was happening."

His 2017 tax assessment came in at a 111 per cent increase, he said. "I had to sit down."

Giarous, whose father started the business in 1970, said he is looking to the city and province to enact more permanent measures, including preventing tax assessments from containing a property's so-called "best use" — or its potential for redevelopment as, for instance, a high-rise condominium.

"We're not growing exponentially. Property values might be due to speculation or tight demand, but the businesses that are contained within these buildings are still chugging along doing the same level of business that we did last year and the year before and the year before that," Giarous said.

"If anything, our business has dropped as a result of every other block being basically shuttered off with hoardings for the building that's happening behind them. And the construction and noise and dust is chasing pedestrian traffic from the area."

City wants small business tax category

To assess property taxes, the Municipal Property Assessment Corporation (MPAC), a not-for-profit corporation that assesses and classifies all properties in Ontario, looks at how much properties are selling for around the building it is appraising in order to determine its current value. That MPAC value is then multiplied by the city's tax rate to determine how much the property owner will pay.

As a result, a hot real estate market like Toronto's translates into higher taxes for nearby businesses. But in August, MPAC denied that it has assessed properties based on their potential value if they were redeveloped as condos.

According to a city staff report attached to Wednesday's council agenda, 5,415 properties, or more than 13 per cent of all commercial properties, had a property tax increase greater than 10 per cent in 2017. Some 424 properties had a tax increase of more than 50 per cent, while 118 properties had an increase of 100 per cent or more.

In October, MPAC conducted a reassessment and some businesses saw their tax increase cut in half.

At that time, the councillor for the area, Kristyn Wong-Tam, said she wants to see a new small business classification just for Toronto. She is working with MPAC, as well as city and provincial officials, on that initiative.

Her constituents, Wong-Tam said then, are "concerned about the way MPAC creates a one-size-fits-all approach."

Her move followed a plea by Mayor John Tory in August to Ontario's finance minister, asking for a "fairer model" of property tax assessments for small businesses.

That same day, MPAC issued a statement saying it was working with local business owners and councillors on the issue.

Spokespeople for MPAC did not immediately reply to a request for comment Thursday on how that work is proceeding.

More tax changes possible

Meanwhile, the motion adopted Wednesday also directs the city's interim chief financial officer to "engage in broad public consultation" to review further potential changes to property tax policy for 2019 "and future years," which could require requests to the province for changes in legislation.

The motion asks for a report based on those consultations to be brought to the July 17 meeting of council's executive committee.

For his part, Giarous said passing along cost increases to customers isn't always an option.

"Is somebody going to pay me $1,200 for a jacket instead of $600?" he asked. "I doubt it."

"If something gets sold and something gets built, then yeah, increase the taxes accordingly," he added. "But you can't expect the little one-storey, two-storey building to be paying the same taxation as the 50-storey tower next to it."

BRITISH COLUMBIA - SMALL BUSINESSES IN BC UNCERTAIN ABOUT APPEALING PROPERTY ASSESSMENTS

Nearly half of business owners haven’t appealed their property assessments, and the deadline to do so was today.

A new survey by the CFIB shows 46 per cent of businesses didn’t appeal their property assessment because they didn’t think it would make a difference.

“I think that’s nothing new” explained CEO of PG Chamber of Commerce Todd Corrigall. “I think any time you have a process similar to this, people feel that the process is pretty iron clad, and they might be investing their time in the wrong area.”

The survey also showed 24 per cent of owners believed their assessment was fair, while 10 per cent didn't appeal because they didn't want to risk having their property tax increase.

Six per cent of people found the process complicated, something Corrigall agrees with.

"I think what's important to note is the current process is fairly cumbersome and fairly time consuming, so, I think there needs to be a little bit of innovation that goes into that process and modernizing it."

Research indicated ten per cent of small business owners who did appeal, almost half saw their property's assessed value decrease.

While this is a great outcome for those who appealed, it highlights the fact that BC Assessment is failing to provide accurate commercial property assessments close to half of the time.