

Provincial Property-based Taxes

in the Metro Vancouver Region

April 4, 2017

Provincial Property-based Taxes in the Metro Vancouver Region

Executive Summary

Home Owner Grant Position Paper

School Property Tax Position Paper

Property Transfer Tax Position Paper

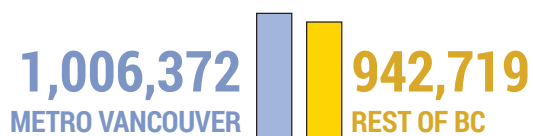
Cascadia Partners Report

PROPERTY TAX SYSTEM NEEDS REFORM

METRO VANCOUVER HOMEOWNERS SHOULDER TAX BURDEN



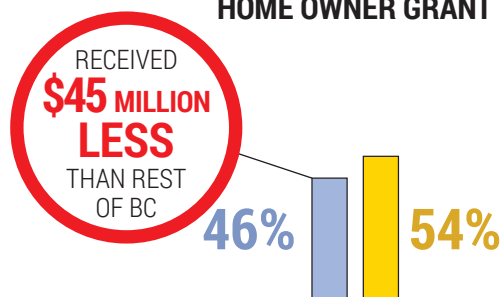
RESIDENTIAL HOUSEHOLDS



NUMBER OF RESIDENTIAL HOUSEHOLDS



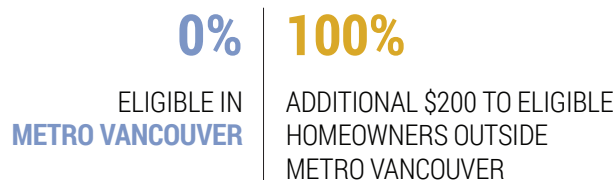
HOME OWNER GRANT



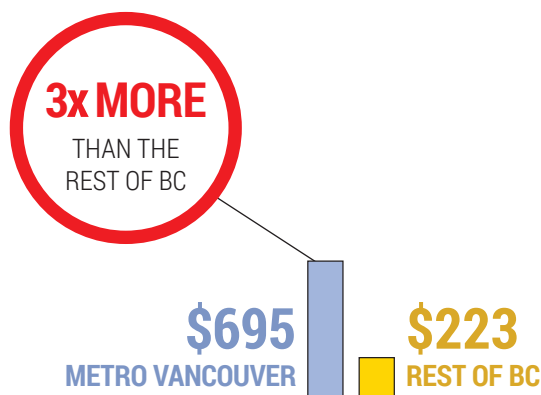
RECEIVED BY
METRO VANCOUVER

RECEIVED BY REST
OF THE PROVINCE

NORTHERN AND RURAL HOME OWNER GRANT



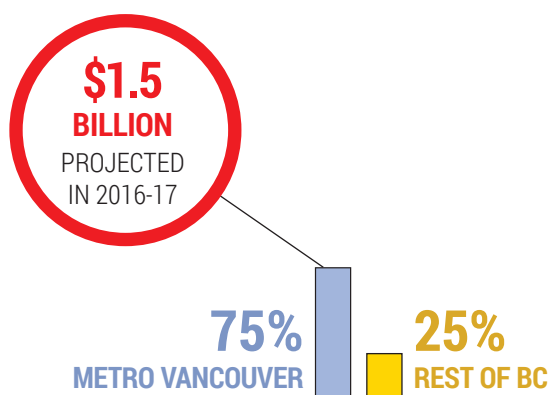
SCHOOL PROPERTY TAX



AVERAGE PER HOUSEHOLD



PROPERTY TRANSFER TAX



SHARE OF PROPERTY TRANSFER TAX PAID

EXECUTIVE SUMMARY

On April 29, 2016 the Board of Directors for the Metro Vancouver Regional District (MVRD) passed a motion requesting an update of a 1988 Metro Vancouver study entitled Real Property Taxation Issues in Greater Vancouver focusing on Metro Vancouver's overall property tax burden and benefits relative to the rest of the Province.

Cascadia Strategy Consulting Partners Ltd. (Cascadia), an independent team of subject matter experts in public finance and economics, was requested to update the 1988 MVRD study, focusing specifically on the Home Owner Grant, Provincial School Property Tax, and Property Transfer Tax. This document outlines how each have been impacted by rising property values, resulting in increased Provincial tax burden within the region.

This document was presented to the Metro Vancouver Financing and Intergovernmental Committee February 15, 2017. Key findings are summarized below and detailed in the following sections.

Home Owner Grant

Between January 2014 and December 2016, the composite home price index in Metro Vancouver rose by 48%, while the Provincial Home Owner Grant threshold increased by only 9% from \$1.1M to \$1.2M.

- The Province recently increased the threshold to \$1.6M to allow 91% of qualified property owners in B.C. – and 82% in Metro Vancouver – to access the full grant.
- 67,000 more homes would be eligible for the Home Owner Grant in the MVRD if eligibility within the region were set at the Provincial average of 91%, saving \$570-\$845/year.

School Property Tax

School Property Tax is applied at different rates depending on school district and property class. The amount of School Property Tax does not perfectly correlate with regional school expenditures, especially in Metro Vancouver where gross School Property Tax comprises 61% of school expenditures compared with 31% in the rest of the Province.

- Net School Property Tax paid per household is 3 times higher in the MVRD than in the rest of the Province (\$695 average in the MVRD vs. \$223 average in other regions).
- Education spending in the MVRD lagged School Property Tax growth by 12% since 2012.
 - *Education spending would have increased by over \$450M/year in the region (rather than \$160M/year) if it kept pace with School Property Tax growth (adding \$290M per year).*
- The MVRD paid \$700M/year more School Property Tax than other regions combined in 2016 (71% contribution with 54% of the population).

Property Transfer Tax

Metro Vancouver's relative share of total Property Transfer Tax (PTT) revenue is estimated to have increased from 68% in 2010 to 75% in 2016, due to increased home assessment values, the 3% PTT applied to the value of homes over \$2M, and the 15% Foreign Buyers Tax, predominantly in Metro Vancouver.

- Provincial PTT revenue is estimated to have doubled in two years, increasing from \$1.1B/year to \$2.2B/year¹, with the MVRD contributing \$900M.
- MVRD currently contributes an estimated 75% of total Provincial PTT revenue; \$1.1B/year more PTT than the rest of the Province combined.
- PTT owed on the purchase of a representative MVRD home has increased by nearly \$5,000 since 2014.

¹¹ Note: Since the presentation of this report on February 15, 2017, the BC Provincial Government has reduced the forecast for 2016/17 Property Transfer Tax (PTT) revenue from \$2,204M (from the First Quarterly Report 2016/17) to \$2,025M (from the 2017/18 Budget and Fiscal Plan released February 21, 2017) to reflect slower growth in Province-wide real estate markets.

POSITION PAPER ON THE HOME OWNER GRANT

INTRODUCTION

- From January 2014 to December 2016, the composite home price index for the Lower Mainland increased by 48%. In the same period, the Home Owner Grant threshold value increased by only 9%.
- In the past decade, Metro Vancouver's share of total Grant issuance declined from 53% to 46%, despite its population growth outpacing the rest of the Province.
- Metro Vancouver's declining share of the Grant was accelerated by the introduction of the Northern and Rural Home Owner Grant in 2011 providing an additional \$200 for eligible homes in northern and rural areas.
- Since 2011, Grant eligibility within Metro Vancouver has decreased from 91% to 82% resulting from rising residential property values outpacing the Grant threshold value.
- 67,000 more homes would be eligible for the Home Owner Grant in the MVRD if eligibility within the region were set at the Provincial average.

PURPOSE OF THIS POSITION PAPER

This Position Paper proposes a change to the method of setting the annual Home Owner Grant threshold level, such that 91% of Metro Vancouver residential properties would be eligible for the full Grant. In 2017, this change would increase the Grant threshold value from \$1.6M to \$2.2M within region, making over 67,000 additional residential properties eligible for the full Grant in the MVRD. This document is being presented as supporting information to the following recommendation:

That the Province of British Columbia set the Home Owner Grant threshold at a higher level in the Metro Vancouver Regional District than in other regions of the Province, such that 91% of residential properties fall below the threshold, to reflect increased values within the region and protect homeowners facing tax increases without corresponding income growth.

The existing Provincial legislation currently does not refer to multiple Grant threshold levels, and therefore this position may require legislative changes or clarification.

DEFINING THE PROBLEM

In 2016, 12,400 residential properties became ineligible for the full Grant in the MVRD resulting from rising assessed property values outpacing the 2016 Grant threshold increase.¹ These homeowners now owe \$570-\$845 in additional annual property tax, typically without a corresponding increase in

¹ BC Assessment Authority, Assessed Values in the GVRD (accessed December 2016).

income. Since 2011, Grant eligibility² within Metro Vancouver has decreased from 91% to 82% resulting from rising residential property values outpacing the Grant threshold value. While the region added 56,300 residential properties between 2011 and 2016, the total value of the Home Owner Grant issued regionally has decreased from \$325M in 2011 to an estimated \$320M in 2016.³

There is currently a single Home Owner Grant threshold Province-wide, despite substantial differences in property value across regions. As result, regions with relatively low property values may exceed 99% Grant eligibility. Whereas within Metro Vancouver, Grant eligibility region-wide in 2016 was approximately 82%⁴, with eligibility as low as 20% in some municipalities⁵, compared to estimated Grant eligibility of 97% in the rest of the Province.

Metro Vancouver Home Owner Grant Value and Eligibility

Year	Grant Threshold	Total Number of Residential Properties in the MVRD	Number of Residential Properties Under Threshold	Percentage of Eligible Residential Properties	Number of Basic Grant Claimants (\$570 since '07)	Number of Additional Grant Claimants (\$845 since '07)	Total Home Owner Grant Value
2017	\$1,600,000	751,101	613,084 ⁶	82%	n/a	n/a	n/a
2016	\$1,200,000	740,282 ⁷	607,111	82%	342K (46.2%)	148K (20.3%)	\$320M ⁸
2015	\$1,100,000	727,366	619,500	85%	346K (47.6%)	150K (20.6%)	\$323M
2014	\$1,100,000	716,917	624,250	87%	352K (49.1%)	147K (20.5%)	\$325M
2013	\$1,295,000	704,093	635,368	90%	361K (51.3%)	146K (20.7%)	\$331M
2012	\$1,285,000	693,382	626,245	90%	363K (52.4%)	140K (20.2%)	\$327M
2011	\$1,150,000	684,018	622,078	91%	351K (51.3%)	152K (22.2%)	\$325M

PROPOSED CHANGE

This Position Paper recommends a change to the method of setting the Home Owner Grant threshold level, such that 91% of Metro Vancouver residential properties would fall below the Grant threshold.⁹ Rather than applying a single Grant threshold Province-wide, the threshold would be set at a different level for Metro Vancouver based on the distribution of residential property values within the region. In 2017, this change would increase the Grant threshold value from \$1.6M to \$2.2M within region, making 67,000 additional residential properties eligible for the full Grant value. The proposed method would be applied on an annual basis, and the Grant threshold would change annually within Metro Vancouver depending on changes in assessed value in that year.

