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Property Tax and Assessment News from Around the World

CANADA - May 2018

LAND VALUE CAPTURE – Quebec, Montreal transit agency ventures into real estate with mixed-use complex

Montreal's transit agency will soon be breaking ground on a new project. But this time it won't be the usual subway-line extension or transit hub. In a first for the Société de transport de Montréal (STM), the agency is venturing into the real estate business with plans for a residential-office complex that will go up on a parking lot it owns, located just steps away from one of its Métro subway stations in the east end of the city.

It's a bold foray for the STM as it seeks to boost much-needed non-farebox revenues to fund capital investments, operations and maintenance costs while at the same time promoting transit-oriented development (TOB) and helping the city reach its affordable/social housing targets.

The concept of transit agencies using real estate development for financing and urban planning purposes is not new; Hong Kong's Mass Transit Railway Corporation has been a major real estate player for decades and other transit commissions involved in property development in one form or another include Singapore, Paris, London and New York. But Canadian cities to date have not been very adventurous on this front and Montreal's modest first step is certain to be closely watched by transit agencies across the country as they seek innovative ways to capitalize on existing or new infrastructure and land development.

"This is a project that has several aspects and it's important it have several aspects," STM chairman Philippe Schnobb said. "There's a huge need for social housing in Montreal." The venture – at the Frontenac Métro station – allows for the densification of a low-income neighbourhood; in addition, its location right next to the subway helps promote public transit use. It also gets rid of an eyesore parking lot/heat island and replaces it with a structure that will include a green roof and a courtyard.

Plans call for a four-building complex that will include 298 residential units – 60 subsidized apartments for low-income residents, 109 affordable condo units and 129 market-priced condos – as well as office space that the STM will either occupy itself or lease out. Building heights range from two to 12 storeys. An underground parking space will have room for 213 cars and 175 bicycle stalls.

Mr. Schnobb says the Frontenac venture could open the door to more real estate related transactions in the future that will provide for recurring revenues. "We could have simply sold the parking lot, pocketed the money and invested it somewhere. But what's also important for us is to be generating recurring revenues," he said.

Spearheading the project for the STM is its commercial subsidiary, Transgesco. Partners include the non-profit housing agency Société d'habitation et de développement de Montréal (SHDM) and local social housing groups. Under the terms of the deal, the STM is selling the land to Laval, Que.-based general contractor Cosoltec Inc. for $5.35-million. The STM will in return get ownership of the two-storey, 25,700-square-foot office building.

Construction is set to get underway next year, with delivery slated for 2021.

The Frontenac plan has been in the works for about two years, with close collaboration between the STM, the SHDM and local groups, SHDM spokeswoman Leslie Molko said.

"We need to look at what Montreal and other cities are doing," said Cherise Burda, executive director of Ryerson University's City Building Institute. "It's thinking about how you create neighbourhoods around these transit lines, which is something we don't usually do."

There is still too much of a "silo" mindset in Ontario, with a lack of cooperation between the various transit, housing, city and other agencies, Ms. Burda said. "It's such a wasted opportunity.

"Why not have a real estate development arm of [regional transit authority] Metrolinx or other agencies staffed with smart people who can make informed decisions and work with developers?"

James Perttula, director of transit and transportation planning for the City of Toronto, says the Montreal experience will be closely followed. "We don't have anything like Montreal to announce, but this is something we are looking at more and more now," he said.

"The role is to think much more strategically about the city's real estate assets. Certainly we're looking at opportunities for affordable housing."

The city recently merged four separate real estate related agencies into one umbrella group, dubbed CreateTO. Its mandate is to manage Toronto's real estate portfolio, develop city buildings and lands and provide real estate solutions to the various divisions, agencies and corporations, including the Toronto Transit Commission.

CreateTO is currently conducting an inventory of the land around existing stations and examining ways to use city-owned properties for housing solutions, including affordable housing, Mr. Perttula said.

In Calgary, Calgary Transit works with the city’s real estate and development services team to assess and plan developments at train stations, spokeswoman Sherri Zickefoose said. One recent transit-oriented development project that was approved is a 20-acre mixed use “urban village” next to the Anderson LRT Station, she said.

The key policy approach underlying many of the real estate related transit projects is known as land-value capture. Essentially, the concept is that transit agencies as a rule help boost property values via public projects such as transit hubs and should therefore be entitled to part of the returns that the private sector benefits from as a result of those infrastructure improvements.

Land-value capture can take many forms, including direct involvement in real estate development by transit commissions, indirect participation through private-sector partnerships, or other mechanisms such as transit-supporting levies imposed on developers.

A new, 67-kilometre automated electric light rail network in the Montreal area being built by Quebec’s pension-fund manager Caisse de dépôt et placement du Québec includes plans for land-value capture. The Caisse will build and operate the system, known as the Réseau express métropolitain (REM); a recently upwardly revised estimate puts the cost of building the network at $6.3-billion. The project offers several options for tapping into the revenue-generating potential of property-value increases on the land the trains will pass through. The Caisse could, for example, get involved in property development through its real estate subsidiary, Ivanhoé Cambridge.

“Because transportation and land development are so intertwined in cities, pairing real estate development with transport system investments makes perfect sense,” said Deborah Salon, assistant professor at the school of geographical sciences and urban planning at Arizona State University.

“Public investments in new transit infrastructure have served to make money [and sometimes a lot of it] for those who own land near the stations and developers working in station-area neighbourhoods. At the same time, many transit agencies have trouble covering their costs.”

ONTARIO - New Property Tax Class to Bring Relief to Arts and Culture Hubs

Yesterday at 401 Richmond in Downtown Toronto, a reception was held on the heritage building's rooftop deck to celebrate new provincial legislation that will have the effect of protecting buildings like it from redevelopment in high demand areas in the city where recent assessments have meant steep increases in taxes.

The issue has been that Ontario assesses property tax rates based on the "highest and best use" of a site, not on what's actually built on a site. That means that as nearby developments get larger, reassessments of older, smaller stock assumes that the property the existing building sits on is worth the same per square foot as the properties where much larger buildings now stand. This can mean massive increases in property tax, and in the case of 401 Richmond, all of the recent development in the Entertainment District has meant that it was facing a 130% property tax increase to be phased in over four years.

As a four-storey heritage warehouse building, converted to loft offices and galleries, and home to many arts and culture sector businesses, and several non-profits, the huge increase simply was not viable, and the closure and eventual redevelopment of 401 Richmond and other buildings like it would have become inevitable in the near future.

As an acknowledgement of everything that the type of organizations and the type of buildings represented by 401 Richmond give to the city in terms of vibrancy, innovation, and livability, then City Councillor Adam Vaughan raised the alarm bells at City Hall as the what was happening here, and then in this term Councillor Joe Cressy along wth Councillor Josh Matlow introduced new regulation that would allow for a new property tax subclass aimed at giving such arts and culture hubs a tax break of 50 per cent. That motion made it through City Council in the first months of this year, but provincial action was required as well to make this legal.

In that regard, local MPP Han Dong was the point man driving the Province allow this, ad he was the main speaker a yesterday's reception, the Province having enacted the legislative amendment as the last act of the 41st parliament before the writ was posted for the provincial election, now underway. Dong's remarks included that "Organizations like 401 Richmond have allowed the necessary space for artists, designers, creative thinkers and innovators to grow. These arts and culture centres provide a space for creative activity in our community, and the result is made-in-Toronto artwork. Here, the production by non-profits can be invested back into Toronto community organizations that are working to preserve the local environment.

"As of today, the final regulation has been posted that allows for the City of Toronto to provide a property tax reduction of up to 50% to facilities that offer affordable space for the non-profit and the cultural sector. The Province will provide a corresponding reduction to the education portion of the property tax. This important regulatory change will allow for community heritage and landmark sites such as 401 Richmond to continue to offer affordable space for arts and culture that is vital to the health of our communities. I believe we all have an important role to play in protecting these spaces for our city."

Margie Zeidler, Dresden and Founder of 401 Richmond, was thrilled that the changes were achieved before the election. She remarked “Han Dong and Joe Cressy heard the voices of our community, and their dedication and commitment to get this done showed us that they are friends of the arts and culture community.”

While Councillor Cressy is happy with what has happened, telling UrbanToronto that "this is already done in New York and other progressive cities", he also declared that this is only the first step in reforming a flawed provincial property tax assessment system. While the new tax subclass will work for 401 Richmond and just over a dozen other buildings in the city—Tim Jones, CEO and President of Artscape, another organization which will benefit from the new tax subclass for a number of buildings it runs in Toronto, was also on hand to celebrate—other prized heritage commercial buildings of various sizes remain at risk of redevelopment unless they convert their tenants to similar arts and culture sector enterprises.

Cressy cited two examples of businesses still facing onerous tax increases owing to recent reassessments, one being Le Select Bistro on Wellington Street, the other being Remenyi House of Music on Bloor Street. Both are i low-rise buildings now, but Le Select now faces being taxed as if an 11-storey building were on its site, while Remenyi is faces taxes based on a 15-storey condo on its site. Cressy is determined that solutions will be found in the new Council term for such situations, and that a fundamental change to the way we do tax policy in Ontario needs to be addressed by the provincial parliament.

