

Tax rulings could blow hole in city budgets

Airport building values slashed to \$20; developer can't be taxed on future density under two landmark assessment rulings

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Real Estate (/sections/real-estate/)

By Frank O'Brien

Vancouver, Richmond and other British Columbia municipalities are facing a double-barrelled tax blast that could blow a multimillion-dollar hole through city hall budgets.

The first salvo came in September when the BC Assessment Authority lost a Property Assessment Appeal Board (PAAB) ruling on a Vancouver development site.

If it survives a court challenge – which appears likely – the ruling will lower taxes for retail tenants and real estate developers across the province.

The September 16 PAAB decision went in favor of Amacon, which had launched the assessment appeal regarding nine lots the developer owns in the 1000 block of Seymour Street. The lots, valued at \$3 million to \$4 million each, house small retail outlets and parking lots. Amacon plans to develop them into high-density residential and retail.

In the ruling, PAAB agreed with an argument put forward by Paul Sullivan, a principal with the appraisal firm of Burgess Cawley Sullivan & Associates Ltd., that the land should be taxed based on the existing commercial property on the site, not on future development potential, and that a residential property tax rate, which is 4.5 times less than the commercial rate, be applied on future development. The lower assessment would save Amacon more than \$200,000 a year.

Despite the ruling, BC Assessment said it will continue to value the Amacon property at current rates for 2015 assessments. It has appealed the decision to BC Supreme Court.

If the PAAB ruling stands, it would affect at least 100 similar development properties across Vancouver and hundreds more across the Lower Mainland. Estimates say total tax revenue in play is in the tens of millions of dollars.

Sullivan, who chairs the Vancouver Fair Tax Coalition, doubts BC Assessment will win in court. “The test on appeal to the Supreme Court is one of reasonableness and not correctness. More often than not the Supreme Court gives deference on these matters to the lower boards who have specific expertise in these matters. Given this test, it is very difficult to overturn a decision of the [PAAB].”

Second threat

The second tax threat for municipalities is a challenge by Nav Canada, a non-profit organization that runs civil air traffic control in Canada, to reduce assessments on 121 properties in the province, including the air traffic control tower at Vancouver International Airport (YVR).

Nav Canada won a major tax assessment appeal in October. BC Assessment had set a \$1.43 million value on Nav Canada’s control tower and other properties at the Victoria International Airport in North Saanich. PAAB subsequently slashed that to \$20, and BC Supreme Court upheld the ruling. The decision included airports in Penticton, Pitt Meadows and Castlegar. Nav Canada has also appealed to the PAAB to reduce the value of land at YVR from \$9.9 million to \$20.

North Saanich appealed to the court to have the \$20 assessment revoked, but the court agreed with the appeal panel that the low assessment made sense because the property couldn’t be used for anything else.

Assessments form the basis for local taxation levels. The court decision means North Saanich will lose \$26,000 in annual taxes.

Richmond would lose an estimated \$80,000 in annual taxes if Nav Canada’s appeal at YVR is successful. Richmond Mayor Malcolm Brodie called the situation ridiculous.

“Just because you have a unique use for a building or some property and it’s zoned accordingly, to say it has no value is just fiction,” Brodie said. •

– *With files from Carla Wilson, Victoria Times Colonist*