² Grant eligibility is defined as the number of properties falling having a value below the Grant threshold value.

³ Ministry of Community, Sport, and Cultural Development, Local Government Statistics 2006-2015 (accessed December 2016).

⁴ Excluded from these figures are First Nations Reserves, the Lower Mainland Regional District and University Endowment Lands.

⁵ District of West Vancouver has an approximate eligibility of 19.5%, the next lowest being Village of Anmore at approximately 44.9% eligibility.

⁶ Based on the 2016 Home Owner Grant Threshold this would have fallen to 506,865.

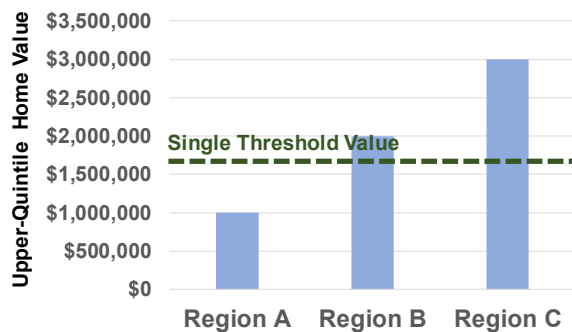
⁷ Note: The estimated number of households in Metro Vancouver in 2016 is 1,006,372 (BC Data, 2016). Regional household count is used in this report to calculate the household impact of tax revenue collected from the residential property class. The number of households is different from the number of residential properties reported by BC assessment (estimated at 740,282 in 2016) as one unique parcel may have more than one household.

⁸ Estimated based on residential assessed value trends between 2015 and 2016.

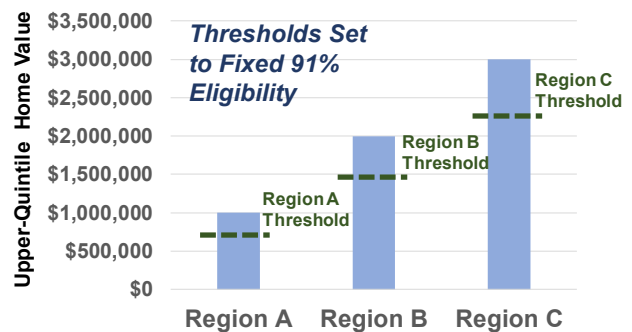
⁹ 91% of properties are estimated to currently be eligible for the Grant across the Province (including Metro Vancouver).

Single Threshold Model vs. Fixed Percentage Eligibility Model (*illustrative*)

Current Model: Single Threshold Value



Proposed Model: Fixed Percentage Eligibility



The change would not mean that 91% of residential properties in all *municipalities* within Metro Vancouver would be eligible for the Grant, rather a single threshold would be set for the *region* increasing Grant eligibility for all Metro Vancouver residents.

Objectives for the Proposed Change

- Protect Metro Vancouver residents who have recently exceeded, or are close to exceeding the Home Owner Grant threshold value and face a \$570-\$845 annual property tax increase.
- Address disproportionately low Grant funding in Metro Vancouver relative to the rest of the Province (Metro Vancouver receives 46% Grant funding with 54% of the population).
- Establish a method for setting the Grant threshold which is responsive to annual increases (or decreases) in property value, which can be calculated objectively.
- Improve regional affordability, respecting that high assessed property value does not necessarily reflect a resident's income or ability to pay.

POSITION PAPER ON THE SCHOOL PROPERTY TAX

INTRODUCTION

- School Property Tax rates in the MVRD are set such that the region's share of net School Property Tax tracks its share of assessed values (rather than school expenditures).
- School Property Tax paid per household is 3x higher in the MVRD than in the rest of the Province (\$695 average in the MVRD vs. \$223 in other regions).
- Education spending in the MVRD lagged regional net School Property Tax growth by 12% since 2012.
 - *Education spending would have increased by \$290M/year within the region if spending kept pace with net School Property Tax growth over the last five years.*
- The MVRD paid \$700M/year more School Property Tax than other regions combined in 2016 (71% contribution with 54% of the Provincial population).

PURPOSE OF THIS POSITION PAPER

This Position Paper proposes that the Provincial Government adjust School Property Tax rates to achieve a more equitable alignment of School Property Tax revenue and school expenditures across regions. Currently, the region's share of net School Property Tax tracks its share of assessed values rather than school expenditures. As the region's share of assessed value has grown, its share of net School Property Tax has increased from 65% to 71% between 2006 and 2016¹, while school expenditures in the MVRD are currently 49% of the Provincial total.² This document is being presented as supporting information to the following recommendation:

That school property tax be calculated annually on a regional basis to reflect the provincial average threshold of school district expenditures which was 46% in 2016.

¹ Ministry of Community, Sport, and Cultural Development, Local Government Statistics 2016 (accessed December 2016).

² BC School District Revenue and Expenditure Tables (accessed December 2016).

DEFINING THE PROBLEM

School Property Tax paid per household is 3x higher in the MVRD than in the rest of the Province (estimated \$695 average in the MVRD vs. \$223 average in other regions).³ Since 2012, School Property Taxes paid within Metro Vancouver have grown by 19%, while school expenditures have increased by only 7%. If school expenditures kept pace with School Property Tax revenues, education spending within the region would have increased by \$290M/year.

On average Province-wide, gross School Property Tax is 46% of school expenditures, however this amount varies significantly by region.⁴ In the MVRD, School Property Tax is currently 61% of the region's school expenditures, compared to 31% in the rest of the Province. Gross School Property Tax as a percentage of school expenditures varies from 111% in some School Districts to 4% in others.⁵ The MVRD paid \$700M/year more School Property Tax than other regions combined in 2016 (71% contribution with 54% of the Provincial population).

PROPOSED CHANGE

This Position Paper proposes that the Province adjust School Property Tax rates annually based on the School District's share of expenditures rather than based on its relative share of assessed property value. In the MVRD, where gross School Property Tax is currently 61% of the region's school expenditures, adjusted School Property Tax rates would decrease gross School Property Tax as a share of school expenditures closer to the Provincial average of 46%. School Property Tax rate adjustments would apply for both residential-class properties, in addition to commercial properties (which currently have the same School Property Tax rate Province-wide), based on the relative share of school expenditures in each School District.

Objectives for the Proposed Change

- Achieve a more equitable alignment between School Property Tax revenue and school expenditures across regions, such that School Property Tax is based on funding needs rather than assessed value.
- Address disproportionately high School Property Tax in Metro Vancouver relative to the rest of the Province (Metro Vancouver contributes 71% with 54% of the population).
- Improve School Property Tax equity for businesses by adjusting rates based on regional values.
- Improve regional affordability, respecting that high assessed property value does not necessarily reflect a resident's income or ability to pay.

³ BC Data Household Estimates (accessed January 2017). Ministry of Community, Sport, and Cultural Development (accessed December 2016).

⁴ After the Home Owner Grant, net School Tax is 50% of school expenditures in the MVRD and 20% in other regions (Provincial average = 34%).

⁵ Ministry of Community, Sport, and Cultural Development, Local Government Statistics 2016 (accessed December 2016).

⁶ BC School District Revenue and Expenditure Tables (accessed December 2016).



SCHOOL PROPERTY TAXES PAID



\$223

Average School tax
per household in
rest of BC

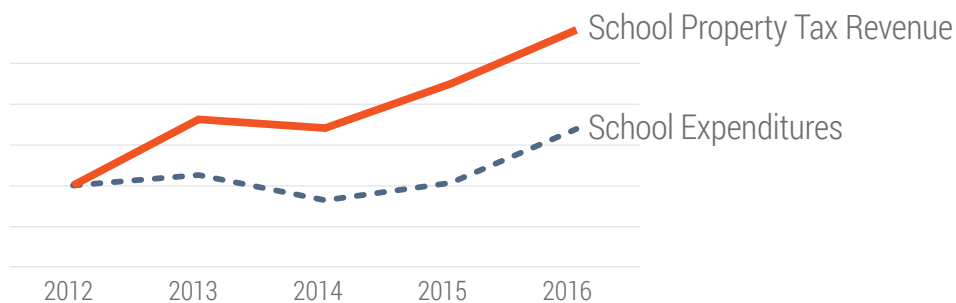


\$695

Average School tax
per household in
Metro Vancouver

3x MORE PER
HOUSEHOLD IN METRO
VANCOUVER

SCHOOL PROPERTY TAX REVENUE GROWS FASTER THAN SCHOOL EXPENDITURES



Education spending would have increased by over **\$290 million per year** in Metro Vancouver if it had kept pace with School Tax growth since 2012

RECOMMENDATION

Adjust Metro Vancouver's school property tax collected on an annual basis to reflect the provincial average.

POSITION PAPER ON THE PROPERTY TRANSFER TAX

INTRODUCTION

- Provincial Property Transfer Tax (PTT) revenue increased by 44% between 2015 and 2016, and is forecast to increase by over 50% between 2016 and 2017.
- PTT revenue is increasing due to high transaction volumes and values, the introduction of the 3% tax bracket on value exceeding \$2M (announced February 2016), and the additional PTT on residential property transfers to foreign entities (announced August 2016).
- The \$200K PTT bracket was originally intended as a wealth tax in 1987 when only 5% of homes exceeded \$200K (now over 95% exceed this value).
- Metro Vancouver's relative share of total provincially collected PTT revenue is estimated to have increased from 68% in 2011 to 76% in 2017. In two years, Metro Vancouver's contributions are estimated to have increased PTT revenue by \$900M, more than doubling the \$767M generated in Metro Vancouver in 2015.
- PTT owed on a representative MVRD home has increased by nearly \$5,000 since 2014.