Murray Whyte, upon the City's move to address the situation this winter, wrote in the Toronto Star in a February 13, 2018 column that "let’s not lose sight of the broader value of the gesture, however limited it may be. In approving the creative co-location subclass, the city is saying publicly that it’s willing to take at least some action against the forces of the open market. Or, put another way, that an Apple Store is not the tide that lifts all boats, and that having a mix of uses, people and purpose — regardless of their rent-paying ability — is at the core of the city in which we want to live." His full story is worth the read.

NOVA SCOTIA - The fight over the value of Alexander Graham Bell's former estate

Alexander Graham Bell's descendants are appealing the assessment value of the telephone inventor's Baddeck, N.S., estate in an attempt to cut their tax bill in half.

They say the assessment value of $1 million that is used to levy municipal property taxes should only be about half that amount.

The family members, represented by trustees of Beinn Bhreagh Hall Corp., appealed to the Nova Scotia Utility and Review Board at a hearing in Baddeck on Tuesday.

Sara Grosvenor, a great-granddaughter of Bell and a trustee for the estate, said the 125-year-old stately home is deteriorating and costing millions in repairs and maintenance.

However, she said, it should still be preserved for future generations because of its historical significance.

"It is really a beacon for the Bells, for their achievements, and it's iconic, because there are few places in the world where you can experience the lives of historic figures as completely."

The estate has been used as a family summer home since Bell's death in 1922. It has been mostly unused since 2006 while repairs have been underway, but Grosvenor said someone regularly looks after the property and there are plans to open it up again.

"The Bells very frequently had both private and public events at the house," she said in an interview. "They would have fundraisers for the hospital, the Red Cross, the library in Baddeck. They would have symposiums of scientists and explorers.

"We want to continue this tradition and we've also considered having a tour program. The tours would be kind of in the off-season of the building. The family gathers there in July and August.

"The tours would be in the spring and fall months, and we did in 2016 have a pilot tour program, so we're just figuring out some groups that plan to tour in this area this summer and if they have interest in seeing the building."

The family's lawyer, Nicole LaFosse of Sydney, N.S., said the estate's annual municipal tax bill is roughly $10,000. If the assessment is reduced as requested, it would amount to a roughly $5,000 cut in annual property taxes, she said.

Assessment appeal generated controversy last year

Bell's descendants first appealed the 2016 assessment before the Nova Scotia Assessment Appeal Tribunal, a move that generated some controversy in denying the appeal.

Tribunal member Raffi Balmanoukian wrote last spring that the owners' arguments had merit, but the evidence was lacking.

However, before making that ruling, he questioned Bell's historical claim to have invented the telephone, referring to an American who claimed he invented the communication device before Bell.

"If Antonio Meucci had renewed his patent office caveat for his 'sound telegraph,' this appeal may not have been before me today," Balmanoukian wrote.

"Instead, the name Dr. Alexander Graham Bell is forever associated with the telephone, making everything ever connected — if I may be forgiven the use of 'connection' — with his name sacred writ to historians and aficionados.

"I confess I am not a fan of his claim to fame. I do however give him his full due to that great contribution to global communication and understanding, a small magazine of magnificent photography and an iconic yellow border — National Geographic.

"This is not to say that for the appellant all is lost for all time," Balmanoukian wrote. "I indulge myself by saying, 'Please hang up and try your call again.'"

The owners claimed that showed the tribunal was biased against its appeal.

Bells claim bias, but appeal on appraisal

In one filing with the UARB, Edwin S. Grosvenor, a great-grandson of Bell and a historian, writes that Meucci's claims to have invented the telephone were "spurious" and that a U.S. patent court judge soundly rejected Meucci's arguments.

However, bias isn't considered grounds for appeal at the UARB. Instead, the board held a new hearing where the Bell family and the Property Valuation Services Corp., which is financed by municipalities and sets property values used to levy municipal taxes, presented evidence backing their differing opinions on the appraised value of the estate.

As the assessor's lawyer, Robert Andrews, told the hearing on Tuesday: "It's important to note that the director of assessment does not assess history."

The owners say the 8,500-square-foot home will need $1 million in repairs over the next two years.

The property has federal and provincial heritage designations, and a provincial conservation easement on the title, meaning the owners can't subdivide the land or change the exterior of the building.

The estate's assessed value for tax purposes is $902,000, but the owners say an appraisal they had done determined it should be $475,000. They say the property can't be compared to others, because no other property in Cape Breton has the same historical significance or heritage restrictions on maintenance.

They also say it requires a lot of expensive maintenance because the stone foundation and stone walls cannot be repaired with modern materials due to the conservation and heritage restrictions.

Mabel Grosvenor, Bell's granddaughter, died in 2006, leaving the estate and a trust fund for its maintenance.

Her niece, Sara Grosvenor, told the UARB hearing that the trust fund is down to about $400,000 and there is a possibility it will run out before all the necessary repairs are done.

And it's getting increasingly difficult to convince younger members of the need to continue maintaining it in perpetuity, she said.

Harder to justify maintenance costs

"Every family generation, they're getting more distant from the original legacy," Grosvenor said. "I was in the house from age nine to 40 or something, so I have this association with Mabel and my parents in that house. But many cousins don't, so they worry about the expense of it and being able to maintain it."

After the owners filed an appeal to have the 2016 assessment reduced, the assessor filed a notice of intent to increase the assessment by almost $100,000, to around $1 millionThe home sits on about 10 hectares of land at the end of the peninsula that creates Baddeck Bay. The original estate was about 243 hectares, covering much of the peninsula, which has since been subdivided into parcels and seasonal homes owned by Bell's descendants.

Name Gaelic for 'beautiful mountain'

Bell's home is described as a two-storey single dwelling built of stone in 1893. Beinn Bhreagh is Gaelic for 'beautiful mountain.'

The assessor says the value has been appealed several times. It was lowered on appeals in 2009 and 2010, but confirmed in 2014, 2015 and 2016.

In the current appeal, Bell family members continue to insist the assessed value is too high because of the required cost of maintenance and the restrictions imposed by a conservation easement and heritage designation.

The assessor says its valuation is correct because heritage status has no value and Beinn Bhreagh has no income potential. Therefore, it can only be compared to similarly sized waterfront properties in Cape Breton.

But both sides agree there are few, if any, truly comparable sites.

Daniel McNeil, a senior assessor with Property Valuation Services Corp., told the hearing that many smaller properties with less waterfront on the Bras d'Or Lake have sold recently for a lot more money, making his appraised value at $1 million "very conservative."

"It is a stunning piece of property."

Both sides can still file final legal submissions with the UARB, which will render a decision at a later date.

B.C. rules out changes to tax on high-value homes amid escalating backlash

The B.C. government is ruling out any change to a tax on high-value homes that has prompted protests in the Vancouver region.

Sage Aaron, director of communications for Premier John Horgan, said in an interview on Thursday that legislation enacting the tax has been passed, and the government is committed to following through with a policy that she called “the right thing to do.”

The NDP government's recent budget included an increase to the school tax, which is paid through property taxes, on homes worth more than $3-million. The tax increase, which was not part of the New Democrats' campaign platform last year, was among a series of housing measures that also targeted foreign buyers and empty homes.

Despite its name, the school tax does not directly fund schools; instead, it is added to general revenues. The NDP is looking to the tax to raise funds for various parts of its governing agenda.

Opposition to the school-tax increase has been escalating, particularly in the Vancouver riding of Attorney-General David Eby, which has many homes valued above $3-million. Critics have said the tax is unfair to homeowners, particularly seniors, who plan to use their real-estate assets in retirement.

Earlier this week, Mr. Eby cancelled a town-hall meeting on the school tax, citing security concerns. On Thursday, Mr. Horgan was asked about the prospect of a tax revolt in B.C., given the housing tax and various other taxes enacted by the NDP since the party came to office last summer.

"I am quite OK with people expressing concerns around issues that you mentioned," Mr. Horgan told a news conference in the Victoria region.
The school-tax increase is aimed at "high-valued" residential properties, including detached homes, condos, townhouse units and most vacant land.

In introducing the tax, Finance Minister Carole James said: "Soaring house 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."

The additional 0.2-per-cent tax applies to the portion of a residential property's assessed value that exceeds $3-million, but does not exceed $4-million. An additional tax rate of 0.4 per cent applies to the portion of the assessed value over $4-million.

The government has defended the tax, noting that some homeowners have the option of deferring their property taxes, including the school tax, until they sell their homes.

Earlier this spring, the BC NDP overhauled another planned housing tax after a sharp backlash.

Many expressed concerns that the tax on homes left empty, as initially proposed, would unfairly target people with vacation homes.

The NDP government, which had acknowledged the tax could have "unintended consequences," outlined changes designed to ensure most British Columbians would be spared from paying the tax, which had been set at 2 per cent of a property's value. Many Canadians who live outside the province will also be exempt.

The government also reduced the number of regions where the tax applies, limiting it primarily to urban centres and exempting rural areas where lakeside cabins and vacation homes are common.

