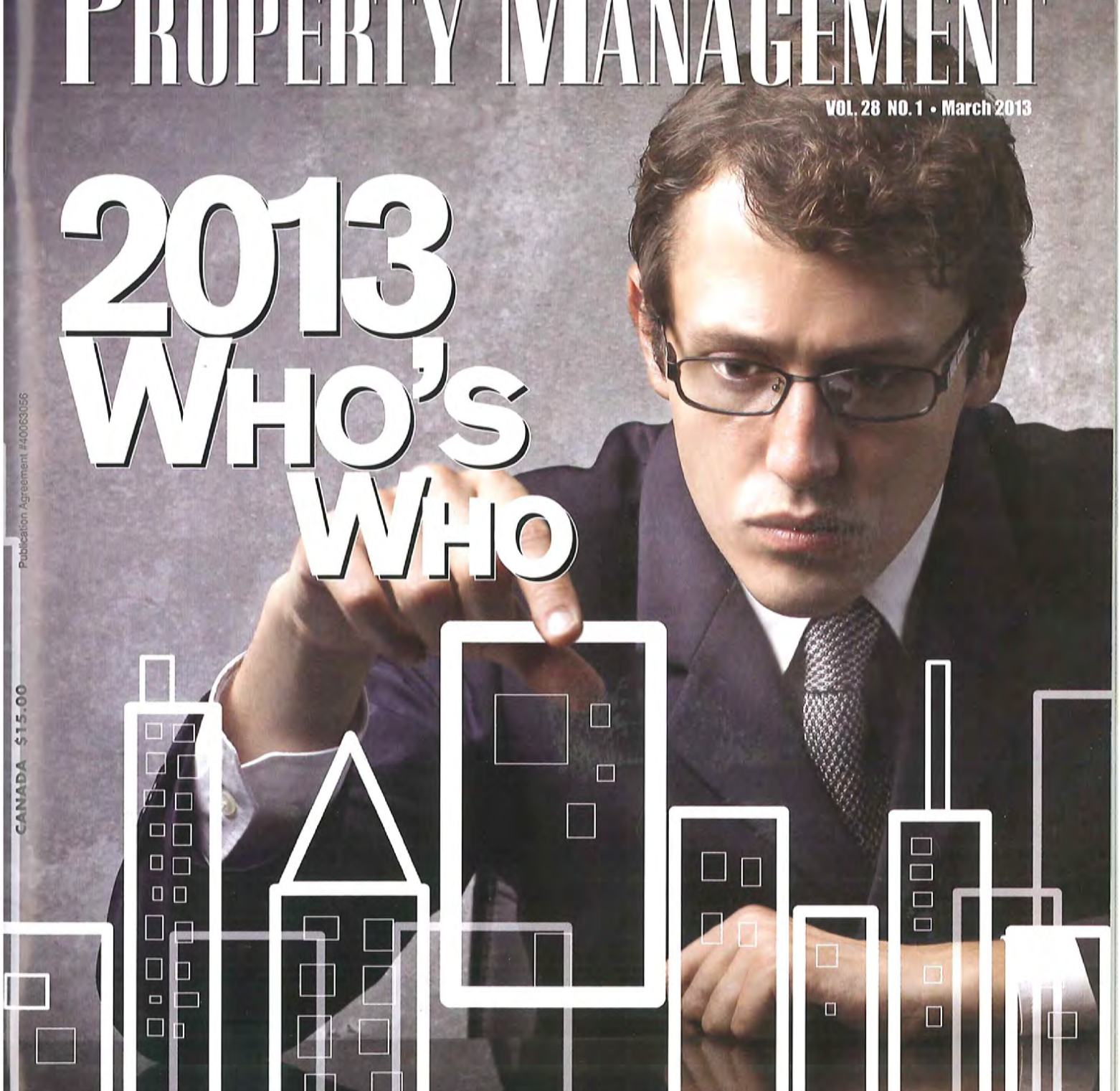


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REAL ESTATE RETURNS INTERNATIONAL VALUATION STANDARDS KPIs OPS APPS
PROPERTY TAX SHIFTS & RATIOS LEADERSHIP SKILLS SOARING SASKATCHEWAN

BRITISH COLUMBIA PONDERES BUSINESS TAX BENCHMARKS

Recommendations from British Columbia's Expert Panel on Business Taxation include measures to monitor and perhaps ameliorate the tax gap between residential and non-residential ratepayers – a response that's not necessarily surprising given Vancouver's consistent ranking in REALpac/Altus Group's annual analysis of property tax rates in major Canadian centres. Last fall's 2012 results confirmed that Vancouver's commercial sector carried the most disproportionate share of property taxes among the eight surveyed municipalities, with a commercial-to-residential tax ratio of 4:32 to 1.

This was the third consecutive year Vancouver captured that title as its commercial property taxpayers paid \$17.52 per \$1,000 of assessment, while residential ratepayers paid \$4.05 per \$1,000 of assessment. At the other end of the spectrum, Winnipeg's narrowest ratio of 2:03 to 1 had commercial ratepayers contributing \$25.84 per \$1,000 of assessment versus the residential allocation of \$12.73 per \$1,000 of assessment.

"The City of Vancouver has the dubious honour as the greatest abuser of commercial taxpayers in Canada," asserts Paul Sullivan, President of the appraisal/property tax consulting firm BCS Property TaxCo and the Chair of the Building Owners

and Managers Association (BOMA) of British Columbia's property tax committee. "The Expert Panel report brings out the theme of accountability. What they are saying, in my view, is that municipal tax rates need to be measured, they need to be benchmarked and accountability needs to be created for the commercial taxpayer."

The Expert Panel's report, which was released in September 2012, is a little more equivocal in allocating blame, suggesting that wider commercial-to-residential tax ratios are also partly attributable to a greater rate of increase in residential property values. "That said, there are a large number of other reasons for the disparity in residential and business tax rates, one of which is a tendency of some local governments to pay less attention to the concerns of business than to the concerns of residential ratepayers," it states.

Four of the report's 38 recommendations focus on property tax rates. They call on the Province, municipal governments and business groups to work together to derive benchmarks for measuring municipal business taxation and a plan for responding when local tax rates surpass the benchmarked range.

Sullivan commends the recommendations, but laments the lack of action in the six months since the report was

released. "Let's set the parameters up and have legislation from the Province to get these municipalities into line when they step out," he urges.

He's less enthusiastic about the recommendation to allow the phase-in of sharp increases in assessment – a measure that would likely require more delicate scheduling than in Ontario or Saskatchewan given B.C.'s annual reassessment timetable. Since dramatic jumps in value are most often due to a change in zoning, Sullivan calls for a more targeted response.

"We don't have any solution on tax mitigation when land-use policy comes along that, frankly, taxes small business operators out of their livelihoods," he says. "They could create tax shelters for small businesses that provide the credit to the small business operator, not the owner of the property."

The British Columbia Expert Panel on Business Taxation report can be found at www.fin.gov.bc.ca/experts_panel_tax.htm. The REALpac/Altus 2012 Property Tax Rate Analysis can be found on the Real Property Association of Canada's web site at <http://www.realpac.ca/?page=PropertyTaxReport>