PURPOSE OF THIS POSITION PAPER

This Position Paper proposes that the Provincial Government direct an increased share of PTT revenue towards regional housing initiatives. PTT has generated windfall revenue in recent years, while rates of working poverty¹ and homelessness remain among Canada's highest. 60,000 households in the region currently spend more than half of their income on shelter.² An estimated 4,000 people in the region have an immediate need for housing³. Approximately 5 people become homeless within Metro Vancouver each week.⁴ This document is being presented as supporting information to the following recommendation:

That the Province of British Columbia invest the MVRD's share of unbudgeted Property Transfer Tax revenue, its share of new funds from the 3% bracket, and the additional foreign home buyers tax, within the Metro Vancouver region and that this funding be invested in local government infrastructure, transit and affordable housing at the direction of Metro Vancouver local governments;

¹ Defined as spending more than 50% of income on shelter.

² Working Poverty in Metro Vancouver, Canadian Centre for Policy Alternatives (June 2016).

³ Based on 2016 income assistance cases that are no fixed address within Metro Vancouver.

⁴ Cascadia Strategy Consulting Partners; assuming 6% annual growth in the regional homeless population.

DEFINING THE PROBLEM

Provincial PTT Brackets. In 1987, the Provincial Government introduced the PTT and originally applied a tax rate of 1% on the first \$200K in value, and 2% on additional value over \$200K for all transfers of real estate in the Province.⁵ The \$200K bracket was intended as a wealth tax in 1987, when only 5% of homes exceeded this threshold.⁶ However, currently more than 95% of MVRD properties exceed the \$200K threshold, and therefore revenue collected from the PTT far exceeds its original intent.

New Tax Bracket for Homes over \$2M. In February 2016, the Province introduced a new tax bracket of 3% for transaction value greater than \$2M, which further increases PTT tax burden disproportionately for the MVRD.

As a result of rising transaction volume and values, and outdated PTT brackets, PTT revenue in the MVRD increased by an estimated \$500M in 2016, and \$900M over the last two years. MVRD's share of revenue has increased from 68% in 2011 to an estimated 76% in 2017. Since 2011, PTT growth in the MVRD has outpaced the rest of the Province by 85%, adding over \$800M more PTT compared other regions. However, this increased PTT tax burden within the MVRD has not led to proportional increases in affordable housing investment.

PROPOSED CHANGE

This Position Paper proposes that the MVRD's share of unbudgeted PTT⁷, its share of new funds from the 3% bracket, and the additional foreign home buyers tax be redirected to investments in regional affordable housing initiatives and measures to prevent and decrease homelessness and working poverty.

Objectives for the Proposed Change

- Increase the supply of low-income and supported rental housing units, making it possible for someone earning minimum wage to pay for accommodations with one-third of their income.
- Decrease working poverty within the MVRD, which currently affects 8% of households.⁸
- Address disproportionately high PTT revenue in Metro Vancouver (MVRD contributes 76% of PTT with 54% of the population) by re-investing PTT revenue within the region.
- Prevent and decrease homelessness, by investing in community programs, supported housing, and transitional programs to find sustainable housing solutions for all residents.
- Increase investment in housing initiatives using unbudgeted and new PTT revenue, so as not to affect existing Provincial investments and services.

⁵ Taxable transactions include: transfer of fee simple, right to purchase or agreement for sale, lease or lease modification agreements, life estate, foreclosure, Crown grant, escheat, forfeiture or quit claim, transfer as a result of corporate reorganization.

⁶ Real Estate Board of Greater Vancouver (2017).

⁷ Defined as being in excess of the next years' Provincial revenue forecast.

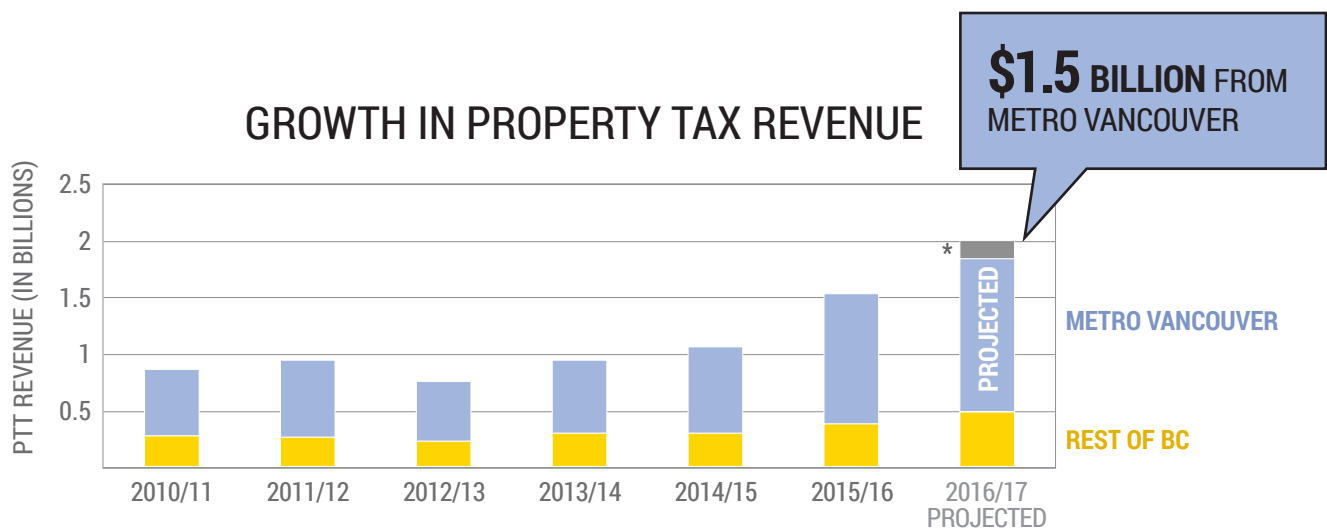
⁸ Working Poverty in Metro Vancouver, Canadian Centre for Policy Alternatives (June 2016).



PROPERTY TRANSFER TAX

A GROWING WINDFALL FOR THE PROVINCE

Originally a 'wealth tax' on the top 5% of homes, the higher brackets now apply to over 95% of homes in Metro Vancouver

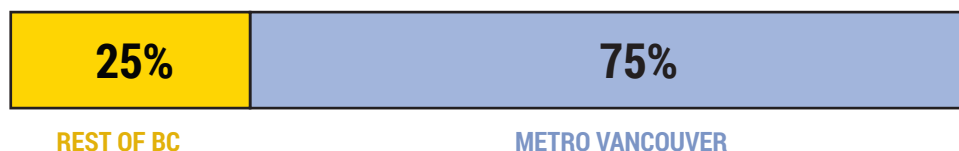


In 2016-17 Metro Vancouver is projected to contribute \$1.5 Billion to the province in PTT revenue.

* METRO VANCOUVER FOREIGN BUYER TAX

PROPERTY TRANSFER TAX

SHARE OF TOTAL REVENUE



RECOMMENDATION

Invest the unbudgeted revenue generated within the MVRD from the PTT back into local government infrastructure, transit and affordable housing in the Metro Vancouver region.



CASCADIA PARTNERS

PROVINCIAL PROPERTY-BASED TAXES IN THE GREATER VANCOUVER REGIONAL DISTRICT

Prepared for: Greater Vancouver Regional District

February 15, 2017

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INTRODUCTION

On April 29, 2016 the Board of Directors for the Greater Vancouver Regional District (GVRD) passed a motion requesting an update of a 1988 Metro Vancouver (GVRD) study entitled Real Property Taxation Issues in Greater Vancouver focusing on Metro Vancouver's overall property tax burden and benefits relative to the rest of the Province. The motion read as follows:

That the GVRD Board refer to staff the 1988 GVRD study, related to the provincial portion of the property taxes paid by Metro Vancouver residents, to bring forward to the Intergovernmental and Finance committee to pursue updating, in light of the unprecedented increases in assessments experienced in the region.²

Cascadia Strategy Consulting Partners Ltd. (Cascadia), an independent team of subject matter experts in public finance and economics, was requested to update the 1988 GVRD study, focusing specifically on the Home Owner Grant, Provincial School Property Tax, and Property Transfer Tax.

This report is submitted for review by the GVRD Finance and Intergovernmental Committee to support discussions on regional policy direction and collaboration with the BC Provincial Government ("the Province"), to improve affordability and tax fairness for residents and businesses within Greater Vancouver.

Report Terms of Reference

The terms of reference for the updated report includes the following sections:

- | | |
|--|----------------|
| 1. Property Tax Overview. Summarizes property tax policies within Greater Vancouver and analyzes revenue trends for each component of regional property taxes. | Page 2 |
| 2. Provincial School Property Tax Analysis. Reviews Provincial School Property Tax across Districts in relation to school expenditures, and analyzes revenue trends within Greater Vancouver. | Page 5 |
| 3. Home Owner Grant Analysis. Analyzes Grant levels and eligibility within Greater Vancouver, focusing on how rising values have affected regional distribution. | Page 10 |
| 4. Property Transfer Tax Analysis. Reviews how Property Transfer Tax (PTT) and the additional 15% tax on foreign purchases of residential property impacts transactions in Greater Vancouver. | Page 14 |

² Note: this report was originally planned for completion by September 2016; however the Greater Vancouver Regional District did not receive access to sufficient data until December 2016.

