

Township of
Langley



Est. 1873

REPORT TO MAYOR AND COUNCIL

PRESENTED:	SEPTEMBER 9, 2019 – REGULAR AFTERNOON MEETING	REPORT:	19-131
FROM:	FINANCE DIVISION	FILE:	1950-03
SUBJECT:	ASSESSMENT AVERAGING AND PHASING OPTIONS		

RECOMMENDATIONS:

That Council receive information on Assessment Averaging and Phasing Options for the Township of Langley.

EXECUTIVE SUMMARY:

At the June 24, 2019 Regular Evening Meeting of Council, the following motion was passed:

1. Assessment Averaging and Phasing for Property Tax Increases

Moved by Councillor Woodward,

Seconded by Councillor Richter,

Be it resolved that staff be directed to include within the 2020 budget deliberations consideration of adopting assessment averaging and phasing for all eligible property classes as outlined within the Community Charter and Assessment Averaging and Phasing Regulation “to moderate the impact of sudden changes in the assessed value of land” (s198(2)).

REFERRAL

Moved by Councillor Davis,

Seconded by Councillor Whitmarsh,

That this motion be referred to staff for a report, in a timely manner.

CARRIED

If after receiving the information contained herein, Council wishes to further consider Assessment Averaging or Phasing for the Township, the following recommendations will need to be brought forward for consideration at a future council meeting.

***That** staff be authorized to notify BC Assessment before January 1, 2020, of the Township’s intent to consider the adoption of land assessment averaging or phasing for the purpose of property tax calculation for 2020;*

***That** staff be instructed to provide the required two weeks’ notice to the public in advance of Council’s consideration of the use of land assessment averaging or phasing and before March 31, 2020, report on the projected taxation impacts of the program based on the assessed values provided by BC Assessment in the 2020 Completed Roll; and*

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That Council invite the Area Assessor for Langley to make a presentation on 2020 assessment trends.

Approval of the first two recommendations above does not mean the Township will move to Assessment Averaging for 2020. The recommendations simply alert BC Assessment, the Ministry and the Public that the Township is considering and/or evaluating a change to Assessment Averaging.

Section 198 of the Community Charter stipulates that instead of imposing tax rates on the assessed value of land, an annual property tax bylaw may impose rates applicable to one or more property classes by assessment averaging or phasing.

Property Classes where land¹ is eligible for assessment averaging are:

- Class 1 – Residential,
- Class 5 – Light Industry,
- Class 6 – Business and Other and
- Class 8 – Recreation/Not-for-Profit.

Assessment Averaging

Assessment Averaging includes the assessed value of land for the current year and the two preceding years. This mechanism is provided to moderate the impact of sudden changes in the assessed value of land, such as the Township has experienced over recent years. During times where assessed values are less volatile, assessment averaging has less effect. For this reason, consideration should be given to the significant additional administrative and legislative requirements tied to annual assessment averaging.

Assessment Phasing

Assessment Phasing uses the assessed value of land in the current year minus not more than 66% and not less than 50% of the amount by which the increase in the assessed value of the land in the current year exceeds the average percentage increase in the value in the current year of all land within the municipality included in the same property class and the assessed value of improvements in the current year.

The idea of Assessment Averaging or Phasing typically surfaces when some properties or a segment of a municipality experience significant property value increases leading to higher than average property taxes payable. Consideration should be given to timing in that by the time Assessment Averaging or Phasing has been considered, volatility in the market may have stabilized or started to stabilize leaving a municipality with a significant new process that does not provide the anticipated benefits to property owners. Owners having experienced spikes in assessed values may not receive the level of relief anticipated and owners experiencing lower increases in value may be penalized as an offset.

In general, assessment averaging or phasing in a rising market will likely be welcomed whereas in a declining market it may feel punitive. Regardless of market direction, averaging or phasing requires a significant level of additional administration.

Administrative and legislative requirements include but are not limited to:

- Prior to January 1st, the intent to employ assessment averaging or phasing must be formally communicated to the Inspector (Province) and BC Assessment Authority.