BRITISH COLUMBIA - Vancouver real estate: Why multi-million dollar home owners are crying poor

Owners of multi-million dollar homes are probably not going to endear themselves to the public by pleading financial hardship. Nevertheless, more than 100 Vancouver residents gathered in a park last week to protest a surtax introduced by the provincial NDP government on homes worth more than $3 million. They wielded signs claiming the government "wants to confiscate your hard-earned home savings!" The tax, they said, is "unfair," "exorbitant" and "predatory."

The academic who first raised the proposal is not swayed by the blowback. "A lot of these claims just stretch credulity," says Rhys Kesselman, a professor in the School of Public Policy at Simon Fraser University. But he does think the government should rethink at least one aspect of the controversial levy.

The province's NDP government recently implemented a series of measures to tackle runaway home prices and a deepening affordability problem. The cost of owning a home in Vancouver now represents an "astounding" 85 per cent of a typical household's income, according to RBC. That's the worst affordability level recorded anywhere in Canada, ever. In February's provincial budget, the government increased the foreign buyer tax and expanded it beyond Metro Vancouver. The province also implemented a tax on unoccupied homes owned by non-residents, though later dialed it back after

The latest contentious measure is a change to the school tax, which helps fund the education system and is based on property values. Homes worth more than $3 million will be taxed 0.2 per cent on the amount that exceeds that threshold. The owner of a $3.5-million property, for example, would pay an additional $1,000. A 0.4 per cent levy will be applied to the amount by which a home's value exceeds $4-million.

Kesselman floated the idea in a 2016 op-ed column, and saw it as a way to target foreign investors and speculators, and address house price inflation. He also had concerns that high-net-worth individuals, local or otherwise, can employ methods to avoid income taxes. "A family can pay very little property tax on a two, three, four million home and escape most or all of the income tax," Kesselman says, "whereas they are benefiting from local schools, the health-care system, peace and law enforcement, and all the good things that make Metro Vancouver very attractive to live in."

The West Point Grey Residents Association (WPGRA) doesn't see it that way. The area is home to some of the province's priciest real estate. (A modest two-bedroom home recently for $2.99-million, and it's advertised as a teardown project.) The association launched a petition and is urging residents to contact their elected officials. "None will argue the importance of a properly funded education system," reads a message on the association's Facebook page, "but extorting homeowners who are victims of an out of control housing market."

The message has found support with opposition politicians, and West Vancouver Mayor Michael Smith, who decried the measure as "scandalous." BC Attorney General David Eby was scheduled to host a town hall last week to discuss the tax, and some real estate players encouraged residents to attend the event if they didn't have tickets. The event was cancelled due to security concerns. Sutton Group West Coast Realty took out a newspaper ad that amped up the outrage, calling the tax "an attack on on Canadians who have planned and worked hard for their homes."

Cut through the hyperbole, and the underlying point is that home equity is not the same thing as income. If someone purchased a home in Vancouver two decades ago for a fraction of its current multi-million dollar value, the owner doesn't necessarily have the cash to pay more in taxes. The government took this sort of scenario into account, however. Seniors and families with dependent children living at home can defer the tax until the home is sold.
Kesselman's original proposal included a deferral for all homeowners, and he still thinks that's the best approach. "I don't see why it should be limited," he says. A blanket deferral would still help address affordability and tax avoidance, while not burdening homeowners who, for whatever reason, may struggle to come up with the addition funds. Kesselman is still skeptical about these claims, however. "If they can pay $10,000 in tax on a $4-million home, they can probably cough up another $2,000," he says.

On Friday, the government ruled out any changes. Even if the government did tweak the measure as Kesselman suggests, it's unlikely to appease property owners. The WPGRA says the deferral option is akin to "incurring debt."
So what accounts for such fierce opposition? Taxing one's home does feel more personal than, say, taxing an investment portfolio. Our homes are central to our lives, after all, and serve as a sanctuary from the outside world.
Homeowners have long been resistant to any perceived incursion on their right to enjoy their properties. Think of the outcry any time a developer wants to add density to a neighbourhood of single-family homes. But the reality is Canada has taken a light touch when it comes to taxing homeownership. Unlike in the U.S., there is no capital gains tax on the sale of a principal residence, nor is there an estate or inheritance tax. Kesselman says real estate may be the most favourably treated form of wealth in Canada. The returns for long-time Vancouver homeowners — and their children, should the wealth be transferred — are better than that of most investment portfolios, even with the surtax.

The WPGRA, meanwhile, is evidently not dropping the fight. Another public meeting is scheduled for later this month, and the association is urging residents to attend. At the very least, the episode illustrates tackling a growing affordability crisis will require strong political will — enough to withstand even the most aggrieved homeowners.

BRITISH COLUMBIA - Owners of multimillion dollar homes plan to go ahead with property tax rally

NDP MLA David Eby cancelled a public forum over security concerns, but angry homeowners say they'll now protest at Trimble Park.

VANCOUVER — The organizers of a protest against a property tax increase on homes worth more than $3 million say they plan to go ahead with their rally, even though NDP MLA David Eby has cancelled the town hall event they planned to protest.

MaryAnn Cummings, one of the organizers of the protest, said the rally has had to move to Trimble Park because staff at the town hall venue — St. James Community Square — feel unsafe.

"I cannot speak to why or how they feel that way, but we have moved our rally at the last minute," Cummings said.

However, St. James staff said they were unaware of any safety concerns.

Several real estate offices had taken out advertisements telling people to attend the town hall "regardless of whether or not the hall is full," and Andrew Wilkinson, leader of the B.C. Liberals, had sent his Vancouver-Quilchena constituents a letter saying people should attend "whether or not you have a ticket."

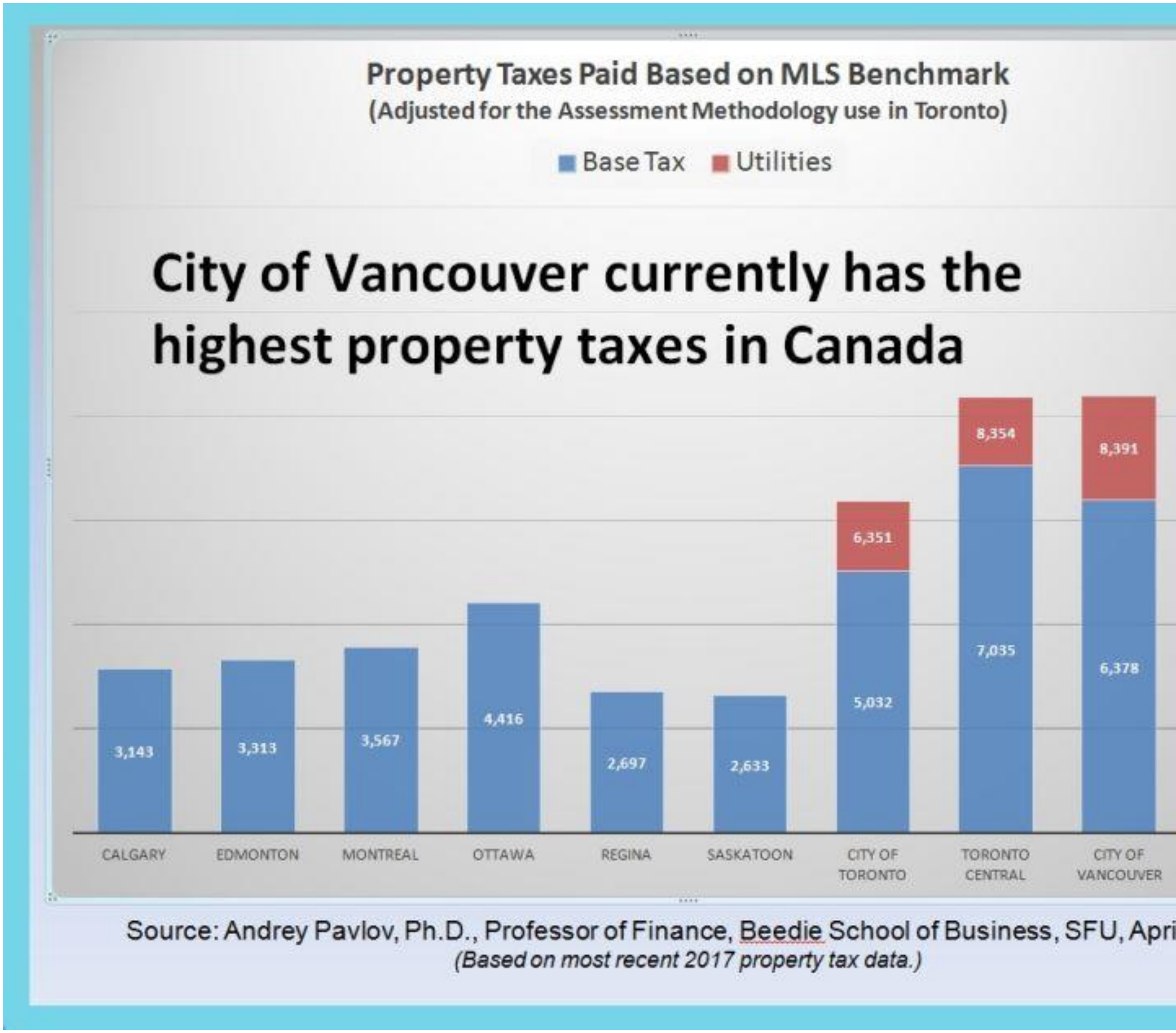
Eby said his office was ready to go ahead with the Tuesday event, but had a change of heart when those opposing the tax moved the time of their protest to 5 p.m., leading to concerns the protestors would occupy the hall before ticket-holders could enter.