1. PROPERTY TAX OVERVIEW

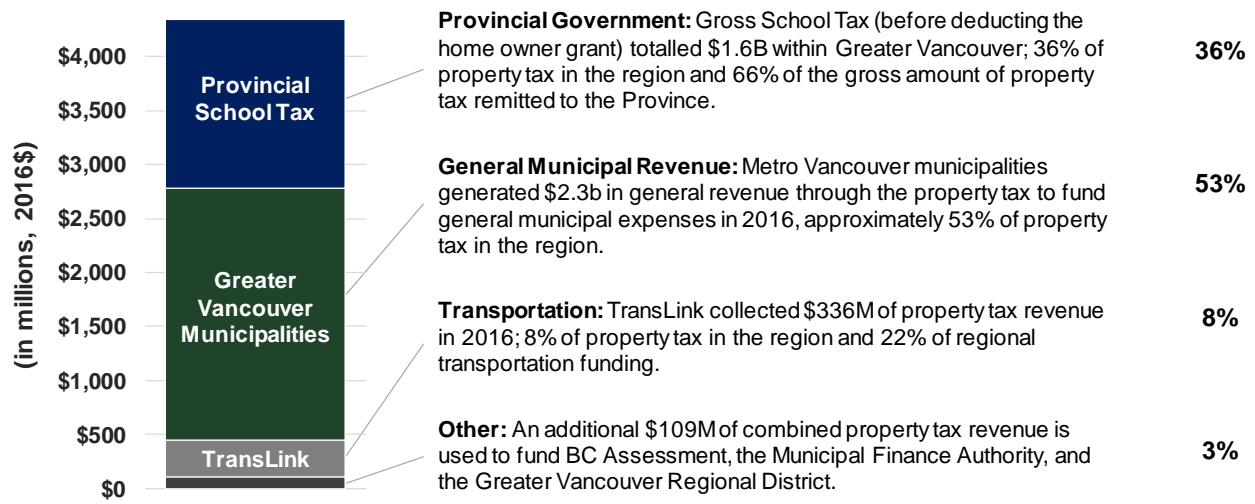
There are two main factors that affect property taxes³: relative assessed property value, and the amount of tax revenue needed to fund community services and assets. In Greater Vancouver, the amount of tax revenue required is determined annually by the local municipality, the Provincial government (via the School Property Tax), and other government agencies providing services. Municipalities are responsible for issuing property tax bills on behalf of all agencies and remitting revenue owed.

Property taxes do not increase or decrease in direct correlation to assessed values, because rates vary each year depending on growth of assessed value across property classes. If assessed value increases by more than annual new funding needed by local and Provincial government agencies, property tax rates decrease to control the amount of revenue collected. If assessed value within a particular neighbourhood of a municipality increases disproportionately, then taxes owed in other neighbourhoods of the same municipality may decrease due to their lower relative value.

Property Tax Components in Greater Vancouver

Each government agency collecting property taxes independently sets a property tax rate. Municipalities set a property tax rate to fund general municipal expenses, the Provincial government sets a School Property Tax rate⁴, TransLink sets a rate to fund transit investment and operations, as do other agencies such as the Greater Vancouver Regional District, Municipal Financing Association, and BC Assessment Authority. Variable tax rates are applied across residential, business, industrial, and other property classes, changing each year based on assessed value.⁵

Property Tax Components within Greater Vancouver in 2016^{6,7}



³ Property tax bills include both variable rate taxes, and user fees for water, sewer, garbage, and recycling. The section focuses on variable rate taxes.
⁴ As explained in Section 2, the Provincial School Property Tax component of the property tax does not correspond to local school expenditures across School Districts; rather the School Property Tax is used to fund province-wide expenditures.

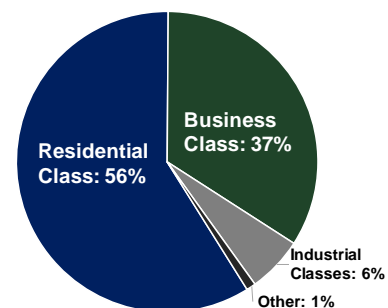
⁵ Note: different property tax rates are applied for each property class depending on the tax burden for each component of regional property taxes, and the relative assessed values within each property class.

⁶ Source: Local Government Data, Ministry of Community, Sport, and Cultural Development, Municipal Taxes and Charges (2016).

⁷ Note: Includes commercial and residential property tax revenue; excludes home owner grants; property tax revenue growth results from annual rate changes and increases to the property tax base.

Property Tax Burden within Greater Vancouver Across Classes (2016)

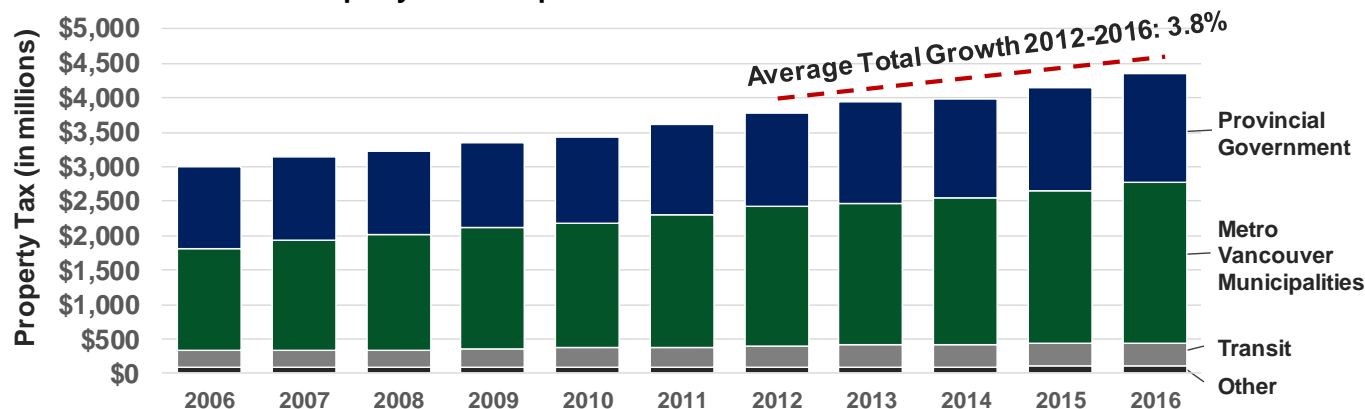
Property tax rates are set at different levels depending on the property class (e.g. residential, business, industrial, etc.). Within Greater Vancouver in 2016, residential properties comprise 93% of properties and contribute 56% of total property tax revenue. Business class properties comprise 6% of properties and contribute 37% of property tax revenue. Industrial properties comprise 1% of all properties and contribute 6% of revenue, with other property classes (e.g. utilities, farm, supportive housing, etc.) provided the remaining 1% of revenue.



Property Tax Growth in Greater Vancouver

Annual growth of property tax is controlled by each of the respective government agencies, based on funding needs within a legislative framework.⁸ The five-year average annual growth rate of total property taxes within Greater Vancouver (including all property classes) is 3.8%.

Growth of Combined Property Tax Components in Greater Vancouver: 2006 – 2016



Allocation of Incremental Property Tax Across Components within Greater Vancouver

The table below summarizes property tax growth rates and incremental allocation by component.

Property Tax Component	Annual Property Tax (2016)	Five-Year Average Annual Growth Rate	Incremental Tax @ Historical Rate
Gross School Property Tax	\$1.6B ⁹ (36%)	3.8%	\$59M (36%)
General Municipal	\$2.3B (53%)	4.0%	\$92M (56%)
TransLink	\$336M (8%)	3.0%	\$10M (6%)
Other Agencies	\$110M (3%)	3.2%	\$4M (2%)
Total/Average	\$4.3B (100%)	3.8%	\$165M (100%)

⁸ Municipal, Provincial, and TransLink property taxes are governed by the Local Government Act (or local Charter), the School Act, and the South Coast British Columbia Transportation Authority Act respectively.

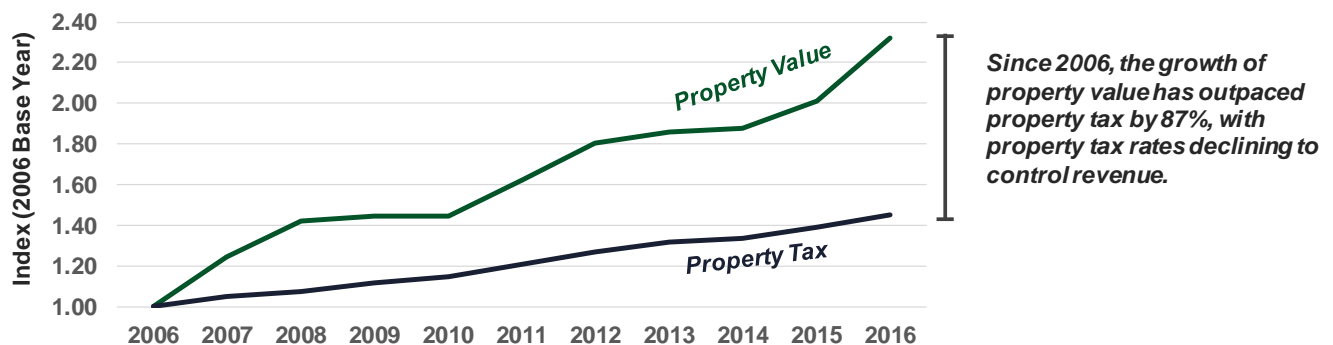
⁹ Source: Local Government Data, Ministry of Community, Sport, and Cultural Development, Municipal Taxes and Charges (2016)

¹⁰ Ministry of Community, Sport, and Cultural Development revenue reporting excludes home owner grant and non-residential tax credits.

Property Taxes Grow at a Different Rate than Property Values

Greater Vancouver has experienced significant growth in assessed property values in recent years, however property taxes have increased more slowly. Variable property tax rates have consistently decreased within Greater Vancouver to ensure that revenue collected does not exceed annual new funding needs for the government agencies setting property tax. Conversely, if assessed values within Greater Vancouver had held constant or declined, then property tax rates would have increased to generate the required level of revenue.

Index of Property Value Growth vs. Property Tax Growth¹¹



The annual property tax increase for a specific homeowner depends on their relative change in assessed property value compared to other owners within their municipality and region. Even though a given property's assessed value has increased, its property taxes may decrease depending on how its value changed relative to other properties in the same class.

“Market Change” vs. “Non-Market Change” in Assessed Value

Total assessed value changes results from two factors: “Market Change” and “Non-Market Change”. Market Change results from increased demand for the existing supply of properties. Non-Market Change results from additions or changes to supply resulting from new development, construction, and changes in property class or zoning. Non-Market Change slows property tax growth for existing property owners by funding incremental revenue with “net new” assessed value.

Although total property taxes have grown at 3.8% year, 1.5% - 2.0% of this annual growth resulted from Non-Market Change¹² (e.g. new construction, development, changes in property class/zoning)¹³, meaning that tax growth for average existing property owners unaffected by Non-Market Change is less than 3.8% (approximately 2.3 – 2.8%).

¹¹ Source: Local Government Data, Ministry of Community, Sport, and Cultural Development, Municipal Assessed Values, Taxes and Charges (2016)

¹² BC Assessment Authority (2016).

¹³ “Non-Market Change” (NMC), includes changes in assessed value from the following factors: New construction authorized under local building authority permit (permitted improvements); New development or “size” changes to land - including subdivisions, land assemblies and consolidations (Plans Cancellations); new/expired tenures on Crown/exempt land; Property class and exception changes; and Zoning changes (e.g. changes to density, use, and resulting property value).

