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Real estate roundup: Peter Mitham

Assessments put property affordability in the spotlight

Assessing impacts

Assessment notices hit mailboxes across Vancouver last week, and for many property owners the numbers bore out the picture of a strengthening property market.

The assessment notice this columnist received saw a substantial gain in the value assigned to land versus last year's assessment, more than making up for a decline in building value.

Worse off, however, are non-residential property owners and the businesses that lease space from them: many are set to see double-digit increases in their tax bill thanks to a rise in property values that outstripped the local average.

While year-over-year assessments on non-residential properties in many Greater Victoria neighbourhoods fell (Victoria proper saw an average drop of 0.06%, while values in View Royal dropped a whopping 7.8%), Vancouver non-residential property values increased an average of 11.57% (slightly less than the average rise in residential values of 12.17%).

The rise is even greater for many lower-tier properties, where increases in the range of 30% to 40% have occurred thanks to opportunities for investors to acquire affordable product – the same reason many small businesses have also taken space in the properties. Any rise in assessed value above the average compounds the effect of increases in the municipal tax rate, boding ill for small businesses that sought cheaper space at triple-net rents that have looked good until now.

"Downtown towers, the triple-As and the A-class buildings will be in that sort of 10% to 15% value change, but the lower B- and C-class office buildings are getting value increases of 30% to 40%," said Paul Sullivan, senior partner with Burgess, Cawley, Sullivan & Associates.

The assessed value of the building housing his offices jumped 35%, 24 percentage points above the average rise.

"I've got at least a 24% property tax increase because that's the amount by which I exceed the average," he said, "and I will also experience an increase for the municipal budget change."

Those kinds of increases will be a blow to small businesses and the neighbourhoods they serve, especially in rising neighbourhoods on the fringes of Chinatown, in Mount Pleasant and along Fraser Street. The costs will ultimately flow through to consumers or kill businesses. That will fuel vacancies and redevelopment opportunities and further feed into the cycle of rising property values.

"It's bad news for the small businesses located in the lower-class building," Sullivan said. "It causes displacement and it erodes choices in your community."

Housing affordability

The last quarter of 2010 brought a flurry of announcements regarding affordable housing, and initiatives to make it a reality – UBC instructor Tsur Somerville's quip last year to Urban Land Institute members that housing affordability has never existed in Vancouver by any conventional measure.

Somerville's comment was echoed, however, by Vancouver's Urban Futures Institute, which noted in a recent report that "appropriate measures of affordability" don't exist.

"Current measures are merely a tribute to cleverness in manipulating existing data sets that were not collected to measure housing affordability and do not describe the wide range of tenant experiences and situations," Urban Futures analyst Ryan Berlin noted in the report, which provided fodder for comments analyst David Baxter made to a symposium regarding housing affordability the Canadian Home Builders Association of British Columbia (CHBA-BC) hosted at the start of November.

Those "tenant experience and situations" include how people value housing and the amount they're willing to spend on it for various amenities – proximity to services, transportation networks and the like.

Sometimes, a more expensive home may be cheaper than one that costs less but entails other expenses such as travel time.

While the Urban Futures report looked at rental affordability, similar decisions also play into home ownership decisions, which the CHBA-BC notes has not improved for the 25- to 44 age group in 40 years. While the province promises to streamline the B.C. building code to ensure predictable construction costs for developers provincially, and activists will continue to be vocal about housing needs, the Urban Futures report underscores the fact that when we rent or buy a home, we're paying for more than a roof over our heads.

ALC report received

B.C. Agriculture Minister Ben Stewart has received a review his predecessor commissioned this past summer of B.C.'s Agricultural Land Commission, but the public will have to wait to know what the report says.

"It will require some time to review the report in detail," Stewart said in remarks issued

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by his ministry's press office. "Once this process is complete, it is my intent to make the report publicly available. At this point I do not have a firm timeline."

Stewart said the review was "extensive" and he was unwilling to rush the public release of a report until he had shared it and received feedback from his cabinet colleagues.

Steve Thomson, Stewart's predecessor as agriculture minister, pledged that the review process – which made good on a commitment in the government's two-year-old B.C. Agriculture Plan – would be "open and transparent."

"The purpose of this wide-ranging consultation is to ensure the ALC continues to effectively fulfil its mandate to support farm families and enhance the integrity and sustainability of agriculture in B.C.," Thomson said last August in explaining the rationale for the review. •

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Business in Vancouver (www.biv.com) has been publishing in-depth local business news, analysis and commentary since 1989. The newspaper also produces a weekly ranked list of the biggest companies and players in a wide range of B.C. industries and commercial sectors, monthly features and industry-focused sections that arm its subscribers with a complete package of local business intelligence each week.

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