The tax increase has hit a nerve in Eby's Point Grey riding: he said his constituency office staff have been shouted at over the phone and angry people have come into the office in person.

"This was an event for people who had concerns about the tax to raise those concerns and hold me accountable as MLA and bring their messaged back to Victoria," he said.

Cummings lives in Vancouver's affluent Shaughnessy neighbourhood, and she fears the tax will "force" her and her husband from her home. Cummings and her husband are retired and can defer paying their property tax indefinitely, but she said she did not want to go into debt.

Cummings said she didn't know how many people would attend the May 1 rally, but, she said, "citizens deserve a voice."



B.C. taxes need a 'second look'

Vancouver has the highest property taxes in Canada. The B.C. property-tax surcharge would further increase this burden and substantially encroach onto the municipal tax base. This regressive provincial tax grab will make life less affordable for everyone, both owners and renters. To understand this requires looking past ideological bias and considering the facts.

In the 1990s, a luxury tax was proposed on properties above $500,000. If that hadn't been withdrawn by then-Premier Mike Harcourt, it would have eventually applied to all properties across the city and region, including most condos.

The proposed surtax is strategically tied to the $3-million mark to minimize initial impact of this precedent that, if implemented, will eventually be broadly expanded to capture all properties just like the 1990s' version would have.

Everyone should be concerned.

The calculation of property taxes is very specific to each municipality. Property taxes are based on a mill rate. This is calculated by taking the total municipal budget and dividing it by the total assessed value of all properties in the class (such as residential).

With Vancouver's high property values multiplied by the mill rate, the graph by Simon Fraser University Prof. Andrey Pavlov accurately shows that Vancouver has the highest property taxes in Canada.

In contrast, it's misleading to compare mill rates and project them to unrelated values in other cities like what the University of B.C's Tom Davidoff promotes, or the chart currently on MLA David Eby's website.

A $2-million property in most other cities across Canada could be a new mansion on a large lot, whereas in Vancouver that could be an old character house on a standard lot on the east side. And most cities have few if any detached houses worth over $3 million, whereas Vancouver has most small old bungalows on standard lots on the west side in that range.

The proposed B.C. school-tax property surcharge has nothing to do with funding schools since it just goes into provincial general revenue and has no relation to a mill rate. This would be beyond the hundreds-of-millions of dollars B.C. already collects under the current school tax above the Vancouver school board's budget that subsidizes the rest of the province.

This will leave little room for municipalities to raise necessary funding for municipal services since property taxes are their primary source of revenue. The municipalities with the highest property taxes like Vancouver and Toronto are also the cities with the most growth. Property taxes subsidize growth since only 10 per cent of the costs of growth are covered by development fees.

Municipalities across the region are raising concerns about B.C. encroachment into their municipal tax base. Several have made inquires to the minister of finance, such as the District of West Vancouver, Richmond and Surrey.

Implementing unaffordable taxes on unrealized capital gains that are unrelated to the ability to pay is against the principles of the Canadian tax system. Deferral isn't justification. Not everyone qualifies for deferral and these programs may not be available or substantially restricted in future.

Deferral doesn't apply on rental properties of three units and less, only on principal residences. Only rentals of four units and more are excluded from the surtax. So this means that owners of smaller rental buildings, which affects tens-of-thousands of rental units, would be driven to either try to recover this additional tax burden from rents, go into debt or sell. Many houses, especially in Kitsilano, have been converted to three-rental units or may have even more units that won't be exempted if some units are unauthorized. These rentals could be caught by this surtax without the option of deferral.

It's not accurate to assume that assessed value reflects either the owner's ability to pay or the amount of equity they may have in their property. Even detached properties that have been owned for a long time may carry large loans for many legitimate reasons. Banks have different criteria and many people may not qualify for their financing with an increased tax burden.

This is really about neighbourhood clearing. It's a predatory policy that benefits those who buy on speculation to assemble, develop or flip since property taxes are only paid for a short period of time and are the cost of doing business. Whereas a long-term homeowner would be paying year-after-year and these kinds of unaffordable taxes make ownership prohibitive to all but those with high incomes, even if they bought a long time ago.

It hollows out the diversity of neighbourhoods when longtime residents are pushed out and it certainly doesn't mean that housing will become more affordable. Quite the opposite.

In Bob Rennie's 2016 annual address to the Urban Development Institute (UDI) titled "We Have to Change the Narrative," he went on to commend a new "Yes-in-my-backyard" (YIMBY) movement coming out of San Francisco that supported rezonings and claimed to represent millennials. He also pointed out the billions-of-dollars of equity that seniors have in real estate that could be soon available for reinvestment.

Simultaneously there were similar groups popping up in Vancouver such as Abundant Housing and Generation Squeeze that claim to represent the millennials and housing affordability.

Generation Squeeze is funded by UDI and Wesgroup developers. The kinds of new housing that is being promoted will not likely be affordable to millennials.

This surtax is supported by Generation Squeeze, encouraging millennials to “squeeze back.” Squeezing seniors out will not help millennials nor make things more affordable. It will only benefit speculators. But the nastiness being incited against seniors is disgraceful. It’s institutionalized bullying hiding behind academic independence.

Davidoff has tweeted his support saying, “I really hope that this tax encourages high-end homeowners to rethink opposition to up-zoning. I’m interested to see if there is such an impact.” Clearly one can see the real motivation here: developer profits.

The provincial government hasn’t thought this through. Harcourt is urging the government to take a “second look” at their latest surcharge on property taxes, like he had to do in the 1990s.

“All of the taxes being loaded onto property undermines the municipal tax base and makes life less affordable for everyone. It is regressive since it is not related to the ability to pay. The province should be using its own more progressive income-tax base,” he said. “Expanding school and housing programs is the right thing to do, but increasing property taxes is the wrong way to do it.”

There are better alternatives to raising needed provincial revenue. Financial analysis confirms that the $250 million that the budget expects to raise from the surtax could instead be raised by the top income-tax bracket for only a .25-per-cent increase.

This would mean someone making a net income of less than $150,000 per year would pay nothing. For someone earning net income of $250,000 per year they would only pay $250 ($100,000 at .25 per cent). Now that is affordable with the ability to pay, unlike this regressive surtax that would tax people out of their homes and affect renters too.

Policy based on ideology always leads to mistakes. This property surtax is one of them.

A chance to discuss these issues with Eby is coming up at the West Point Grey Residents Association meeting on May 27 at 2 p.m. at the Jericho Hill Gym. Unlike Eby’s cancelled event on May 1, there will be plenty of room for constituents to attend to learn the facts and make their opinions heard.

A line has been crossed on taxing soaring home values

You had to figure that governments would eventually find a way to tax the wealth locked up in houses that have soared in value.

Only a federal government with a death wish would touch the personal residence exemption, which lets you sell your principal residence without having to pay tax on your capital gain. That leaves property taxes, which typically treat all homeowners equally by applying the same tax rate against the assessed value of their home.

British Columbia’s NDP government broke with this tradition in its spring budget and went after expensive homes, of which there are plenty in the province. Starting next year, owners of houses with an assessed property valued between $3-million and $4-million will pay an additional 0.2 per cent of what’s known in the province as a school tax. An extra 0.4 per cent will apply on home values above $4-million.

The angry reaction to this measure reminds us that homeowners consider rising home equity to be off limits to taxation. But do governments? Homeowners, keep an eye on this story. It’s possible that the tax aspect of home ownership is about to change a little bit.

Support for the B.C. government’s school tax measure has come from the Vancouver-based advocacy group Generation Squeeze, which earlier this month launched a campaign called #TaxShift. The goal is to encourage the use of revenue generated by higher property tax on expensive homes to lower taxes in other areas or improve services.

So far, it's been a tough slog. "We definitely have some angry multimillion-dollar homeowners," said Paul Kershaw, a professor in the University of British Columbia's School of Population and Public Health and founder of Gen Squeeze, which focuses on intergenerational inequities.

Opposition to the school tax increase has come from people who say the value of their home has no connection to their ability to afford higher costs. "Seniors who are trying to stay independent and remain in their long-term homes are being squeezed out by excessive taxation, especially on the municipal side," Brian Phillips, a Vancouver resident and senior, told me in an e-mail earlier in the month.

Prof. Kershaw said the answer is to make property taxes deferrable until you sell, as B.C. already does in some cases for people who are 55 and older and other groups. In B.C.'s case, a modest interest rate is applied on the deferred balance.

The left-leaning Canadian Centre for Policy Alternatives has described B.C.'s tiered property taxes as a way to enhance fairness. "To my knowledge, this is the first move to progressive property taxation in North America, although there are several examples in Europe," writes Marc Lee, senior economist in the group's B.C. office.