2. PROVINCIAL SCHOOL PROPERTY TAX ANALYSIS

Context

BC School District operating grants are funded by the Provincial general budget, which is in turn funded partially by the School Property Tax. The School Property Tax is a property tax applied at different rates depending on the School District and property class. The amount of School Property Tax within a given region does not always correlate with school expenditures, especially in Greater Vancouver where gross School Property Tax comprises 61% of school expenditures (compared to 31% in the rest of the Province). The Province has the authority to collect School Property Tax under the School Act, however the Act does not detail a methodology for setting annual tax rates across School Districts.

The School Property Tax is the primary component of regional property tax which is reduced by the Home Owner Grant (see Section 3), although the Grant may also offset other municipal or regional property taxes if the amount of School Property Tax owed is less than the Grant value. In this report, “gross School Property Tax” refers to the gross reported value of the School Property Tax without deducting the Grant value. “net School Property Tax” refers to School Property Tax revenue after deducting the Grant value.

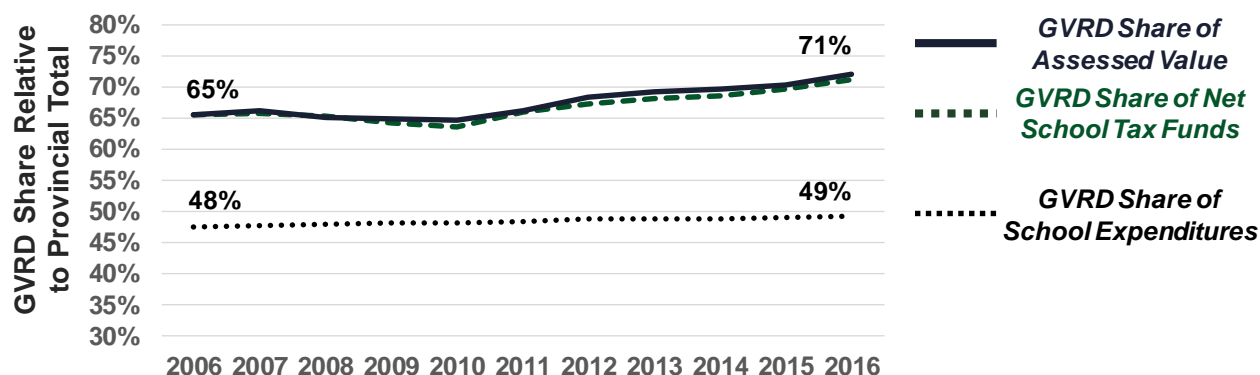
Summary Findings

- School Property Tax rates in Greater Vancouver are set such that the region’s share of net School Property Tax tracks its share of assessed values, rather than regional cost drivers for school expenditures (e.g. enrollments), which grow at a slower rate than assessed value.
- As Greater Vancouver’s share of assessed value has grown, its share of total Provincial net School Property Tax has increased from 65% to 71% between 2006 and 2016, and its share of the Home Owner Grant has decreased from 53% to 46%.
- Since 2012, net School Property Tax within Greater Vancouver has grown by 19%, while local expenditures have increased by only 7%. If expenditures kept pace with School Property Tax revenues, education spending within the region would have increased by \$290M/year.
- Within the GVRD, gross School Property Tax is 61% of school expenditures on average. In other School Districts in the rest of the Province, School Property Tax is only of 31% of school expenditures, reflecting an indirect subsidy from Greater Vancouver to other regions.
- Gross School Property Tax as a percentage of school expenditures varies from 111% in some School Districts to 4% in others across the Province.

GVRD's Share of School Property Tax Tracks its Share of Assessed Value

School Property Tax rates in Greater Vancouver are set such that the region's share of net School Property Tax tracks its share of assessed values.¹⁴ As the region's relative assessed value has grown, Greater Vancouver's share of net School Property Tax has increased from 65% to 71% between 2006 and 2016. Over the same period, the region's share of the Provincial population has increased from 52% to 54%, and its share of school expenditures has increased from 48% to 49%.

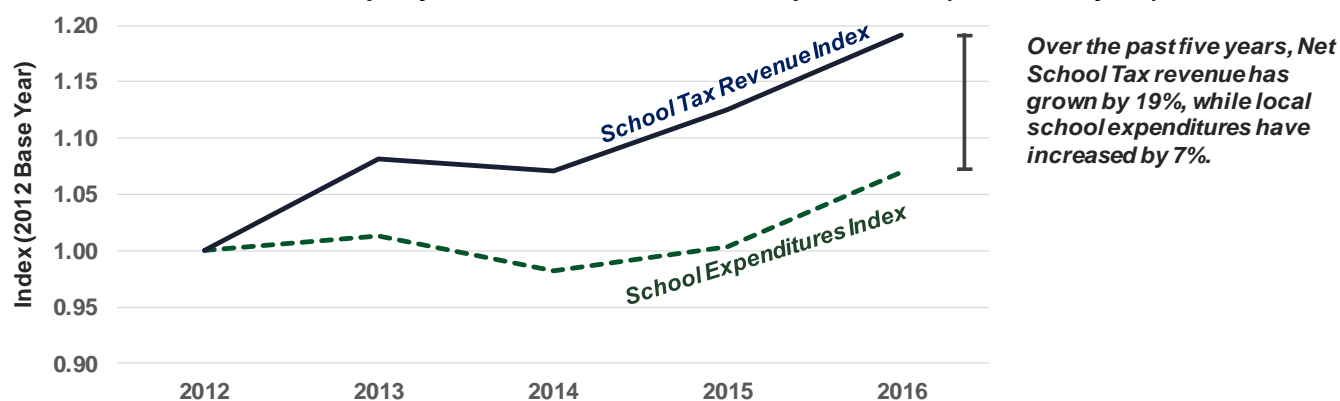
Greater Vancouver's Relative Share of Assessed Value and Net School Property Tax¹⁵¹⁶



School Property Tax within GVRD Grows Faster Than Expenditures

Since 2012, net School Property Tax within Greater Vancouver has grown by 19%, while local expenditures have increased by only 7%. This is because net School Property Tax collected has tracked the region's relative share of assessed value, rather than regional cost drivers for school expenditures (e.g. enrollments), which grow at a slower rate than relative assessed value. If school expenditures kept pace with School Property Tax revenues, education spending within the region would have increased by \$290M/year.

Index of GVRD School Property Tax Revenue to School Expenditures (2012 base year)¹⁷¹⁸



¹⁴ Note: it is unclear if this correlation is the objective of the methodology for setting School Property Tax or a consequence of the methodology.

¹⁵ Ministry of Community, Sport, and Cultural Development, Local Government Statistics 2016 (accessed December 2016).

¹⁶ BC School District Revenue and Expenditure Tables (accessed December 2016).

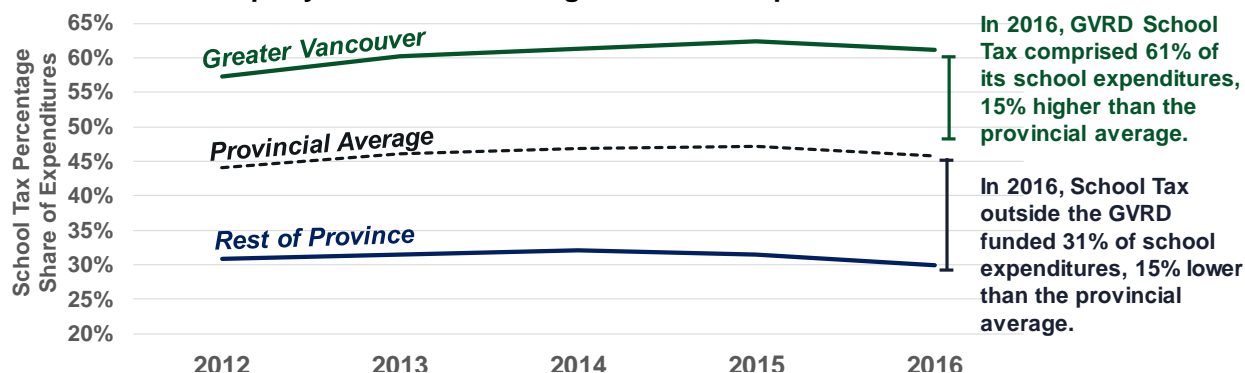
¹⁷ Ministry of Community, Sport, and Cultural Development, Local Government Statistics 2016 (accessed December 2016).

¹⁸ BC School District Revenue and Expenditure Tables (accessed December 2016).

Greater Vancouver School Property Tax Share of Expenditures

On average Province-wide, gross School Property Tax is 46% of School District expenditures¹⁹²⁰, however this amount varies depending on the region. In the GVRD, School Property Tax is currently 61% of the region's District-attributable school expenditures, compared to 31% in the rest of the Province. The GVRD paid over \$700M/year more School Property Tax than the rest of the Province combined in 2016 (71% contribution with 54% of the population).

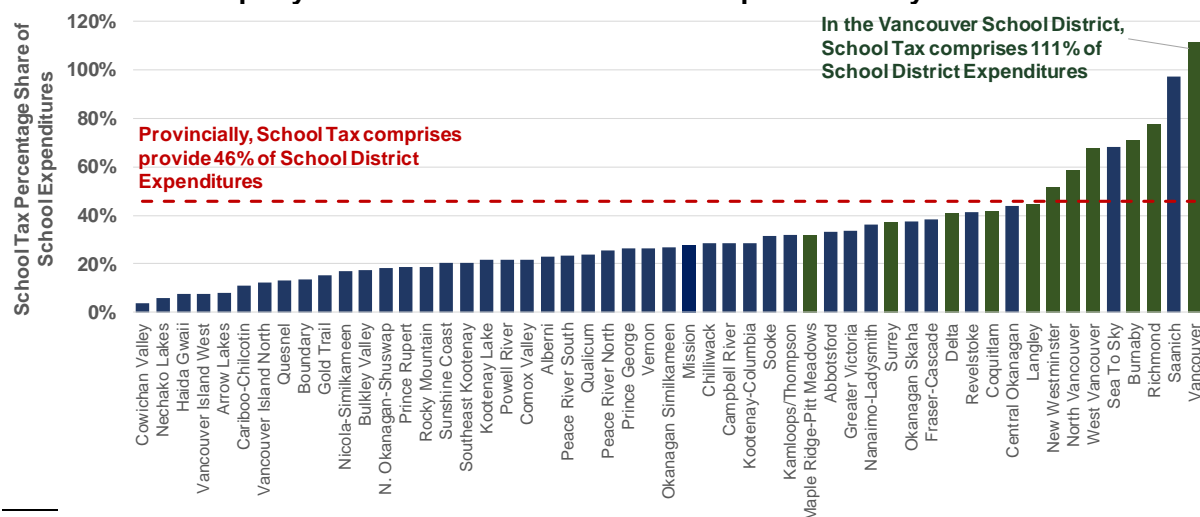
Gross School Property Tax as a Percentage of School Expenditures²¹²²



School Property Tax Share of Expenditures Varies Significantly by District

Gross School Property Tax as a percentage of attributable expenditures varies from 111% in some School Districts to 4% in others across the Province. If the School Property Tax as a relative share of School District expenditures in Greater Vancouver was the same as the Provincial average, School Property Tax within the region would decrease by approximately \$390M annually.