¹ Assessment Averaging only applies to Assessed Values for LAND. For Improvements, no change.

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- BC Assessment charges \$25K to prepare an Average Assessment Roll for the City of Vancouver (COV). In a report to council COV mentions that since 1993, BCA has offered to produce an average or phased assessment roll to any municipal jurisdiction on a user-fee basis.
- Exclusions have to be considered (typically: Vacant Land, New Construction, Class Transfers, etc. are excluded). As Council can establish only one tax rate for each class, properties that are not eligible for averaging are also subject to the averaged tax rate. Examples of properties that may be excluded:
 - property that carries no improvement value (i.e. vacant land)
 - a property that has undergone a change in assessment class and/or zoning district
 - a property of which the physical characteristics have been changed as a result of consolidation or subdivision.
- After January 1st, of the year the bylaw is to take effect, and at least *two weeks prior to adoption of the bylaw*, a notice that describes the estimated effect of the bylaw on the taxation of SAMPLE properties must be published in accordance with Section 94 of the Community Charter.
- Prior to March 31st, the bylaw must be adopted in the year the averaging or phasing is to take place. *Council decides each year whether to continue to use averaging to calculate property taxes and the eligibility criteria and requirements for averaging².*
- Council must provide for a Review Panel to be convened to consider complaints and concerns of the public and address or adjust for errors.
- Property Tax Notices must alert the property owner to the fact that their property has been subject to assessment averaging or phasing and specify the *adjusted* value of the land and the *actual* value of improvements.
- In relation to taxes that are imposed under other enactments and collected by a municipality, providing that, despite the other enactments,
 - (i) the values imposed under this section apply, and
 - (ii) the rates to be imposed are to be determined using those values.

Other requirements are:

- Staff must establish formulas for determining modified assessed values that are to be used to impose property values taxes and authorize variation of those formulas;
- Restrictions, conditions and requirements relating to the imposition of tax rates under this section must be established.
- Compatibility with existing land and property tax computer systems would have to be established. The City of Vancouver, with a history of assessment averaging, currently uses the same tax collection system as the Township of Langley.

Should Council decide to move forward with its consideration of assessment averaging or phasing, staff will need to report to Council, prior to March 31, 2020, the projected taxation impacts of land assessment averaging or phasing based on assessed values provided by BC Assessment in the 2020 Completed Roll, at which time Council will decide whether to adopt the mechanism for 2020.

² <https://vancouver.ca/home-property-development/land-assessment-averaging.aspx>

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PURPOSE:

The purpose of this report is to provide to Council in a timely manner, information on assessment averaging and phasing.

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BACKGROUND/HISTORY:

As a general rule, the extent of change in property tax is determined primarily by how a property's assessed value has changed relative to the average change within the property class.

A municipality does not generate higher tax revenue as a result of rising assessed values. The tax levy to be collected is determined by Council as part of the annual budget process, and tax rates are lowered to reflect average assessment increases to ensure "revenue neutrality". However, relative assessment increases for individual properties could shift the tax burden from one property to another in any given year³.

For example, assuming no council approved increase year-to-year:

- If the average increase for a property class, from 2018 to 2019 is 10%, and a specific property in that class increases by 10% over that period, municipal taxes on the property would remain the same for 2019 as they were for 2018.
- If the average for the class is 10% as described above, but a specific property in that class increases by 17%, municipal taxes payable would be more than paid in the previous year.
- Conversely, if a specific property in the class increases by 5% when the average increase is 10%, municipal taxes payable would be less than paid in the previous year.

The above information is relevant to a discussion about assessment averaging or phasing which effectively addresses mainly property value increases beyond the annual market value average for a given municipality. While a property might have a higher than average assessed value increase for one year, and therefore experience a higher than average tax increase, they may be within the average over three years. Expanding the average to 3-years or phasing in a change could mitigate some of the increase they otherwise would experience.