Property owners may counter that they already pay increasing amounts in property tax every year. But Prof. Kershaw said the total amount of these taxes collected in comparison with the size of the economy has been falling. He said B.C. property taxes amounted to 3.9 per cent of provincial GDP back in 1981, compared with 2.9 per cent now.

A study by the real estate consulting firm Altus Group says that large tax bases and high property values have allowed Vancouver to cut residential property tax rates for 14-plus consecutive years, and for Toronto to cut rates for nine straight years. For every $1,000 of assessed property value, residents of Vancouver and Toronto pay $2.55 and $6.62, respectively, while the national average is $8.66.

"The amount of money we're collecting cumulatively [in property taxes] has not kept pace with the growing value in homes, or the growing share of the economy accounted for by real estate," Prof. Kershaw said.

The challenge in introducing higher property taxes on expensive homes is to strike a balance between generating significant revenue and not targeting the middle class. Prof. Kershaw said the B.C. government's approach of targeting houses in the $3-million-plus range will cover just 2 per cent of homes and generate $200-million a year. He suggests targeting the most expensive 20 per cent of B.C. homes, which would net more tax dollars but anger more people.

Opponents of B.C.'s progressive school tax haven't given up and the provincial government is holding its ground. Cities and provinces around the country will be watching closely to see how it all plays out, and homeowners should do likewise.

B.C. government right to raise property taxes — low rates fuel housing crisis

You would never know it from the anxious talk about property taxes in B.C., but rates are actually unusually low throughout the province, particularly in Vancouver, and this helps fuel the current housing crisis.

The City of Vancouver has among the lowest property tax rates in Canada. Even the additional provincial school tax on properties over $3 million barely moves the needle.

The annual residential property tax rate in Vancouver — including municipal, regional and provincial portions — is a quarter of one per cent of assessed value. That's less than half the rate in Toronto and the eight other major Canadian cities compared in a recent report by Altus Group. Rates in Vancouver suburbs are also lower than in these cities.

In concrete terms, property taxes on a $1-million property in Toronto were approximately $4,673 in 2017, while in Vancouver they were $2,555. After you factor in B.C.'s generous Home Owner Grant, the bill in Vancouver falls to $1,985.

The story is similar for a $4-million property, which in B.C. could be subject to a surtax on the provincial portion of property tax (known as the "school tax"). The change announced in February's provincial budget adds a 0.2-per-cent surtax on the value between $3 million and $4 million, and 0.4 per cent on value above $4 million. Adding new brackets at the high end is something the Canadian Centre for Policy Alternatives has long recommended to make the property tax system more fair.

In Vancouver, property taxes on a $4-million property were about $10,220 in 2017, with the surtax this would rise to $12,220. The taxes on a $4-million property in Toronto are much higher at $18,693.

Even after incorporating B.C.'s new surtax on high-end properties, taxes on a $4-million property are still more than 50-per-cent higher in Toronto than Vancouver.

Some will insist that property taxes should be compared not on actual property values, but instead different values across cities should be used since typical prices are so much higher in places like Vancouver.

One little-discussed effect of having low property tax rates is that it encourages holding residential real estate as an investment. Most investments have a "carrying cost", and low taxes mean the carrying cost for property investment in Vancouver is very low, making investing in property attractive compared to holding other types of assets.

For example, if you invest in mutual funds in Canada you will typically pay a carrying cost of about two per cent annually in investment management fees. Compare that to the nearly eight-times-smaller 0.26 per cent carrying cost of property taxes in Vancouver. Residential property values have risen steadily in Vancouver — almost tripling since 2005. When you combine very high investment returns and very low carrying costs, it's clear why this makes an enticing investment.

Vancouver's property tax rate is so low, in part, because of a quirk of how property taxes are levied. Rather than locking in a tax rate (or set of rates) as we do with income tax or sales tax, property tax rates change every year. A municipality determines its annual budget, and then property tax rates are set for the year at a level that will raise precisely this amount of money.

When property values rise, the property tax rate (or "mill rate") actually decreases to ensure revenues don't exceed the city's planned spending. For example, the tax rate in Vancouver has fallen by more than half between 2000 and 2017 (from 0.63 per cent of assessed value to 0.26 per cent).

This steadily decreases the carrying cost of property, making Vancouver property an ever more attractive investment. Increasing demand puts upward pressure on prices, which leads to further declines in the tax rate and so on.

In other words, as the tax base of property wealth grows, property tax rates paradoxically decrease, meaning a continually smaller proportion of that wealth is taxed. This also means a smaller proportion of property wealth is harnessed for the public good (even though public investments like transit, schools, parks and basic infrastructure give urban land much of its value).

Some argue that property taxes should be compared using "typical" properties in each city (even if they are of very different value) rather than comparing properties of the same value.

This approach is also informative, but ignores the huge growth of property wealth in cities like Vancouver and overlooks the incentives created by low carrying costs to hold real estate as an investment. Even by this measure, though, Vancouver's property taxes are low.

In a recent Vancouver Sun op-ed, Elizabeth Murphy claimed — incorrectly — that Vancouver has the highest property taxes in the country by this measure. The chart she published suffers from a glaring methodological flaw, however. Instead of using the overall benchmark price for properties in each city, her chart uses the benchmark for only the most expensive sub-segment of the market: single-family properties.

When the overall benchmark is used, typical property tax bills for Vancouver are among the lowest of the cities she compared. After subtracting the Home Owner Grant, Vancouver has the lowest of the group at $2,155, which is more than $1,200 lower than Toronto.

As a thought experiment, imagine instead of continuing with perpetual rate decreases, Vancouver's residential property tax rate was frozen at the 2015 level of 0.35 per cent (or even the 2000 level of 0.63 per cent, which would still be lower than Toronto today).

The result would be a mix of additional government revenue and lower property prices because the increased carrying cost would make real estate a less attractive investment, decreasing demand. These are both desirable outcomes and would ensure a larger share of the "land wealth rush" is captured for the public good, something that hasn't happened to date in Vancouver.

With additional revenue, the city or province could budget for the creation of hundreds or even thousands of new social and co-op housing units each year. Adding more affordable units would put downward pressure on the price of other units in the broader market.

Property tax rates should be structured progressively so that those at the highest end of the market pay the highest rate as the Canadian Centre for Policy Alternatives has recommended. The additional provincial school tax on properties over $3 million is an important step in this direction, but the B.C. government should also allow cities to use progressive rate structures as the City of Vancouver has requested.

It’s beyond time we faced up to the reality that low property taxes are helping to fuel our housing crisis.

Residents sound off over NDP’s tax on expensive homes in B.C.

Homeowners packed a west-side gymnasium in Vancouver Sunday to raise concerns about a new tax on expensive homes.

The meeting, hosted by the West Point Grey Residents Association, was at times rowdy, with many of those in attendance booing loudly when B.C. Attorney-General and Vancouver-Point Grey MLA David Eby spoke to defend the tax.

Mr. Eby, however, said some of the concerns related to the tax are based on misinformation and that opponents include developers and speculators who are concerned it will cut into their profits.

He cited the example of a man he called Frank, who owns a $7-million house mortgage-free, yet says he is in living in poverty.

“He has not been deferring his property taxes to date,” Mr. Eby said. “He is less likely to defer now because he has been receiving flyers telling him that the highly subsidized deferral program is not available or it is a secret way for government to take his house,” he added.

Liberal MLA Andrew Wilkinson spoke against the tax, calling it a “tax on your family home” and suggesting that Mr. Eby was not listening to constituents’ concerns.

“This is an asset tax,” Mr. Wilkinson said. “No consultation, no reasoning and it’s been given a phony name. It has nothing to do with schools – it’s going to general revenue.”

Mr. Wilkinson and other critics say the tax is being pitched as helping education but that there is no guarantee funds raised from it would be used for that purpose.

The meeting was held to discuss a tax hike on expensive homes. The NDP government introduced the measure in its February budget as part of several steps to cool down Vancouver’s overheated real estate market.

Beginning in 2019, the government plans to impose an additional school tax on high-valued properties. The tax – which would apply to detached homes, condos or townhouses that fall under B.C.’s strata property regulations and most vacant land – would kick in at $3-million.

The tax wouldn’t apply to non-strata buildings that have four or more units.

The rate is 0.2 per cent on the residential portion assessed between $3-million and $4-million and 0.4 per cent on the portion assessed over $4-million.

So, for example, the owner of a property assessed at $4-million would face additional taxes of $2,000 next year, above and beyond the usual annual property-tax bill. For the owner of a $5-million home, the increase would be $6,000.

Critics of the tax say it puts an unfair burden on people, including some senior citizens, who have fixed incomes and would have a hard time paying thousands of dollars extra each year.

Supporters say such owners could defer paying those taxes, through a low-interest provincial program that already exists, and that those owners – or their heirs – would still come out ahead financially if and when the property is sold and deferred taxes came due.

The tax was not part of the NDP campaign platform and has drawn fire from some residents of neighbourhoods where many homes are assessed above $3-million, including Mr. Eby's Vancouver-Point Grey riding.