Gross School Property Tax Relative Share of School Expenditures by District²³²⁴



¹⁹ After the Home Owner Grant, net School Property Tax comprises 50% of District expenditures in the GVRD and 19% in other regions (Prov. avg. = 34%).

²⁰ Note: excludes primary and secondary education expenditures attributable to School Districts; including non-attributable expenditures the estimated share of expenditures funded by gross School Property Tax is 39% in 2016 (source: BC Budget and Fiscal Plan 2016/17).

²¹ Ministry of Community, Sport, and Cultural Development, Local Government Statistics 2016 (accessed December 2016).

²² BC School District Revenue and Expenditure Tables (accessed December 2016).

²³ Ministry of Community, Sport, and Cultural Development, Local Government Statistics 2016 (accessed December 2016).

²⁴ BC School District Revenue and Expenditure Tables (accessed December 2016).

Summary of School Property Tax and Expenditures Across Districts (2016)

#	School District ²⁵	Gross School Property Tax (millions) ²⁶	District Expenditures (millions) ²⁷	School Property Tax Contribution (%)	5-Yr Avg. School Property Tax Growth	5-Yr Avg. Expenditures Growth
39	Vancouver	\$557.2	\$500.1	111.4%	4.9%	1.0%
63	Saanich	\$70.9	\$72.9	97.2%	-1.0%	0.6%
38	Richmond	\$150.9	\$194.3	77.7%	2.7%	1.5%
41	Burnaby	\$159.2	\$224.2	71.0%	3.9%	1.5%
48	Sea To Sky	\$32.7	\$48.0	68.1%	0.0%	3.8%
45	West Vancouver	\$47.7	\$70.3	67.9%	3.6%	2.8%
44	North Vancouver	\$85.9	\$145.6	59.0%	2.5%	1.8%
40	New Westminster	\$32.8	\$63.5	51.7%	3.1%	1.0%
35	Langley	\$79.2	\$176.7	44.8%	1.9%	3.4%
23	Central Okanagan	\$85.3	\$193.9	44.0%	0.6%	2.6%
43	Coquitlam	\$117.6	\$282.3	41.7%	2.7%	1.6%
19	Revelstoke	\$4.4	\$10.7	41.3%	-0.9%	0.8%
37	Delta	\$61.9	\$150.5	41.1%	2.3%	2.2%
78	Fraser-Cascade	\$7.3	\$19.0	38.5%	0.4%	0.7%
67	Okanagan Skaha	\$21.2	\$56.5	37.5%	-0.5%	0.0%
36	Surrey	\$228.0	\$613.7	37.1%	2.4%	2.2%
68	Nanaimo-Ladysmith	\$43.1	\$118.7	36.3%	0.3%	-0.6%
61	Greater Victoria	\$60.0	\$178.0	33.7%	-0.6%	1.8%
34	Abbotsford	\$57.5	\$172.7	33.3%	0.6%	1.8%
42	Maple Ridge-Pitt Meadows	\$41.7	\$130.2	32.0%	1.5%	0.8%
73	Kamloops/Thompson	\$43.8	\$138.0	31.7%	0.8%	2.3%
62	Sooke	\$29.2	\$92.8	31.5%	-0.3%	3.7%
20	Kootenay-Columbia	\$10.0	\$35.1	28.6%	-1.2%	-1.0%
72	Campbell River	\$14.5	\$51.0	28.5%	0.6%	0.8%
33	Chilliwack	\$33.7	\$118.5	28.5%	0.4%	2.0%
75	Mission	\$15.1	\$54.9	27.6%	0.6%	0.2%
53	Okanagan Similkameen	\$6.5	\$24.4	26.7%	-1.1%	0.6%
22	Vernon	\$20.7	\$78.0	26.5%	-0.6%	1.2%
57	Prince George	\$33.6	\$127.0	26.4%	1.2%	0.6%
60	Peace River North	\$14.9	\$58.5	25.4%	5.4%	2.1%
69	Qualicum	\$10.3	\$43.8	23.6%	-0.1%	0.4%
59	Peace River South	\$9.8	\$42.2	23.3%	2.3%	-0.9%
70	Alberni	\$8.8	\$38.6	22.8%	-1.4%	-0.8%
71	Comox Valley	\$16.3	\$74.8	21.9%	-0.3%	-0.5%
47	Powell River	\$5.0	\$23.0	21.8%	-1.2%	0.0%
8	Kootenay Lake	\$11.0	\$50.5	21.7%	-0.6%	-0.8%
5	Southeast Kootenay	\$11.2	\$55.3	20.3%	-0.3%	1.9%
46	Sunshine Coast	\$7.4	\$36.5	20.2%	0.3%	1.0%
6	Rocky Mountain	\$6.6	\$35.3	18.8%	-1.2%	1.5%
52	Prince Rupert	\$5.0	\$27.0	18.6%	1.3%	0.5%
83	N. Okanagan-Shuswap	\$10.7	\$59.0	18.1%	1.0%	-1.5%
54	Bulkley Valley	\$3.9	\$22.4	17.5%	0.4%	-0.9%
58	Nicola-Similkameen	\$4.3	\$25.4	17.0%	2.6%	0.9%
74	Gold Trail	\$2.8	\$18.0	15.4%	-0.1%	-2.1%
51	Boundary	\$2.1	\$15.5	13.5%	-1.1%	-0.4%
28	Quesnel	\$4.5	\$34.3	13.0%	-1.0%	-1.3%
85	Vancouver Island North	\$2.2	\$18.3	12.1%	0.3%	-0.4%
27	Cariboo-Chilcotin	\$5.7	\$51.7	11.0%	-0.8%	-0.8%
10	Arrow Lakes	\$0.6	\$7.7	7.9%	-2.3%	1.6%
84	Vancouver Island West	\$0.6	\$7.6	7.7%	-0.8%	0.9%
50	Haida Gwaii	\$0.8	\$10.3	7.7%	-0.2%	0.1%
91	Nechako Lakes	\$3.1	\$52.8	5.9%	3.9%	0.7%
79	Cowichan Valley	\$2.8	\$73.4	3.8%	-1.5%	0.5%
N/A	Other	\$79.3	\$178.3	44.5%	1.5%	2.1%
Total / Average:		\$2,381.4	\$5,201.4	45.8%	2.3%	1.4%

²⁵ School Property Tax revenue is reported municipally and has been aggregated by School District for this analysis.

²⁶ Ministry of Community, Sport, and Cultural Development, Local Government Statistics 2016 (accessed October 2016).

²⁷ BC School District Revenue and Expenditure Tables (accessed December 2016).

School Property Tax on Commercial Properties: Fixed Rate Province-Wide

School Property Tax rates on business class and industrial class properties are the same Province-wide.²⁸ In 2016, a commercial property with \$1M assessed value would have \$5,400 in School Property Tax in each municipality within British Columbia. However, the average commercial property value varies significantly across regions. In Vancouver, where the average commercial value exceeds \$4M, the average School Property Tax paid per commercial property is nearly \$23K. In Surrey, where the average commercial property value is \$2M, the average School Property Tax paid per commercial property is approximately \$11K. The table below estimates the average commercial property value and School Property Tax by GVRD municipality.

Average Commercial Property Tax Across Greater Vancouver Municipalities

Municipality	Average Value (millions) ²⁹	Average School Property Tax (thousands) ³⁰	Average Taxes on Value of: (thousands) ³¹		
			\$1M	\$5M	\$10M
City of Vancouver	\$4.2	\$22.8	\$5.4	\$27.0	\$54.0
City of Burnaby	\$3.3	\$17.9	\$5.4	\$27.0	\$54.0
City of North Vancouver	\$3.3	\$17.9	\$5.4	\$27.0	\$54.0
District of West Vancouver	\$3.3	\$17.9	\$5.4	\$27.0	\$54.0
City of New Westminster	\$2.9	\$15.6	\$5.4	\$27.0	\$54.0
City of Coquitlam	\$2.7	\$14.8	\$5.4	\$27.0	\$54.0
Corporation of Delta	\$2.6	\$13.8	\$5.4	\$27.0	\$54.0
City of Port Moody	\$2.3	\$12.6	\$5.4	\$27.0	\$54.0
City of Port Coquitlam	\$2.3	\$12.5	\$5.4	\$27.0	\$54.0
City of Langley	\$2.2	\$12.1	\$5.4	\$27.0	\$54.0
Village of Anmore	\$2.1	\$11.6	\$5.4	\$27.0	\$54.0
City of Richmond	\$2.1	\$11.3	\$5.4	\$27.0	\$54.0
Tsawwassen First Nation	\$2.1	\$11.2	\$5.4	\$27.0	\$54.0
City of Surrey	\$2.0	\$10.6	\$5.4	\$27.0	\$54.0
City of White Rock	\$1.6	\$8.8	\$5.4	\$27.0	\$54.0
Village of Belcarra	\$1.6	\$8.7	\$5.4	\$27.0	\$54.0
Township of Langley	\$1.4	\$7.8	\$5.4	\$27.0	\$54.0
District of North Vancouver	\$1.4	\$7.6	\$5.4	\$27.0	\$54.0
City of Pitt Meadows	\$1.1	\$6.1	\$5.4	\$27.0	\$54.0
City of Maple Ridge	\$1.0	\$5.6	\$5.4	\$27.0	\$54.0
Village of Lions Bay	\$0.9	\$4.7	\$5.4	\$27.0	\$54.0
Bowen Island Municipality	\$0.8	\$4.2	\$5.4	\$27.0	\$54.0
Average	\$2.6	\$14.2	\$5.4	\$27.0	\$54.0

²⁸ In 2016, the School Property Tax rate on business and industrial class properties was set at 0.0054 or \$5.40 per \$1,000 in value

²⁹ BC Assessment Property Value Data (2016). See Appendix D for list of Actual Use Codes included in dataset. Properties >\$200M excluded.