To the degree that assessment averaging or phasing provides some relief to a few property owners, the balance of owners are penalized by paying more in taxes than they would have paid without averaging or phasing.

Over the past few years, the Lower Mainland has experienced significant increases in assessed values due to factors such as a general shortage of land, migration to the valley from Vancouver and other parts of Canada, speculation related to the extension of light rapid transit to the valley, land banking by developers, speculative industrial construction, BC Assessment's '*highest and best use*' policy for establishing assessed values, and a continuing low cost of borrowing environment. As a result, taxpayer contacts to council have increased resulting in a directive to staff to prepare this report on Assessment Averaging or Phasing.

Before beginning a discussion about assessment averaging and phasing, it is worthwhile to understand the types of tax relief measures the Province currently provides BC property owners. Unfortunately, these measures do not apply to non-residential property owners:

- Home Owner Grant – for residential property owners who live in their principal residence, with a home value of \$1,650,000 or less.

³ This was evidenced in 2017 when the Township's business tax rate ratio moved from 3 to 1 (1 being Residential) to 3.64 to 1, a 21.5% increase.

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- Assessment Act s19(8) - available to property owners who have continuously occupied their principal residence for at least 10 years; the land will be assessed based on current zoning rather than anticipated zoning and development potential.
- Property Tax Deferment - available to property owners 55 years of age or older who occupy their principal residence and families with children under 18 years of age.

DISCUSSION/ANALYSIS:

Councils can “moderate the impact” of market value increases by determining land assessed values based on a three-year average. Assessment averaging or phasing delays the property tax impact of higher assessments by stretching them across multiple years. Conversely, it also slows the potential to benefit from declines in assessed values should a market soften. As with any change of this type, there will be winners and losers.

Whether market values are increasing or declining, the level of administrative and legislative burden is significant and needs to be taken into consideration. City of Vancouver, with its own Vancouver Charter, is the only municipality in British Columbia using assessment averaging or phasing. They have been using some form of it since 1993. See Attachment C for a chronological list of the times the City has revisited the issue of averaging or phasing.

The City of Vancouver started with across-the-board 3-year averaging. Over the years the City undertook to make a number of revisions to the Vancouver Charter and to the process itself. Most recently, the City has adopted a *targeted* 5-year approach to land assessment averaging which targets “hot” properties only during that period where they are hot.

The ‘targeted’ averaging method is designed to address “hot” properties in Class 1 (Residential), 5 (Light Industry) and 6 (Business and Other). The intent is to reduce the severity of the increase in assessments until such time as the property is no longer “hot”⁴. (5-year targeted method not available in the Community Charter)

Also per the City of Vancouver, “*Land assessment averaging is intended to provide temporary tax relief, NOT permanent reduction and/or exemption, to eligible residential and business property owners. Averaging is a “zero-sum” mechanism: Properties experiencing a higher than average increase in land value will benefit from the program while those experiencing a lower than average increase in land value will contribute to the program. The total general purpose tax levy collected by the City remains the same with or without averaging. Any tax savings benefited by some properties are redistributed among other properties such that some taxpayers will pay more tax than they otherwise would without averaging while some will pay less. Consequently, averaging may have a different, even opposite, taxation impact on individual properties when compared to the market value approach*”.

“Land assessment averaging is a long-term policy that ensures consistency, predictability and fairness for property owners. While short-term market conditions could affect the result of averaging in any given year, in deciding whether to continue with the program, Council must weigh the relative impacts of intra-class tax shifts created by the program against the benefit of mitigating extreme property tax increases arising from significant volatility in land values”.

The City of Burnaby (COB) recently considered whether or not to pass a bylaw to average land assessed values over three years. They decided against it. A staff report noted “*averaging*

⁴ 2019 Property Taxation: Targeted Land Assessment Averaging – RTS12834

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assessments redistributes the tax burden from higher valued properties to lower valued properties in a given year”.

