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Tax burden borne by neighbourhood businesses; affordability continues to elude city housing market

By Peter Mitham

Taxing changes

Vancouver ended its rebalanc ing of the distribution of the property tax burden between residential and non-residential property owners this spring, but fresh concern is sprouting as planning and redevelopment activities pick up across the city.

"It's definitely going to be an increasing issue," said Paul Sullivanof Burgess, Cawley, Sullivan and Associates and a director of the Vancouver Fair Tax Coalition.

Approximately 75% of commercial properties in Vancouver have a speculative value in excess of what the properties are currently assessed at, making them vulnerable to damaging increases in tax assessments. The outcome is the same, whether spurred by changes in planning policies or market activity. The potential scenarios for Vancouver businesses echo what industrial property owners in Richmond's Brighouse area experienced when the city designated the neighbourhood for residential development. BC Assessment began assessing local properties as residential, but property taxes were charged at the higher industrial rate in accordance with actual use.

Richmond sought and achieved a tax break for landowners, but Vancouver and other municipalities have not sought similar legislation to assist their commercial property owners facing similar circumstances.

Some of the areas where commercial properties and their tax-paying tenants will face the greatest squeeze include West Broadway, where properties are typically assessed at $185 per buildable square foot.

But, pointing to the recent sale of the Mercedes-Benz site at Broadway and Hemlock for $300 per buildable square foot, Sullivan said BC Assessment may apply that value to other properties – perhaps even as far west as Alma, a strip of West Broadway where projects such as Mosaic Homes' planned 31-unit Bayswater development at the cross-street of the same name.

And, should sale prices at Mosaic's development reflect strong demand, they'll confirm a high valuation for other potential development sites in the area.

Westbank Development Corp.'s redevelopment of the Safeway site at Granville and 70th will be a similar catalyst for change in Marpole. But with redevelopment, the growth in residential property values ends up spreading the property tax burden across a greater number of residential units, while the non-residential share of the tax burden will fall to a diminishing number of commercial properties. While council has nominally redressed the balance as per recommendations of the Vancouver Property Tax Policy Review Commission's final report, the problem could easily reoccur.

"As of this year, 47% of the total property tax load is being paid by 7% of the properties," Sullivan said in a recent note to clients. "We have a ... diminishing number of commercial properties and growing municipal budgets. This is not sustainable for our future generations."

Unaffordable changes

Speaking of unaffordable, the latest RBC Economics housing affordability survey notes that while some types of housing in B.C. generally became more affordable in 2012's first quarter, Vancouver houses became less affordable. "RBC measures rose between 0.3 and 3.1 percentage points in the latest period, thereby raising doubts that extremely poor affordability levels in the area will improve significantly any time soon," the report stated.

Condos, typically the most affordable, remained the least affected in Vancouver, shifting just 0.3 percentage points to require 44.9% of monthly household income.

And let's not pretend renting is any easier: Canada Mortgage and Housing Corp.'s latest survey of the local rental market indicates that vacancies decreased this spring while rents increased.

One-bedroom vacancies edged down from 3.1% to 2.6%, driving an overall drop in vacancies to 2.6% in metropolitan Vancouver. Rents now average $1,013 a month, led by one-bedroom rents, which increased 3.3% to $965 a month. •

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