³⁰ This is calculated using Provincially-applied rates to the average value of commercial properties in the region. Tax credits are not deducted.

³¹ School Property Tax paid by a typical commercial property with the denoted assessed value. Rates are identical across municipalities.

3. HOME OWNER GRANT ANALYSIS

Context

The Home Owner Grant is a Provincial program that reduces the amount of property tax paid by an owner on their principal residence. The current “basic” grant is \$570. Seniors (age 65 and older), veterans, people with disabilities (or those living with a person with a disability) may qualify for an “additional” grant of \$275, for a total of \$845.

The Grant is primarily used to offset residential-class Provincial School Property Tax. If the Grant amount is greater than the School Property Tax owed, the remaining Grant amount is used to offset other property tax and is retained by the municipality.

The Grant is reduced by \$5 for every \$1,000 of assessed value above a threshold, which for 2016 was set at \$1,200,000. This means the basic grant was fully reduced for homes valued at \$1,314,000 for 2016 (i.e. $\$570 \div 5 \times \$1,000 = \$114,000 + \$1,200,000 = \$1,314,000$). Homeowners must pay at least \$350 in property taxes before claiming the basic grant and \$100 before claiming the additional grant.

In 2017, the Province announced an increase to the Grant threshold from \$1.2M to \$1.6M such that 91% of qualified property owners in BC would be eligible to claim the full Grant (with an estimated 82% eligibility within the GVRD). Since 2006 Provincial eligibility has declined from 95% to 91%.

Summary Findings

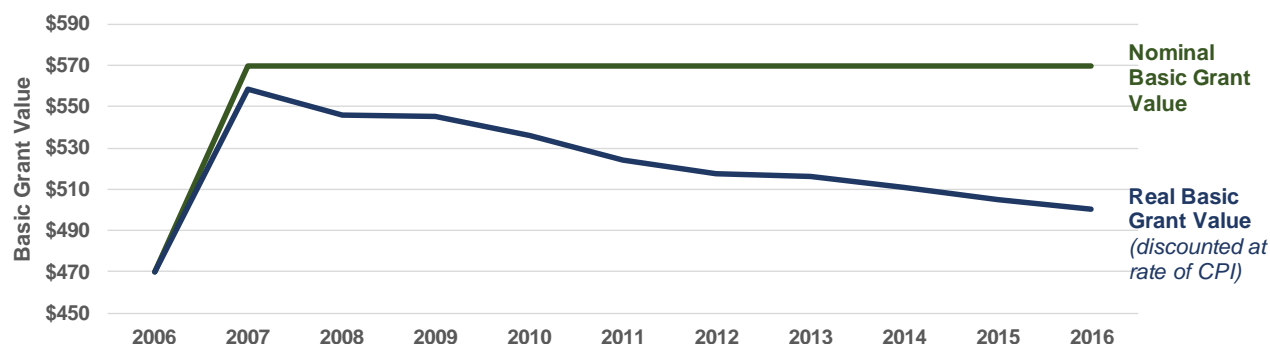
- From January 2014 to December 2016, the composite home price index for the Lower Mainland increased by 48%. In the same period, the threshold value increased by only 9%.
- In the past decade, Greater Vancouver’s share of total Grant issuance declined from 53% to 46%, despite its population growth outpacing the rest of the Province.
- Greater Vancouver’s declining share of the Grant was accelerated by the introduction of the Northern and Rural Home Owner Grant in 2011 providing an additional \$200 for eligible homes in northern and rural areas.
- Since the Grant is primarily deducted from School Property Tax, GVRD’s decreasing Grant eligibility have caused net residential School Property Tax to increase. In the GVRD, the 5-year average annual growth in net residential School Property Tax was 6%; compared to 0% for the rest of the Province.
- Since 2011, Grant eligibility within Greater Vancouver has decreased from 91% to 82% resulting from rising residential property values outpacing the Grant threshold value.
- 67,000 more homes would be eligible for the Home Owner Grant in the GVRD if eligibility within the region were set at the Provincial average of 91%.

Declining Real Value of the Home Owner Grant (in \$2006)

The real value of the Grant has declined over time due to inflation, decreasing at approximately 1% to 2% annually. The nominal value of the basic and additional grant has remained at \$570 and \$275 respectively since 2006, when they were both increased by \$100. If the basic grant value were discounted by the Consumer Price Index (CPI) for Greater Vancouver³² since 2006, its value in real terms in 2016 would be \$500 (compared to the \$570 nominal value). The graph below shows the effect of gradually decreasing purchasing power for the basic grant amount over the last decade.

Nominal Basic Grant Value vs. Real Basic Grant Value

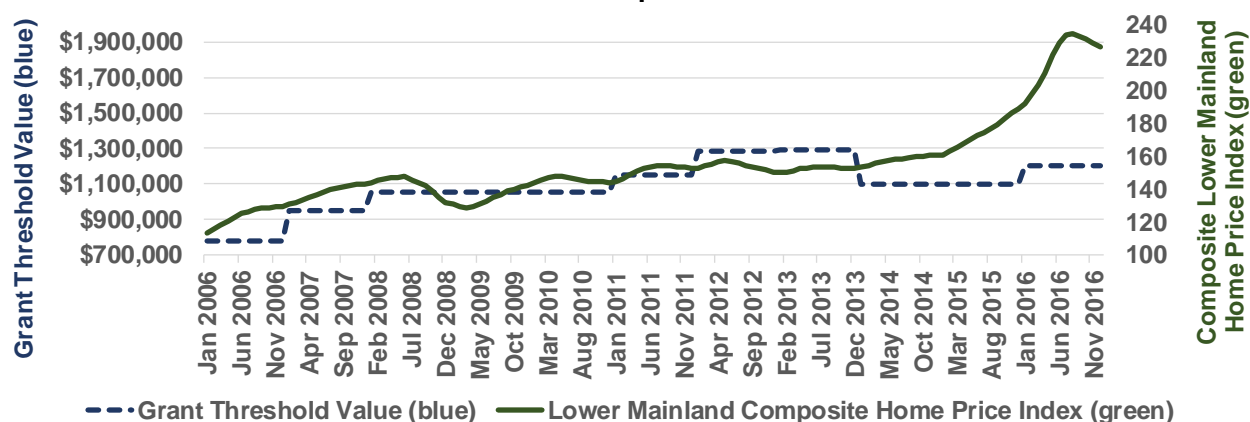
(discounted based on annual rate of change in CPI with 2006 base year)



Home Owner Grant Threshold Lags Rising Property Values

From January 2014 to December 2016, the composite home price index for Lower Mainland has increased by 48%³³. In the same period, the Grant threshold value increased by 9% (from \$1.1M to \$1.2M), resulting in declining Grant eligibility within the region. The percentage of properties eligible for the Grant has declined in the GVRD by approximately 2% annually, from 90% in 2013 to 82% in 2016, resulting in \$11M less Grants annually for residents.³⁴ The graph below shows how the threshold value has tracked the composite home price index in the Lower Mainland.

Grant Threshold Value vs. Lower Mainland Composite Home Price Index



³² Statistics Canada, Consumer Price Index for Greater Vancouver 2006-2016 (accessed October 2016).

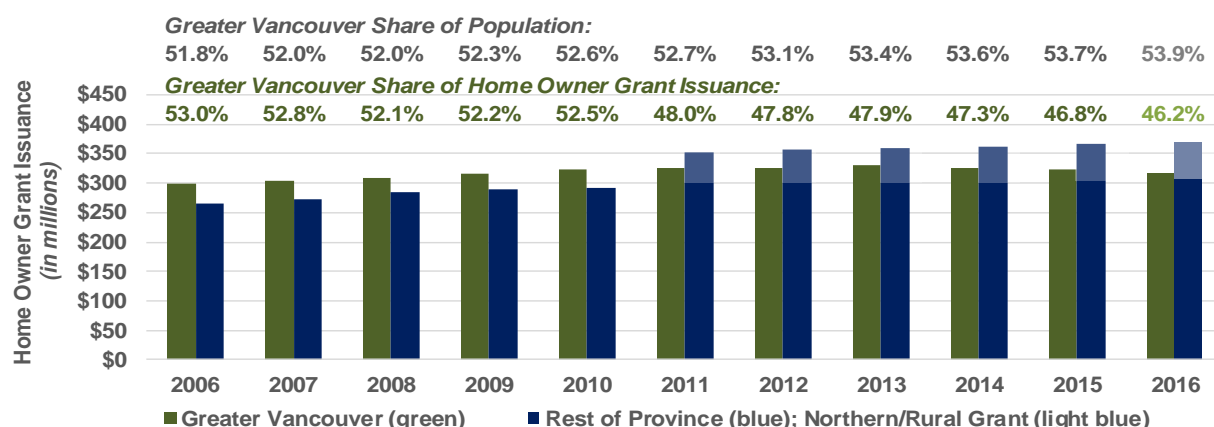
³³ Canadian Real Estate Association, Home Price Index (accessed October 2016).

³⁴ Ministry of Community, Sport, and Cultural Development, Local Government Statistics 2006-2015 (estimated for 2016).

Greater Vancouver's Declining Share of the Home Owner Grant

From 2006 to 2016, Greater Vancouver's share of total Grant issuance has declined from 53% to 46%³⁵, despite its population growth outpacing the rest of the Province. In 2017, this decline is forecast to continue based on home price trends in the GVRD relative other regions. Greater Vancouver's declining share of the Grant was accelerated by the introduction of the Northern and Rural Home Owner Grant in 2011, which offers an additional \$200 to homeowners in the northern and rural areas of BC (outside of Greater Vancouver, Fraser Valley, and Capital Regional Districts).