Staff also noted that “*averaging brings all properties closer to the average change in assessment value and reduces the immediate impact of increases in assessment values on property taxes by smoothing out significant changes in a given year. However, because the purpose of property taxes is to provide needed revenue for city services, when reducing the taxes for properties with a higher than average increase, other lower valued properties pay higher amounts to make up the shortfall in total taxes collected”.*

“Information obtained from the City of Vancouver’s website notes that approximately 90% of properties pay a slightly higher level of taxes in order to help the 10% that are subject to averaging.

In addition to considerations outline above, what follows is a summary outline of administrative and legislative requirements:

- Prior to January 1st, the intent to employ assessment averaging or phasing must be formally communicated to the Inspector (Province) and BC Assessment Authority.
- BC Assessment charges \$25K to prepare an Average Assessment Roll for the City of Vancouver. In a report to council it mentions that since 1993, BCA has offered to produce an average or phased assessment roll to any municipal jurisdiction on a user-fee basis.
- Exclusions have to be considered (typically: Vacant Land, New Construction, Class Transfers, etc. are excluded). As Council can establish only one tax rate for each class, properties that are not eligible for averaging are also subject to the averaged tax rate. Examples of properties that may be excluded:
 - property that carries no improvement value (i.e. vacant land).
 - a property that has undergone a change in assessment class and/or zoning district.
 - a property of which the physical characteristics have been changed as a result of consolidation or subdivision.
- After January 1st, of the year the bylaw is to take effect, and at least *two weeks prior to adoption of the bylaw*, a notice that describes the estimated effect of the bylaw on the taxation of SAMPLE properties must be published in accordance with Section 94 of the Community Charter.
- Prior to March 31st, the bylaw must be adopted in the year the averaging or phasing is to take place.
- Council must provide for a Review Panel to be convened to consider complaints and concerns of the public and address or adjust for errors.
- Property Tax Notices must alert the property owner to the fact that their property has been subject to assessment averaging or phasing and specify the adjusted value of the land and the actual value of improvements.
- In relation to taxes that are imposed under other enactments and collected by a municipality, providing that, despite the other enactments,
 - (i) the values imposed under this section apply, and
 - (ii) the rates to be imposed are to be determined using those values.

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Other requirements are:

- Staff must establish formulas for determining modified assessed values that are to be used to impose property values taxes and authorize variation of those formulas;
- Restrictions, conditions and requirements relating to the imposition of tax rates under this section must be established.
- Compatibility with existing land and property tax computer systems would have to be established. The City of Vancouver, with a history of assessment averaging, currently uses the same tax collection system as the Township of Langley.

In summary...

- Assessment averaging or phasing subsidizes owners with higher assessed value increases paid for by owners with lower value increases.
- Generally, assessment averaging or phasing will be administratively and legislatively more burdensome.
- Specifically, an investigation will be required to assess the impact on the Township's land and property taxation computer system. This investigation will require participation from Information Technology which is beyond the scope of this report. The City of Vancouver currently uses the same system as the Township of Langley.
- It will be a significant challenge to facilitate this change in time for the 2020 tax season.

Legislation:

Community Charter, Section 198 (attached) and B.C. Regulation 370/2003 (attached).

Intergovernmental Implications:

In relation to taxes that are imposed under other enactments and collected by a municipality, providing that, despite the other enactments,

- (i) the values imposed under this section apply, and
- (ii) the rates to be imposed are to be determined using those values.

Financial Implications:

Two phases, each with their own unique financial implications, will follow should Council decide to formally consider assessment averaging or phasing for the Township:

Phase 1 – Communicating the Inspector (Province) and BC Assessment

There are no direct financial implications associated with notifying the Inspector and BC Assessment of the Township Council's intent to consider land assessment averaging for 2020.

Notifying the Inspector and BC Assessment *does not* communicate Council's intention to move to Assessment Averaging or Phasing. Notifying the Inspector and BC Assessment communicates Council's intention to formally '*consider*' a move to Assessment Averaging or Phasing.

