

Ministry of Finance
BRIEFING DOCUMENT

To: Lori Wanamaker
Deputy Minister of Finance

Date Requested: July 11, 2019
Date Required: July 12, 2019

Initiated by: Marissa Burnell-Higgs
A/Director, Property Taxation
Tax Policy Branch

Date Prepared: July 12, 2019

Ministry Contact: Shauna Sundher
Strategic Advisor
Tax Policy Branch

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Cliff #: 383404

TITLE: Commercial sub-class (split assessment) and split classification proposal

PURPOSE:

(X) FOR INFORMATION

COMMENTS: The Small Business and Property Tax Working group has put forward recommendations to the Province to address assessment and property issues related to the development potential of properties.

DATE PREPARED: July 12, 2019

TITLE: Commercial sub-class (split assessment) and split classification proposal

ISSUE: The City of Vancouver, with support of other municipalities, has made a recommendation to the Province to create a new property sub-class in 2020.

BACKGROUND:

Modern assessment systems (including BC Assessment) use the concept of highest and best use (HBU) of a property when determining its valuation. While the HBU of a property can be for future development, it reflects the property's market value today based on what a purchaser would pay for future development potential. HBU is not a BC Assessment-derived concept; it is used across many jurisdictions in Canada and internationally. Valuation using HBU is important for growth and wealth creation because it helps direct investment towards the best use of property. Development is particularly important to address the housing crisis and to create viable neighborhoods.

The Intergovernmental Small Business and Property Tax Working Group (the Working Group) was formed in 2018 with staff from Municipal Affairs and Housing (MAH), Finance, BC Assessment and Metro Vancouver municipalities. The Working Group focussed on solutions for small businesses that were liable for the tax increase through their triple-net leases.

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DISCUSSION:

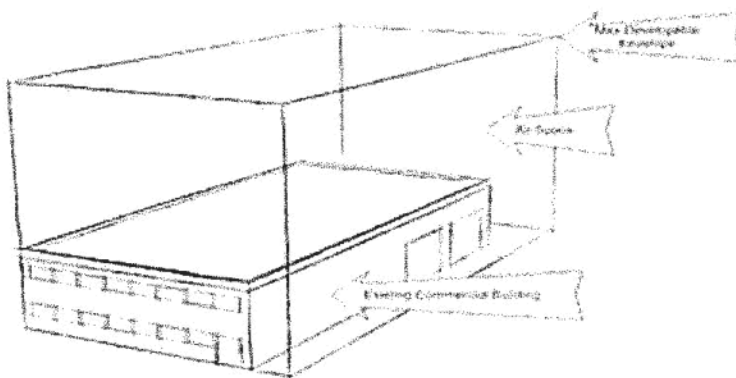
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Split classification: Split classification is used when one property has multiple uses and is split for assessment purposes (for example: a farm could be split between class 9 (farm) and class 1 (residential)).

Split classification in the context of commercial properties brings in a court decision called "Amacon." Owners of class 6 (business) properties successfully argued for the split classification split by the current use of the property and the development potential (airspace).



The existing use value is the value of the existing building/business (class 6) and the development potential is the value in the airspace (class 1). The split (business vs. residential) is based on specificity in the zoning bylaw. Vancouver's proposal is to amend the *Assessment Act* to allow municipalities to submit certain "specified" documents to effect split classification without the need to add specificities in zoning by-laws.

Commercial sub-class (split assessment): Commercial sub-class is a new concept that proposes to split "development potential" value from the "existing use" value for commercial properties (including light industrial and business classes) by creating a commercial sub-class to capture the "development potential". The class for "existing use" would remain unchanged, and the sub-class would apply to the "development potential." In the proposal, local governments and other taxing authorities will have the flexibility to lower their respective tax rates for this new commercial sub-class.

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Ministry of Finance
BRIEFING DOCUMENT

To: Lori Wanamaker
Deputy Minister

Date Requested: July 15, 2019
Date Required: July 15, 2019

Initiated by: Richard Purnell
Executive Director
Tax Policy Branch

Date Prepared: July 15, 2019

Ministry Contact: Marissa Burnell-Higgs
A/Director, Property Taxation
Tax Policy Branch

Phone Number: 778-698-3915
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Cliff #: 383439

TITLE: Viability of City of Vancouver's Commercial sub-class proposal for 2020

PURPOSE:

(X) FOR INFORMATION

COMMENTS:

DATE PREPARED: July 15, 2019

TITLE: Viability of City of Vancouver's Commercial sub-class proposal for 2020

ISSUE: s.13

BACKGROUND:

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DISCUSSION:

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Ministry of Finance
BRIEFING DOCUMENT

To: Lori Wanamaker
Deputy Minister

Date Requested: July 19, 2019
Date Required: July 22, 2019

Initiated by: Richard Purnell
Executive Director
Tax Policy Branch

Date Prepared: July 22, 2019

Ministry Contact: Marissa Burnell-Higgs
A/ Director Property Taxation
Tax Policy Branch

Phone Number: 778-698-3915
Email: Marissa.Burnell-Higgs@gov.bc.ca
Cliff #: 383693

TITLE: Speculation and Vacancy Tax Mayors Meeting Format

PURPOSE:

(X) FOR INFORMATION

COMMENTS:

DATE PREPARED: July 22, 2019

TITLE: Speculation and Vacancy Tax Mayors Meeting Format

ISSUE: The time and format for the SVT mayors meeting needs to be confirmed before RSVP letters can go out.

BACKGROUND:

The *Speculation and Vacancy Tax Act* (SVTA) includes a statutory requirement for the Minister to invite the mayors of all municipalities subject to the tax to an annual consultation. The consultations must take place annually and are required to cover the following topics: the tax as a whole, the areas included in the tax, and housing affordability (including factors such as vacancy rates, sale prices, and rents for residential properties).

This will provide mayors with an opportunity to discuss how the tax is affecting their communities and provide the Minister with an opportunity to present data on the housing needs in each municipality, which taxpayers are paying the tax, and how the SVTA is serving British Columbians.

Letters were sent out to all 39 mayors in the SVTA areas on July 12, 2019 inviting them to a meeting September 12, 2019.

DISCUSSION:

Currently the Minister has decided that the meeting should take place on September 12, 2019 in Vancouver at the Vancouver Convention Center. The overall format of the day has been approved by the Minister (see Appendix A).

There some outstanding items requiring decisions or approval:

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