On May 1, Mr. Eby cancelled a town-hall meeting about the tax, citing security concerns after the 300 tickets for the event sold out and amid concerns that people without tickets might try to enter.

Speakers at the event lined up to ask questions and raise their concerns, which mostly focused on the potential impact of the tax on households and neighbourhoods. One speaker, a doctor, said the tax would result in others in his profession leaving Vancouver and would make it more difficult to attract new, young doctors to the city. Another woman, who said her house is worth $6-million, says she feels that she is being forced to sell her house or triple the rent of a tenant who currently lives in the property.

B.C. rules out changes to tax on high-value homes amid escalating backlash

The B.C. government is ruling out any change to a tax on high-value homes that has prompted protests in the Vancouver region.

Sage Aaron, director of communications for Premier John Horgan, said in an interview on Thursday that legislation enacting the tax has been passed, and the government is committed to following through with a policy that she called "the right thing to do."

The NDP government's recent budget included an increase to the school tax, which is paid through property taxes, on homes worth more than $3-million. The tax increase, which was not part of the New Democrats' campaign platform last year, was among a series of housing measures that also targeted foreign buyers and empty homes.

Despite its name, the school tax does not directly fund schools; instead, it is added to general revenues. The NDP is looking to the tax to raise funds for various parts of its governing agenda.

Opposition to the school-tax increase has been escalating, particularly in the Vancouver riding of Attorney-General David Eby, which has many homes valued above $3-million. Critics have said the tax is unfair to homeowners, particularly seniors, who plan to use their real-estate assets in retirement.

Earlier this week, Mr. Eby cancelled a town-hall meeting on the school tax, citing security concerns. On Thursday, Mr. Horgan was asked about the prospect of a tax revolt in B.C., given the housing tax and various other taxes enacted by the NDP since the party came to office last summer.

"I am quite OK with people expressing concerns around issues that you mentioned," Mr. Horgan told a news conference in the Victoria region.
The school-tax increase is aimed at "high-valued" residential properties, including detached homes, condos, townhouse units and most vacant land.

In introducing the tax, Finance Minister Carole James said: "Soaring house 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."

The additional 0.2-per-cent tax applies to the portion of a residential property's assessed value that exceeds $3-million, but does not exceed $4-million. An additional tax rate of 0.4 per cent applies to the portion of the assessed value over $4-million.

The government has defended the tax, noting that some homeowners have the option of deferring their property taxes, including the school tax, until they sell their homes.

Earlier this spring, the BC NDP overhauled another planned housing tax after a sharp backlash.

Many expressed concerns that the tax on homes left empty, as initially proposed, would unfairly target people with vacation homes.

The NDP government, which had acknowledged the tax could have “unintended consequences,” outlined changes designed to ensure most British Columbians would be spared from paying the tax, which had been set at 2 per cent of a property’s value. Many Canadians who live outside the province will also be exempt.

The government also reduced the number of regions where the tax applies, limiting it primarily to urban centres and exempting rural areas where lakeside cabins and vacation homes are common.

Report says supply, not taxes, needed to ease Vancouver’s housing crisis

Tax-based policies intended to ease British Columbia’s housing crisis will generate significant new revenue for the provincial government while having little effect on home prices, according to a new report that says B.C. should instead address regulatory barriers to creating more housing supply.

Report author James Tansey, executive director of the Centre for Social Innovation and Impact Investing and an associate professor at the University of B.C.’s Sauder School of Business, said the government’s own projections suggest increases in the property-transfer and foreign-buyers taxes, and the new taxes on vacant and expensive homes, will not reduce housing prices.

“If you look at the foreign-buyers tax, which has been raised to 20 per cent [from 5 per cent], if that policy was expected to be effective, the assumption is that [government] would have reduced their revenue over the next three years,” Dr. Tansey said of the projections. “Instead, it grows by 21 per cent [by 2021].”

The property-transfer tax, which has been increased to 5 per cent on homes that cost more than $3-million, is projected to generate $81-million each year from 2018 to 2021. The taxes on empty homes and homes assessed at more than $3-million, meanwhile, are expected to bring in about $200-million each annually.

The report says the government “appears to view housing stock as the asset base for raising revenue for social programmes including affordable and social housing, by taxing the value tied up in private property.”

A different approach to reducing the cost of housing would be to focus on supply by removing regulatory barriers to creating more housing stock, the report says. This includes increasing the pace of rezoning and permitting, and reducing development fees to allow higher-density housing in areas dominated by single-family homes.

The report cites a C.D. Howe study that suggested regulations can add up to $600,000 to the cost of a new detached home in the Metro Vancouver region.

“If you imagine reducing those costs by half, or a quarter, you’re taking $300,000 to $400,000 off the cost of a new home,” Dr. Tansey said.

Premier John Horgan defended the housing-related taxes, but said his government is also working on increasing housing stock.

“We are working with municipalities to streamline decision-making,” he told reporters in Victoria on Thursday. “We are working with not-for-profits through what we call our Housing Hub … to get more supply brought into the market as quickly as possible.”

The Premier said revenues from the taxes are “going right back into building more housing,” but that will take some time.

“The challenges didn’t arrive in July, 2017,” he said. “They were building over a number of years, and it is going to take us some time to delicately manage the free market in this instance.”

Some British Columbians say the taxes target them unfairly. Last weekend, homeowners packed a gymnasium on Vancouver’s west side to voice concerns about the tax on luxury homes, which will create new tiers of the school tax paid on properties assessed at more than $3-million and $4-million.

Those who have seen property values soar on homes bought decades ago are suddenly on the hook for thousands of dollars more per year, which some – such as seniors on fixed incomes – say they cannot afford.

(Supporters note such owners can defer paying the tax and that they or their heirs would still come out ahead financially if and when the property is sold and the deferred taxes came due.)

And in March, the B.C. government tweaked its so-called speculation tax on vacant properties after outcry from British Columbians with vacation homes in the province and communities that rely on part-time residents.

Montreal transit agency ventures into real estate with mixed-use complex

Montreal's transit agency will soon be breaking ground on a new project. But this time it won't be the usual subway-line extension or transit hub. In a first for the Société de transport de Montréal (STM), the agency is venturing into the real estate business with plans for a residential-office complex that will go up on a parking lot it owns, located just steps away from one of its Métro subway stations in the east end of the city.

It's a bold foray for the STM as it seeks to boost much-needed non-farebox revenues to fund capital investments, operations and maintenance costs while at the same time promoting transit-oriented development (TOB) and helping the city reach its affordable/social housing targets.

The concept of transit agencies using real estate development for financing and urban planning purposes is not new; Hong Kong's Mass Transit Railway Corporation has been a major real estate player for decades and other transit commissions involved in property development in one form or another include Singapore, Paris, London and New York. But Canadian cities to date have not been very adventurous on this front and Montreal's modest first step is certain to be closely watched by transit agencies across the country as they seek innovative ways to capitalize on existing or new infrastructure and land development.

"This is a project that has several aspects and it's important it have several aspects," STM chairman Philippe Schnobb said. "There's a huge need for social housing in Montreal." The venture – at the Frontenac Métro station – allows for the densification of a low-income neighbourhood; in addition, its location right next to the subway helps promote public transit use. It also gets rid of an eyesore parking lot/heat island and replaces it with a structure that will include a green roof and a courtyard.

Plans call for a four-building complex that will include 298 residential units – 60 subsidized apartments for low-income residents, 109 affordable condo units and 129 market-priced condos – as well as office space that the STM will either occupy itself or lease out. Building heights range from two to 12 storeys. An underground parking space will have room for 213 cars and 175 bicycle stalls.

Mr. Schnobb says the Frontenac venture could open the door to more real estate related transactions in the future that will provide for recurring revenues. "We could have simply sold the parking lot, pocketed the money and invested it somewhere. But what's also important for us is to be generating recurring revenues," he said.

Spearheading the project for the STM is its commercial subsidiary, Transgesco. Partners include the non-profit housing agency Société d'habitation et de développement de Montréal (SHDM) and local social housing groups. Under the terms of the deal, the STM is selling the land to Laval, Que.-based general contractor Cosoltec Inc. for $5.35-million. The STM will in return get ownership of the two-storey, 25,700-square-foot office building.

Construction is set to get underway next year, with delivery slated for 2021.

The Frontenac plan has been in the works for about two years, with close collaboration between the STM, the SHDM and local groups, SHDM spokeswoman Leslie Molko said.

"We need to look at what Montreal and other cities are doing," said Cherise Burda, executive director of Ryerson University's City Building Institute. "It's thinking about how you create neighbourhoods around these transit lines, which is something we don't usually do."

There is still too much of a “silo” mindset in Ontario, with a lack of cooperation between the various transit, housing, city and other agencies, Ms. Burda said. “It’s such a wasted opportunity.

“Why not have a real estate development arm of [regional transit authority] Metrolinx or other agencies staffed with smart people who can make informed decisions and work with developers?”

James Perttula, director of transit and transportation planning for the City of Toronto, says the Montreal experience will be closely followed. “We don’t have anything like Montreal to announce, but this is something we are looking at more and more now,” he said.

“The role is to think much more strategically about the city’s real estate assets. Certainly we’re looking at opportunities for affordable housing.”

