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Affordable housing activists join business in calling for higher residential property taxes

Proposed Vancouver budget hits residential property owners with 4% tax hike

By Glen Korstrom

The City of Vancouver's proposed \$1.02 billion 2011 budget contains an approximate 4% tax hike for homeowners and virtually no property tax increase for commercial land owners.

The net result will be a 2% hike in the property tax that the city collects.

Many owners of the city's 172,000 residential properties are upset that their taxes will be raised, but it's not only owners of the 13,800 commercial properties who are pleased that the Vision Vancouver-dominated council is proposing to continue the tax shift policy the majority Non Partisan Association (NPA) council initiated in 2007.

Affordable housing and tax reform advocate Roy Langston has joined the chorus of business leaders who believe residential property owners in the city are getting a comparative free ride.

In 2011, the proposed budget calls for residential property owners to pay 51% of city property taxes; in 2005, they paid 43.5%.

Langston wants the city to continue shifting taxes to homeowners because he believes it will enable more people to buy homes.

"There's an inverse relationship between the tax rate and land value," he said. "As soon as you increase the taxes, land value goes down."

He wants homeowners' property taxes to be at least double what they are now.

Langston said homeowners and commercial property owners should be taxed at the same rate.

"Over the last 25 years, house prices have increased an average of about 7% per year in Vancouver while inflation has averaged about 2%. That's a net 5% annual gain.

Residential property taxes are now about 0.33%," he said. "So, for every \$1 that a homeowner pays in property tax, the community is giving them about \$15 in inflation-adjusted land value."

Business leaders and lobby groups such as the Fair Tax Coalition support shifting the tax burden from commercial property owners to residential property owners until the latter pay 70% of the property tax the city collects.

But even they don't support taxing both classes of property at the same rate.

"Businesses have the ability to deduct property taxes from profit if they happen to make a profit," said Paul Sullivan Burgess, a Fair Tax Coalition member and a partner with Cawley Sullivan & Associates. "So it's fair for business to pay a premium."

The typical business also consumes more city services than does the average homeowner. While only 7.4% of city properties are commercial, businesses consume 24% of city services. That means that commercial property owners pay slightly more than \$2 in tax for each dollar of city services they consume. Homeowners pay about \$0.60. •

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