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Phase 2 – Employing Annual Assessment Averaging in the Township

If Council ultimately decides to proceed, direct financial implications impacting the Township budget will be the cost of requesting an ‘averaged’ assessment roll from BC Assessment which, for the City of Vancouver, was \$25,000.

Indirect financial implications impacting the Township will be the heightened level of administration and legislation associated with Assessment Averaging or Phasing.

Costs would likely manifest themselves in the form of additional staffing for both facilitating the annual averaged assessment, including a sitting review panel, and the setting of property tax rates under more complex conditions. In addition, time will be required to respond to taxpayers who will be advised on their property tax notice that their property was subject to averaging or phasing, and what that means to them personally. In other words, taxpayers will want to know what their taxes would have been without averaging or phasing as compared to what they are with averaging and phasing.

Financial implications to taxpayers: taxes for property owners with a higher than average increase will be reduced while property owners with an average or lower than average increase will pay higher amounts to make up the shortfall in total taxes collected.

Respectfully submitted,

Karen Sinclair
Director of Finance
for
FINANCE

ATTACHMENT A

Community Charter Section 198 – Assessment Averaging and Phasing Options

ATTACHMENT B

Community Charter Assessment Averaging and Phasing Regulation

ATTACHMENT C

City of Vancouver, excerpt from Report to Council, March 12, 2019, Chronology of Changes to Assessment Averaging at the City

ATTACHMENT A

Community Charter**Assessment averaging and phasing options**

198 (1) Subject to subsection (1.1), instead of imposing tax rates on the assessed value of land, an annual property tax bylaw may impose rates applicable to one or more property classes by assessment averaging or assessment phasing in accordance with the regulations under subsection (2).

(1.1) Subsection (1) does not apply to a tax rate imposed by the municipality to collect a tax imposed by the Province under section 120.1 of the *School Act*.

(2) For the purpose of allowing municipalities to moderate the impact of sudden changes in the assessed value of land, the Lieutenant Governor in Council may make regulations as follows:

- (a) establishing formulas for determining modified assessed values that are to be used to impose property value taxes and authorizing variation of those formulas;
- (b) exempting, or authorizing the exemption of, particular types of property within a property class, or of property in prescribed circumstances, from the application of a bylaw under this section;
- (c) providing for a process to review and correct errors made in applying a bylaw under this section to any property;
- (d) establishing restrictions, conditions and requirements relating to the imposition of tax rates under this section;
- (e) in relation to taxes that are imposed under other enactments and collected by a municipality, providing that, despite the other enactments,
 - (i) the values imposed under this section apply, and
 - (ii) the rates to be imposed are to be determined using those values.

ATTACHMENT B

**Community Charter ASSESSMENT AVERAGING
AND PHASING REGULATION**B.C. Reg. 370/2003
O.C. 970/2003Deposited October 24, 2003
effective January 1, 2004

This consolidation is current to June 11, 2019.

Definition

1 In this regulation, "**assessment averaging or assessment phasing bylaw**" means a bylaw imposing tax rates under section 198 [*assessment averaging and phasing options*] of the *Community Charter*.

Restriction on property classes

2 An assessment averaging or assessment phasing bylaw is restricted to property classes 1, 5, 6 and 8.

Assessment averaging option

3 For assessment averaging under section 198 of the *Community Charter*, the tax rates may be imposed on the amount determined in accordance with the following formula:

Amount = averaged land value + assessed improvements value

where

averaged land value = average of the assessed value of the land in the current year and the 2 preceding years;

assessed improvements value = the assessed value of improvements in the current year.