The city recently merged four separate real estate related agencies into one umbrella group, dubbed CreateTO. Its mandate is to manage Toronto’s real estate portfolio, develop city buildings and lands and provide real estate solutions to the various divisions, agencies and corporations, including the Toronto Transit Commission.

CreateTO is currently conducting an inventory of the land around existing stations and examining ways to use city-owned properties for housing solutions, including affordable housing, Mr. Perttula said.

In Calgary, Calgary Transit works with the city’s real estate and development services team to assess and plan developments at train stations, spokeswoman Sherri Zickefoose said. One recent transit-oriented development project that was approved is a 20-acre mixed use “urban village” next to the Anderson LRT Station, she said.

The key policy approach underlying many of the real estate related transit projects is known as land-value capture. Essentially, the concept is that transit agencies as a rule help boost property values via public projects such as transit hubs and should therefore be entitled to part of the returns that the private sector benefits from as a result of those infrastructure improvements.

Land-value capture can take many forms, including direct involvement in real estate development by transit commissions, indirect participation through private-sector partnerships, or other mechanisms such as transit-supporting levies imposed on developers.

A new, 67-kilometre automated electric light rail network in the Montreal area being built by Quebec’s pension-fund manager Caisse de dépôt et placement du Québec includes plans for land-value capture. The Caisse will build and operate the system, known as the Réseau express métropolitain (REM); a recently upwardly revised estimate puts the cost of building the network at $6.3-billion. The project offers several options for tapping into the revenue-generating potential of property-value increases on the land the trains will pass through. The Caisse could, for example, get involved in property development through its real estate subsidiary, Ivanhoé Cambridge.

“Because transportation and land development are so intertwined in cities, pairing real estate development with transport system investments makes perfect sense,” said Deborah Salon, assistant professor at the school of geographical sciences and urban planning at Arizona State University.

“Public investments in new transit infrastructure have served to make money [and sometimes a lot of it] for those who own land near the stations and developers working in station-area neighbourhoods. At the same time, many transit agencies have trouble covering their costs.”

NOVA SCOTIA - Savage looks at alternatives to property tax at big city mayors meeting

Members of the Big City Mayors' Caucus are in Halifax to kick off the annual meeting of the Federation of Canadian Municipalities.

The leaders of large Canadian cities are using a Halifax conference to look for a new way of getting a portion of revenues raised by other levels of government.

Members of the Big City Mayors' Caucus are in Halifax to kick off the annual meeting of the Federation of Canadian Municipalities.

The federation gives a national voice to municipalities across Canada, from big cities to small, rural municipalities. The caucus is part of it and includes Canada's 22 biggest cities.

Mike Savage, Halifax's mayor, said relying mainly on property taxes means cities can miss out on the benefits of economic growth from the high-tech sector.

Growth doesn't always mean new buildings

Savage said expansion within the knowledge and innovation industry doesn't always mean the construction of new buildings. "In fact, our commercial assessments are flat," said Savage. "You've got 40 or 50 high-tech employees in the space where there used to be three or four offices, or they work from home."

In some parts of the country, the answer may be a portion of the sales tax. That's what is being negotiated in Quebec. But Alberta doesn't have a sales tax.

'No single answer yet'

Don Iveson is the chair of the caucus, and he's also Edmonton's mayor. He said there has to be some flexibility.

"There's no single answer yet. We're going to continue to do some research on that," he said. "But the principle is predictable and sustainable and grows with the economy."

About 1,900 delegates from across Canada are in Halifax for the national municipal conference, which runs until Sunday. It's meeting at the Halifax Convention Centre under the theme of Tools for Tomorrow's Canada.

The fight over the value of Alexander Graham Bell's former estate

Alexander Graham Bell's descendants are appealing the assessment value of the telephone inventor's Baddeck, N.S., estate in an attempt to cut their tax bill in half.

They say the assessment value of $1 million that is used to levy municipal property taxes should only be about half that amount.

The family members, represented by trustees of Beinn Bhreagh Hall Corp., appealed to the Nova Scotia Utility and Review Board at a hearing in Baddeck on Tuesday.

Sara Grosvenor, a great-granddaughter of Bell and a trustee for the estate, said the 125-year-old stately home is deteriorating and costing millions in repairs and maintenance.

However, she said, it should still be preserved for future generations because of its historical significance.

"It is really a beacon for the Bells, for their achievements, and it's iconic, because there are few places in the world where you can experience the lives of historic figures as completely."

The estate has been used as a family summer home since Bell's death in 1922. It has been mostly unused since 2006 while repairs have been underway, but Grosvenor said someone regularly looks after the property and there are plans to open it up again.

"The Bells very frequently had both private and public events at the house," she said in an interview. "They would have fundraisers for the hospital, the Red Cross, the library in Baddeck. They would have symposiums of scientists and explorers.

"We want to continue this tradition and we've also considered having a tour program. The tours would be kind of in the off-season of the building. The family gathers there in July and August.

"The tours would be in the spring and fall months, and we did in 2016 have a pilot tour program, so we're just figuring out some groups that plan to tour in this area this summer and if they have interest in seeing the building."

The family's lawyer, Nicole LaFosse of Sydney, N.S., said the estate's annual municipal tax bill is roughly $10,000. If the assessment is reduced as requested, it would amount to a roughly $5,000 cut in annual property taxes, she said.

Assessment appeal generated controversy last year

Bell's descendants first appealed the 2016 assessment before the Nova Scotia Assessment Appeal Tribunal, a move that generated some controversy in denying the appeal.

Tribunal member Raffi Balmanoukian wrote last spring that the owners' arguments had merit, but the evidence was lacking.

However, before making that ruling, he questioned Bell's historical claim to have invented the telephone, referring to an American who claimed he invented the communication device before Bell.

"If Antonio Meucci had renewed his patent office caveat for his 'sound telegraph,' this appeal may not have been before me today," Balmanoukian wrote.

"Instead, the name Dr. Alexander Graham Bell is forever associated with the telephone, making everything ever connected — if I may be forgiven the use of 'connection' — with his name sacred writ to historians and aficionados.

"I confess I am not a fan of his claim to fame. I do however give him his full due to that great contribution to global communication and understanding, a small magazine of magnificent photography and an iconic yellow border — National Geographic.

"This is not to say that for the appellant all is lost for all time," Balmanoukian wrote. "I indulge myself by saying, 'Please hang up and try your call again.'"

The owners claimed that showed the tribunal was biased against its appeal.

Bells claim bias, but appeal on appraisal

In one filing with the UARB, Edwin S. Grosvenor, a great-grandson of Bell and a historian, writes that Meucci's claims to have invented the telephone were "spurious" and that a U.S. patent court judge soundly rejected Meucci's arguments.

However, bias isn't considered grounds for appeal at the UARB. Instead, the board held a new hearing where the Bell family and the Property Valuation Services Corp., which is financed by municipalities and sets property values used to levy municipal taxes, presented evidence backing their differing opinions on the appraised value of the estate.

As the assessor's lawyer, Robert Andrews, told the hearing on Tuesday: "It's important to note that the director of assessment does not assess history."

The owners say the 8,500-square-foot home will need $1 million in repairs over the next two years.

The property has federal and provincial heritage designations, and a provincial conservation easement on the title, meaning the owners can't subdivide the land or change the exterior of the building.

The estate's assessed value for tax purposes is $902,000, but the owners say an appraisal they had done determined it should be $475,000. They say the property can't be compared to others, because no other property in Cape Breton has the same historical significance or heritage restrictions on maintenance.

They also say it requires a lot of expensive maintenance because the stone foundation and stone walls cannot be repaired with modern materials due to the conservation and heritage restrictions.

Mabel Grosvenor, Bell's granddaughter, died in 2006, leaving the estate and a trust fund for its maintenance.

Her niece, Sara Grosvenor, told the UARB hearing that the trust fund is down to about $400,000 and there is a possibility it will run out before all the necessary repairs are done.

And it's getting increasingly difficult to convince younger members of the need to continue maintaining it in perpetuity, she said.

Harder to justify maintenance costs

"Every family generation, they're getting more distant from the original legacy," Grosvenor said. "I was in the house from age nine to 40 or something, so I have this association with Mabel and my parents in that house. But many cousins don't, so they worry about the expense of it and being able to maintain it."

After the owners filed an appeal to have the 2016 assessment reduced, the assessor filed a notice of intent to increase the assessment by almost $100,000, to around $1 millionThe home sits on about 10 hectares of land at the end of the peninsula that creates Baddeck Bay. The original estate was about 243 hectares, covering much of the peninsula, which has since been subdivided into parcels and seasonal homes owned by Bell's descendants.

Name Gaelic for 'beautiful mountain'

Bell's home is described as a two-storey single dwelling built of stone in 1893. Beinn Bhreagh is Gaelic for 'beautiful mountain.'

The assessor says the value has been appealed several times. It was lowered on appeals in 2009 and 2010, but confirmed in 2014, 2015 and 2016.

In the current appeal, Bell family members continue to insist the assessed value is too high because of the required cost of maintenance and the restrictions imposed by a conservation easement and heritage designation.

