

REAL ESTATE ROUNDUP

PETER MITHAM

Vancouver set to wrestle with business-residential tax burdens; major Mount Pleasant community development on the Rize

Tax landmark pending

Vancouver city council faces a landmark property tax decision this week.

Three and a half years ago, city council endorsed a 1% annual shift in the municipal tax burden from non-residential property taxpayers to homeowners in the wake of a report by the city-appointed Property Tax Policy Review Commission. The commission's report recommended a 1% shift each year until residential properties bore 52% of the municipal tax burden and non-residential properties bore 48%.

On April 21, city council can fulfil that goal and allocate the 2011 tax burden 52.5% to residential properties and 47.5% to non-residential properties.

It being an election year, however, a big question exists: will council make a full 1% shift or will it settle for the basic 48%-52% split recommended by the tax commission?

Paul Sullivan of Vancouver appraisal firm **Burgess Cawley Sullivan & Associates** and a member of the **Vancouver Fair Tax Coalition** (which will make its voice heard at council), believes the full 1% shift makes sense.

Residential development continues to outpace development of commercial properties, which means the residential tax allocation is spread across an increasing number of properties while the business allocation falls on a relatively constant number (there has been a minor increase in commercial property numbers since 2006).

This difference dulls the impact of the tax shift. Residential properties continue to enjoy relatively low rates because a greater share of the tax burden is spread across a rapidly growing number



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Pop fizz: Vancouver developer Rize Alliance is hosting independent retailers at Kingsway and East 10th Avenue to demonstrate its commitment to the Mount Pleasant ethos

of properties, while businesses never see the full benefit of the shift because their numbers are falling in tandem with their tax burden.

"They don't justify shifting the levy for the value of new construction," Sullivan said. "Tax rates for residential, because we grow so much of it, are among the lowest in Canada."

While Vancouver city business property taxes have dropped from 5.9 times the residential rate in 2005 to 4.6 times last year, the Vancouver Fair Tax Coalition wants taxes to reflect consumption of municipal services. Vancouver businesses typically pay twice as much tax for services consumed as do residents, effectively subsidizing residential consumption.

Height break

A steady stream of people crowded Heritage Hall in Mount Pleasant last week for an open house to review the latest proposal from

"Tax rates for residential, because we grow so much of it, are among the lowest in Canada"

- Paul Sullivan,
Vancouver Fair Tax Coalition

Rize Alliance Properties Ltd. for the block bounded by Kingsway, Broadway, Watson and East 10th Avenue.

A public consultation on March 20 prompted Rize to shorten the

tower planned for the site to 19 storeys, the second cut to what was originally planned as a 32-storey building.

However, the new height remains a storey above the 18 or fewer that close to 95% of participants in the March consultation advocated.

One of the drivers of greater height is the property's significance. It will be adjacent to a transit hub if a rapid transit line is installed along Broadway. But approximately 90% of consultation participants don't want a development that is too tall or that eliminates the independent and eclectic shops that have been a hallmark of Mount Pleasant's renaissance (shops such as Rize itself is hosting on site in a bid to demonstrate its commitment to the

area's sense of self).

The new proposal also incorporates an arcade designed to echo the Lee building a block west on the opposite side of Broadway, which many in the community see as the area's defining site.

The project could move to public hearing as early as June.

Spring break

Mortgage holders and home buyers breathed a sigh of relief last week as the **Bank of Canada** held the line on the benchmark lending rate. Signs of caution abound in residential markets, however.

On the one hand, consumer bankruptcies in the province rose through the latter half of 2010, prompting **Central 1 Credit Union** to note that "household finances may have weakened in the fourth quarter."

Paralleling this data, housing starts ended the first quarter on a weak note thanks to lacklustre multi-family activity. Central 1 pegged annualized housing starts at 11,800 for Metro Vancouver. That number underscores the degree of inactivity, given that **Canada Mortgage and Housing Corp.** forecast housing starts for 2011 to be closer to 15,000.

Central 1 economist **Bryan Yu**, who sees more reason for optimism than caution in residential markets, says multi-family starts will likely end the year in good shape. They're generally trending up since the recession, while single-family starts have been trending down.

A more critical factor is job growth, which lends importance to the bankruptcy figures.

"We have seen very little in the way of job growth," he said. "Unemployment rates still hover quite high, at about 8%. So we think that's probably a negative thing for the economy." ■

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