Assessment phasing option

4 For assessment phasing under section 198 of the *Community Charter*, the tax rates may be imposed on the amount determined in accordance with the following formula:

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Amount = (assessed land value – phasing reduction) + assessed improvements value

where

assessed land value = the assessed value of the land in the current year;

phasing reduction = the amount determined by multiplying

- (a) the phasing percentage established by the assessment phasing bylaw, being not less than 50% and not more than 66%,

by

- (b) the difference between

- (i) the increase in the assessed value of the land in the current year from the previous year, and

- (ii) the assessed value of the land in the previous year multiplied by the average percentage increase in the assessed value from the previous year to the current year of all land within the municipality included in the same property class;

assessed improvements value = the assessed value of improvements in the current year.

Requirements before bylaw may be adopted

5 The authority to adopt an assessment averaging or assessment phasing bylaw is subject to the following requirements:

- (a) before January 1 of the year in which the bylaw is to take effect, notice of intent to consider the bylaw must be provided to the inspector and to the British Columbia Assessment Authority;

- (b) after January 1 of the year in which the bylaw is to take effect and at least 2 weeks before the adoption of the bylaw, a notice that describes the estimated effect of the bylaw on the taxation of sample properties within the municipality must be published in accordance with section 94 [*requirements for public notice*] of the [Community Charter](#);

- (c) the bylaw must be adopted before March 31 in the year in which it is to take effect;

(d) the bylaw must establish a procedure to allow property owners to complain to the review panel referred to in section 9 of this regulation about errors made in applying the bylaw to their property.

[am. B.C. Reg. 292/2007, s. 4.]

Variation and modification authority

6 (1) An assessment averaging or assessment phasing bylaw may modify the averaging formula in section 3 of this regulation or the phasing formula in section 4 of this regulation to

(a) exempt from the bylaw, or

(b) govern the application of the bylaw to, particular types of property within a property class.

(2) The authority under subsection (1) includes authority in relation to property with an assessed value that is different from that on the previous assessment roll because of one or more of the following:

(a) an error or omission;

(b) a subdivision or consolidation or a new development to, on or in the land;

(c) a change in

(i) physical characteristics,

(ii) zoning,

(iii) the classification of the property under section 19 (14) of the *Assessment Act*, or

(iv) the eligibility of the property for assessment under section 19 (8), 23 or 24 of the *Assessment Act*.

Application to taxes for non-municipal purposes

7 (1) If a council adopts an assessment averaging or assessment phasing bylaw, the following rules apply:

(a) the assessed value or the net taxable value must continue to be the basis for determining the amount of money to be raised in the municipality for the purposes of the following:

- (i) Section 197 (1) (b) [*property taxes for other bodies*] of the *Community Charter*;
- (ii) Sections 119 and 137 of the *School Act*;
- (iii) Section 17 of the *Assessment Authority Act*;
- (iv) Sections 15 and 17 of the *Municipal Finance Authority Act*;
- (v) Section 14 of the *British Columbia Transit Act*;

(b) the value determined under the bylaw, and not the assessed value or the net taxable value referred to in this or any other Act, must be the basis for taxing properties within the property classes specified in the bylaw to raise the money required under the provisions referred to in paragraph (a).

(2) If

- (a) a body other than the council sets a rate under an enactment for calculating property taxes, and
- (b) the council adopts an assessment averaging or assessment phasing bylaw,

then, despite any other enactment, the council must, by resolution, substitute a rate that is sufficient to raise the same amount of revenue in the municipality for that body from each property class to which the assessment averaging or assessment phasing bylaw applies as the amount that would have been raised for that body had that bylaw not been adopted.

(3) If the amount of revenue raised in any year for a body under subsection (2) is more or less than the amount that would have been raised had the council not substituted the rate, the difference must be used to adjust the rate for the next year.

Notice of adjusted assessment

8 (1) If the assessed value of a parcel of land on the assessment roll has been adjusted under an assessment averaging or assessment phasing bylaw, the tax notice under section 237 [*general tax notices*] of the *Community Charter* for the parcel must include, or have enclosed with it, a statement

- (a) informing the owner that assessed values and tax rates have been adjusted as a result of the bylaw,

(b) specifying the adjusted value of the land and the value of any improvements on it, and

(c) describing the procedure for requesting the collector to correct errors and for complaining about errors to the review panel referred to in section 9 of this regulation.