The assessor says its valuation is correct because heritage status has no value and Beinn Bhreagh has no income potential. Therefore, it can only be compared to similarly sized waterfront properties in Cape Breton.

But both sides agree there are few, if any, truly comparable sites.

Daniel McNeil, a senior assessor with Property Valuation Services Corp., told the hearing that many smaller properties with less waterfront on the Bras d'Or Lake have sold recently for a lot more money, making his appraised value at $1 million "very conservative."

"It is a stunning piece of property."

Both sides can still file final legal submissions with the UARB, which will render a decision at a later date.

ONTARIO - Council sets ratios for property tax increases

Residential tax base to be charged 2.43 per cent more, responsible for nearly $4 million of $5.5 million municipal levy increase.

THUNDER BAY – Residential taxpayers are saddled with paying nearly 63 per cent of this year’s municipal tax levy, continuing an inclining trend from the 49.5 per cent they were responsible for in 1999.

Thunder Bay city council on Monday night set the city’s tax ratios for 2018, which results in a 2.43 per cent increase for residential property owners. The rate increase for each residential property differs depending on its individual assessed value.

City revenue director Rob Colquhoun said the median household, with an assessed property value of $199,000, would pay $66.95 more in property taxes this year, bringing the total to $3,258.

Since 1999, the city's tax levy has nearly doubled from $95.9 million to $188 million this year. Over the course of those two decades, the large industrial's share of the levy has dramatically dipped from nearly 12 per cent in 1999 to 1.75 per cent in 2018.

As well, a provincially imposed tax burden is in effect for the city's multi-residential class, requiring the amount of the levy increase from those properties to be redistributed to other classes. That freeze is designed to force the multi-residential tax ratio down to two per cent from the current 2.42 per cent.

There are similar levy restrictions on municipal tax increases on commercial and industrial properties because the city's ratios exceed provincial thresholds.

The policy approved by council followed administration's recommendation to implement revenue neutral tax ratios, which maintain the same distribution of municipal property taxes among classes. That policy keeps the residential below the 2.78 per cent increase that would have been in place using a strategy of starting ratios.

"Every option that is available has been taken to mitigate the shift onto residential. Despite that, there is still going to be an ongoing shift onto residential," Colquhoun said. "A lot more could be shifted onto residential if council were to so choose."

Council also approved directing the city's $5.6 million tax-supported surplus from 2017 into reserve funds. The majority – $3.1 million – will be transferred to the Renew Thunder Bay fund while $1.1 million will go into the stabilization reserve fund to replenish the amount used during budget deliberations to offset the levy hike while the remainder will be divided between the insurance and legal fees reserve funds.

While many councillors commended administration and said the surplus is good news, Coun. Rebecca Johnson said she doesn't want to see a $5.6 million variance every year.

"Are we really budgeting properly?" Johnson asked. "To me, that's a lot of money that we can have at the end of the year regardless of where it comes from. That says to me we're not really budgeting properly."

City treasurer Linda Evans said the final surplus doubled from the third quarter projection of $2.8 million due to higher than forecasted revenues from taxation, penalties and interest, casino revenue and interest income, as well as departmental savings, lower overtime costs, staff turnover and corporate energy savings.

"These are expenses or higher revenues that are very difficult to forecast. They fluctuate often from year to year depending on a number of factors," Evans said. "The review concluded the majority of that $5.6 million in surplus really related to one-time items and were transferrable to out years."

Where's the plan for Ontario's municipalities?

Lynn Dollin is President of the Association of Municipalities of Ontario (AMO) and Deputy Mayor of Innisfil. AMO represents almost all of Ontario's 444 municipal governments, excepting the City of Toronto.

The provincial election is less than two weeks away, but make no mistake – the future of critical local services is very much on the ballot June 7.

During the first two leaders' debates, the trio vying to lead Ontario's provincial government were peppered with questions about core municipal services, such as policing, transit and economic development. That's because the fate of our 444 municipal governments is deeply intertwined with decisions made by the provincial government.

The province dictates and regulates municipal services. And municipal governments often deliver and help fund key provincial government programs.

So far, no party has offered a clear plan to support municipal governments. All have made expensive promises. And all have remained silent when asked if municipal property taxpayers will have to pay for them.

It makes sense that we are hearing about provincial health care and education. They are important to communities. Municipal governments provide their own a wide range of important, basic services. Most people use them every day. Yet municipal governments collect just nine cents of every household's tax dollars. The other 91 cents goes to federal and provincial coffers.

An analysis by the Association of Municipalities of Ontario (AMO) found that a $4.9-billion annual gap is forming between municipal revenues collected (largely from property taxes and user fees) and what is needed to pay for services, provincial mandates and infrastructure. Without changes, property taxes would have to double over the next 10 years to close this gap.

Out of necessity and good sense, municipal governments constantly strive for efficiencies. But belt-tightening alone won't solve a problem of this size. And unlike our federal and provincial peers, we are not allowed to borrow our way out of it.

Municipal governments own more than 60 per cent of all public infrastructure. Previous downloading of provincial costs (not to mention 5,000 kilometres of roads) made it hard to keep up with infrastructure needs. That problem continues to grow.

We regained some lost ground when the province agreed to slowly take back some social services and court security costs. This upload is now worth about $2-billion each year. In simple terms, it means that municipalities have been able to keep property tax revenue that used to subsidize Ontario government programs. Those municipal property tax dollars are now building municipal infrastructure.

That being said, municipal governments are still paying for and delivering provincial services such as social housing, child care and public health. More than 170,000 people sit on the waiting list for housing across Ontario. When it comes to hospitals, we chip in for expansions, new buildings and equipment. We care about the well-being of our communities, but nine cents on the dollar is no prescription for healthy and thriving communities.

Too often, the best interest of the Ontario government and its bureaucracy trumps what is practical and efficient locally. New provincial initiatives are often imposed on municipal governments without enough (or any) money to cover the costs.

In addition, the province's one-size-fits all approach to municipal rules and regulations drives inefficiency and waste. Kingston is not Kenora. Why not let them each do what works best locally? If we could change and eliminate many arbitrary provincial rules, local governments could better control their own costs.

Anyone who hopes to lead our province should have a clear plan to support municipal government. Taxpayers expect governments to work together and respect their money. We need an approach that considers the impact that provincial decisions have on municipal costs and property tax rates. It is time to stop passing down costs and piling them onto the municipal tax bill.

Local governments need a greater local say in how services are delivered and a greater local share of tax revenue – a share that matches our responsibilities.

In the absence of an effective partnership with Queen's Park, many municipal councils will face a stark choice: raise property taxes or make deep cuts to municipal services.

AMO wants to see each party's plan for municipal government. Tell us, and the people of Ontario, what actions you will take and – what actions you won't.

Property tax was never designed to fund provincial programs

The mayors of Ontario's 27 big cities are unanimously calling on all provincial party leaders to commit to keeping in place the upload of certain program costs to the province. It is where those costs belonged in the first place. Passing on any new costs to cities would also be wrong.

In recent weeks, some leaders have speculated about getting tough with municipalities in order to balance the provincial budget. If this happens and the next government downloads more costs onto cities, a big property tax increase will result or many services will have to be cut. That's the reality.

While it would be easy for the province to balance its budget by downloading costs to cities, this would be a huge mistake. It would end up hitting the pocketbooks of all 13 million people of this province. Municipal governments receive only nine cents of every household tax dollar, whereas the province receives 44 cents — yet municipalities own 60 per cent of all the infrastructure in Ontario.

It has taken 20 years to fix the download that cities experienced in the 1990s by the provincial government of the day. We cannot afford to go backwards.

Since 2008, costs associated with the Ontario Disability Support Program, court operations, Ontario Works, and drug benefits, to name a few, have once again become the responsibility of the province, and rightly so. If these services had remained downloaded onto property tax bills, the cost to residents and businesses today would have been $1.9 billion province-wide.

The mayors of Ontario's big cities want to make it clear to party leaders that if any of the previously downloaded costs come back to cities, or any new costs are added, we will be forced to list these on the property tax bill along with any resulting service cuts.

We need the province to be a committed partner and play its part. The property tax was never designed to fund provincial programs.

Cities build the infrastructure that makes our economy run. We pave and maintain your roads, sidewalks; build the transit that keeps people moving; deliver emergency services and public safety, provide clean drinking water; provide community amenities like recreation centres, parks, trails, and libraries that we all enjoy.

Municipalities are well-run and are the most heavily regulated level of government. We cannot create deficit budgets. We must submit detailed, public financial reports at the end of every year. At the same time, we have limited sources of revenue to provide the range of services residents need daily. Our nine cents come primarily from property taxes and user fees. We are already being asked every year to do more with less; we cannot take on more responsibility.

The Large Urban Mayor's Caucus represents 67 per cent of the Ontario population. Together, we are calling on all provincial parties and candidates to confirm their commitment to work with cities, to continue to maintain the upload agreement and to make further improvements. We support a strong, fiscally-prudent provincial government, but not at the expense or on the backs of our property taxpayers.

Prosperous communities lead to a prosperous Ontario. The next premier and provincial government would do well to remember this. In the end, we're all in this together.