

## Vancouver's low tax rates hold a dark side

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By Frank O'Brien

Vancouver has the second-lowest commercial property tax rate and the lowest residential property tax rate in Canada, based on a study of 10 major cities by the Real Property Association of Canada (REALpac), but what appears a good news story has a dark side, a local tax expert said.

"Seven per cent of the property owners in Vancouver – commercial building owners – pays 47% of all the property taxes," said Paul Sullivan, senior partner with Vancouver appraisers Burgess Cawley Sullivan & Associates Ltd.

In Vancouver, the commercial-to-residential tax ratio is 4.33, meaning the tenant or owner of a retail storefront or an office building, for instance, pays more than four times what the owner of a residential property pays. This gap is second only to Montreal, REALpac reports, and much wider than in the major western cities of Edmonton or Calgary, where the ratio is 2:46 and 2:63, respectively.

Vancouver's ratio is down 0.4% from a year ago, and while Sullivan praised the "positive" direction he said it remains worrisome.

"It is stunning how low the residential property tax rate is in Vancouver," he said.

The Vancouver residential tax rate is \$3.68 per \$1,000 of value and the commercial tax rate is \$15.91 per \$1,000 in value. The Canadian average residential tax rate is \$9.51 and the average commercial rate is \$24.25.

Vancouver can charge a lower tax rate largely because it has the highest residential property values in the country.

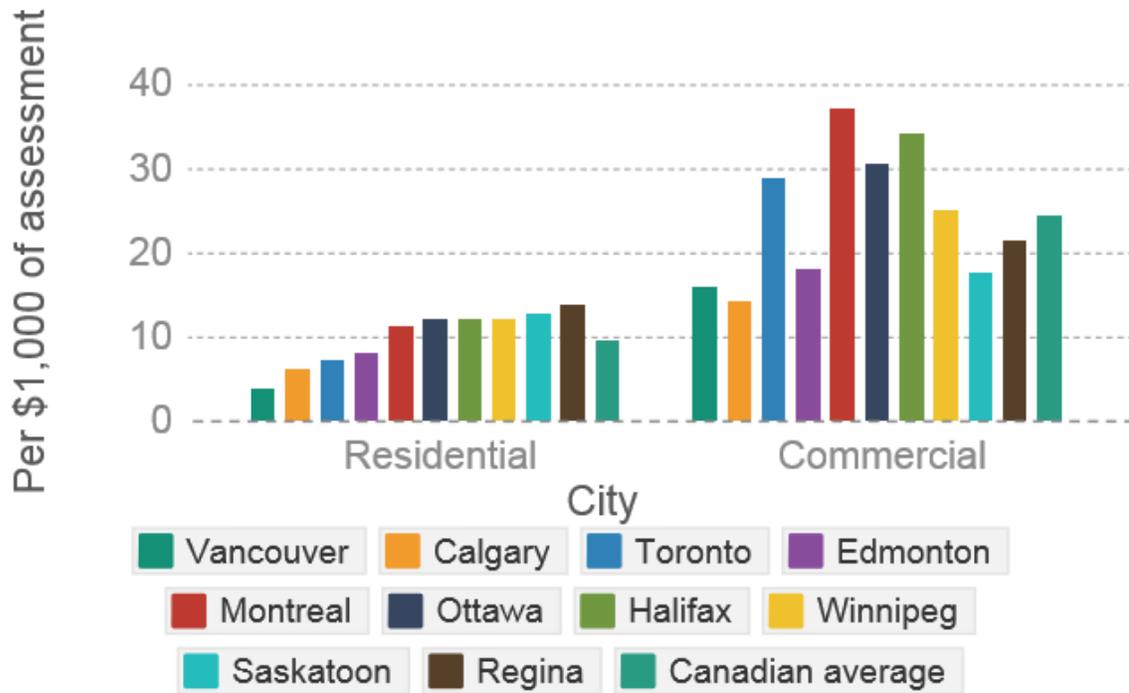
In Regina, for instance, homeowners pay a rate of \$13.69 per \$1,000 in value, or nearly four times higher than in Vancouver. But the average home price in Regina is \$290,000, compared with \$760,000 in Vancouver, according to respective MLS statistics for August. Therefore the Regina homeowner pays about \$1,400 more in property taxes than his or her Vancouver equivalent.

Vancouver also has among the highest commercial real estate values in the country, Sullivan noted.

Sullivan said the push by owners to upgrade Vancouver land to its highest and best use invariably favours residential development at the expense of commercial use. The result, he said, is a transforming of retail areas into condominiums and a greater tax weight on the remaining commercial property.

As well, Sullivan noted, Vancouver's ubiquitous single-floor retail strips are assessed for city property taxes based on the allowable floor-space-ratio, often for four storeys of commercial space. The result, he said, is many retail tenants are paying a much higher tax rate than the actual space they rent would suggest.

## Residential vs. Commercial Property Taxes per \$1,000 of Assessment



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