(2) On the initiative of the collector or on the request of an owner who is notified under subsection (1) of adjustments to the assessed value of the owner's property, the collector may correct errors made in applying the bylaw to any property.

Review panel

9 (1) If a council adopts an assessment averaging or assessment phasing bylaw, it must establish a review panel in the same manner as a parcel tax roll review panel under section 204 [*parcel tax roll review panel*] of the [Community Charter](#).

(2) The review panel may

(a) adjudicate complaints about errors made in applying the bylaw to the assessed value of any property, and

(b) direct the collector to make any amendments to the adjusted value of the property that are necessary to give effect to the panel's decision.

Note: *this regulation repeals B.C. Regs. 85/93 and 324/92.*

ATTACHMENT C

**City of Vancouver Report to Council on Land Assessment Averaging
– CHRONOLOGY OF CHANGES –**

COUNCIL AUTHORITY/PREVIOUS DECISIONS

Section 374.4 of the *Vancouver Charter* allows Council to consider the application of land assessment averaging each year. If Council decides to proceed, a by-law must be adopted before March 31 authorizing the use of the mechanism. Each year, Council can also specify certain eligibility requirements for properties to be considered for averaging under the by-law.

In 1993, Council implemented *across-the-board* 3-year land assessment averaging for the purpose of calculating property taxes for residential (Class 1) and business (Class 6) properties; and in 2007, Council extended the program to light industry (Class 5) properties.

In 2007, the Commission provided a thorough review of the City's property tax policy. To address taxation impact arising from assessment volatility, the Commission recommended that Council submit a request to the Province to amend the *Vancouver Charter* to allow 5-year land assessment averaging.

In April 2013, the Province amended section 374.4(12) & (13) of the *Vancouver Charter* to allow Council to establish, by by-law, the number of preceding years to be applied in determining the average land value, up to a maximum of five years, for the purpose of land assessment averaging. Once the choice is made, the number of years used in the averaging formula must not change for at least five years. 2014 was the first year that the averaging program was governed by this amendment.

In May 2013, Council reconvened the Commission to provide an updated assessment of the City's property tax policy. To further address the taxation impact arising from assessment volatility, in February 2014, the Commission recommended *targeted* 5-year land assessment averaging.

In March 2014, Council approved the continuation of *across-the-board* 3-year land assessment averaging, pending staff analysis on the Commission's recommendations presented in February 2014. As a result, a shift in the averaging formula from 3 years to 5 years could not be considered until 2019.

In July 2014, Council adopted the Commission's recommendation and instructed staff to transition from *across-the-board* to *targeted* 3-year land assessment averaging for the 2015 tax year, subject to confirmation of authority from the Province.

In February 2015, the Province confirmed that, under section 374.4 of the *Vancouver Charter*, the City has the authority to use a "threshold" to define eligibility for *targeted* averaging.

In March 2015, Council adopted the *2015 Land Assessment Averaging By-law* that authorized, for the first time, the use of *targeted* 3-year land assessment averaging for the purpose of calculating property taxes for residential (Class 1), light industry (Class 5), and business (Class 6) properties for the 2015 tax year. Council again adopted *targeted* 3-year averaging for the 2016, 2017 and 2018 tax years.

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In April 2016, at Council's request, staff submitted a request to the Province to seek authority to limit the effect of averaging on the target properties up to the "threshold" set by Council in order to fully align with the Commission's recommendations presented in February 2014.

In June 2017, Council instructed staff to submit a request to the Province to enact the necessary legislative amendments to allow the City to transition from *targeted* 3-year to 5-year averaging in 2018 (one year ahead of the original target transition in 2019). The request was denied by the Province in January 2018.

In February 2019, the Province confirmed that, under section 374.4(5)(b) of the Vancouver Charter, the City has the authority to limit the effect of averaging where averaging would result in an increase in a property's value falling below a "threshold" set by Council.