Home Owner Grant Issuance in Greater Vancouver vs. Rest of Province

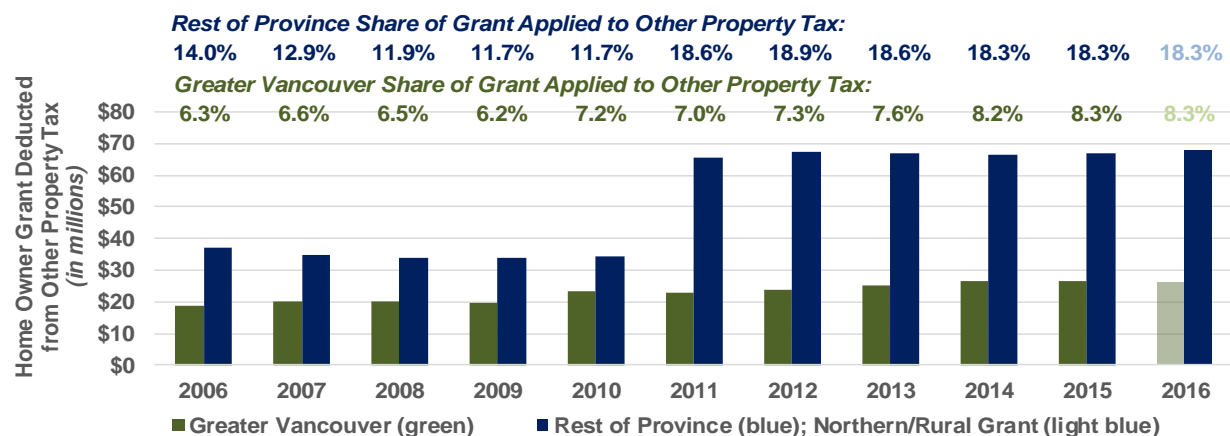


Grants Deducted from Other Property Tax

If the Grant amount is greater than the School Property Tax owed, the remaining Grant amount is used to offset other property tax and is retained by the municipality. The share of the Grant applied to other property tax in Greater Vancouver is less than half that of the rest of the Province.

Grants Deducted from Other Property Tax in Greater Vancouver vs. Rest of Province³⁶

(2006-2015 sourced from the Province*; 2016 forecasted based on home price trends)



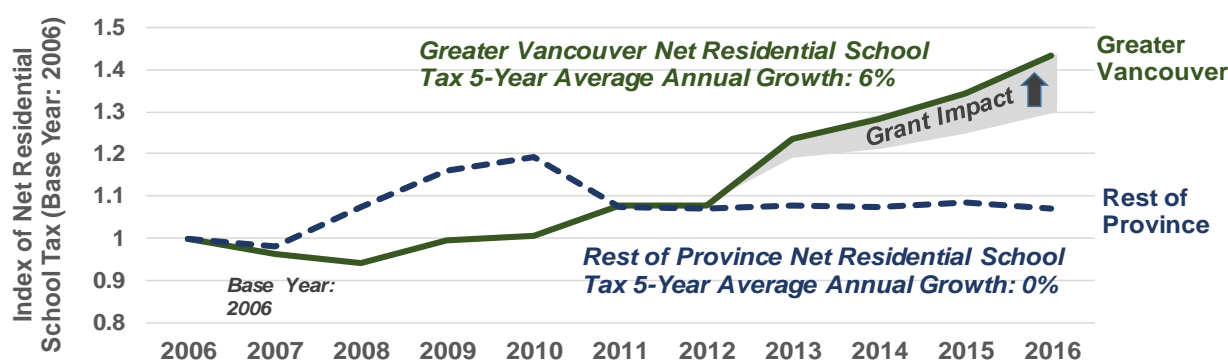
³⁵ Ministry of Community, Sport, and Cultural Development, Local Government Statistics 2006-2015 (accessed October 2016).

³⁶ Source: Ministry of Community, Sport, and Cultural Development, Local Government Statistics 2006-2015 (accessed October 2016). *Note: 2015 Grants deducted from other tax not yet reported; 2015 values estimated based on 2014 percentage share of total Grant issuance.

Greater Vancouver's Growing Net Residential-Class School Property Tax

Since the Grant is primarily deducted from residential-class School Property Tax, Greater Vancouver's decreasing Grant levels have caused net residential-class School Property Tax to increase faster than it would have otherwise. In Greater Vancouver, the 5-year average annual growth in net residential-class School Property Tax was 6%; compared to 0% for the rest of the Province³⁷³⁸. The 5-Year average annual growth of gross residential-class School Property Tax revenue in Greater Vancouver was 3.8%, compared to 0.6% for the rest of the Province. This difference between the annual growth of gross vs. net residential-class School Property Tax is shown by the grey area in the chart below.

Index of Net Residential-Class School Property Tax (base year: 2006)



Alternative Grant Models³⁹ (for discussion)

Depending on the guiding principles and objectives for the Home Owner Grant Program, the following potential alternative Grant models may be considered⁴⁰:

- 1. Fixed Percentage Eligibility by Region.** Each region within the Province could establish a different Grant eligibility threshold value reflecting the distribution of property values, while maintaining the Provincial average at 91% eligibility.
- 2. Different Grant Levels by Region.** Each region could establish a different Grant level, while keeping the average at \$570 for the basic grant and \$845 for the additional grant.
- 3. Eliminate the Grant Threshold, Lower Grant Levels.** The Grant eligibility threshold could be eliminated, while decreasing Grant levels to maintain revenue neutrality.
- 4. Different Grant Levels by Length of Ownership.** Grant levels could be determined based on the length of time residents have owned their home, with lower Grant levels for newer owners.

³⁷ Ministry of Community, Sport, and Cultural Development, Local Government Statistics 2006-2015 (accessed October 2016).

³⁸ Net residential Provincial property taxes by region estimated based on Ministry of Community, Sport, and Cultural Development reporting of assessed values and effective residential tax rates by municipality.

³⁹ Note: the alternative models above could be implemented without impacting total Provincial expenditures.

⁴⁰ Cascadia is not recommending or endorsing any of the potential alternative Grant models, rather providing them for discussion purposes.

GVRD Home Owner Grant Eligibility (2016)

Municipality	Total Number of Residential Properties	Total Homes Under 2016 Threshold		Total Homes Exceeding 2016 Threshold	
		#	%	#	%
Bowen Island Municipality	2,164	1,870	86.4%	294	13.6%
City of Burnaby	69,938	55,144	78.8%	14,794	21.2%
City of Coquitlam	43,964	41,364	94.1%	2,600	5.9%
City of Langley	9,194	9,162	99.7%	32	0.3%
City of Maple Ridge	27,735	27,280	98.4%	455	1.6%
City of New Westminster	21,890	21,394	97.7%	496	2.3%
City of North Vancouver	16,568	14,600	88.1%	1,968	11.9%
City of Pitt Meadows	6,368	6,229	97.8%	139	2.2%
City of Port Coquitlam	18,920	18,825	99.5%	95	0.5%
City of Port Moody	11,680	11,227	96.1%	453	3.9%
City of Richmond	68,590	58,251	84.9%	10,339	15.1%
City of Surrey	139,719	130,692	93.5%	9,027	6.5%
City of Vancouver	181,286	117,770	65.0%	63,516	35.0%
City of White Rock	8,225	7,171	87.2%	1,054	12.8%
Corporation of Delta	30,703	30,091	98.0%	612	2.0%
District of North Vancouver	29,084	17,920	61.6%	11,164	38.4%
District of West Vancouver	15,903	3,095	19.5%	12,808	80.5%
Township of Langley	36,661	34,081	93.0%	2,580	7.0%
Village of Anmore	797	358	44.9%	439	55.1%
Village of Belcarra	322	171	53.1%	151	46.9%
Village of Lions Bay	571	416	72.9%	155	27.1%
Total / Average	740,282⁴¹	607,111	82.0%	133,171	18.0%

⁴¹ Note: The estimated number of households in Metro Vancouver in 2016 is 1,006,372 (BC Data, 2016). Regional household count is used in this report to calculate the household impact of tax revenue collected from the residential property class. The number of households is different from the number of residential properties reported by BC assessment (estimated at 740,282 in 2016) as one unique parcel may have more than one household.

4. PROPERTY TRANSFER TAX ANALYSIS

Context

In 1987, the BC Government introduced the Property Transfer Tax (PTT) (then called the “Property Purchase Tax”), a sales tax on the market value of all real estate transfers in the Province.⁴² The current PTT rates are: 1% on the portion of value under \$200K, 2% on the portion of value between \$200K and \$2M, 3% on the portion of value over \$2M. Full or partial exceptions apply for transfers related to first time home buyers, buyers of newly built homes, marriage breakdowns, relatives transferring principal residences, charities, and other scenarios.

On February 16, 2016, a new tax bracket of 3% for value greater than \$2M was introduced, whereas previously the PTT had been 2% for all value greater than \$200K. At the same time, the Provincial government announced a new exemption for buyers of newly built homes. Until the February 2016 announcement, PTT brackets and rates were unchanged since its inception.

Additional PTT on Residential Property Transfers to Foreign Entities

On August 2, 2016, an additional 15% tax on residential property transfers to foreign entities (foreign nationals, foreign corporations, taxable trustees) was implemented in Greater Vancouver.⁴³ For example, for a home valued at \$2M, the tax amounts to \$300K⁴⁴, paid in addition the existing \$38K PTT. The additional tax does not apply to non-residential properties.

Summary Findings

- Provincial PTT revenue increased by 44% between 2014/15 and 2015/16, and is forecast by the Province to increase by over 50% between 2015/16 and 2016/17.
- PTT revenue is increasing due to high transaction volumes and values, the introduction of the 3% tax bracket on value exceeding \$2M (announced February 2016), and the additional PTT on residential property transfers to foreign entities (announced August 2016).
- The \$200K PTT bracket (at which point additional value below \$2M is taxed at 2%) was originally intended as a wealth tax in 1987 when only 5% of homes exceeded \$200K (now over 95% of homes in the GVRD exceed this value).
- Greater Vancouver’s relative share of total PTT revenue is estimated to have increased from 68% in 2010/11 to 75% in 2016/17. In two years, Greater Vancouver is estimated to have increased PTT revenue by \$900M, more than doubling the \$767M generated in 2014/15.
- PTT owed on the purchase of a representative GVRD home has increased by nearly \$5,000 since 2014.

⁴² Taxable transactions include: transfer of fee simple, right to purchase or agreement for sale, lease or lease modification agreements, life estate, foreclosure, Crown grant, escheat, forfeiture or quit claim, transfer as a result of corporate reorganization.

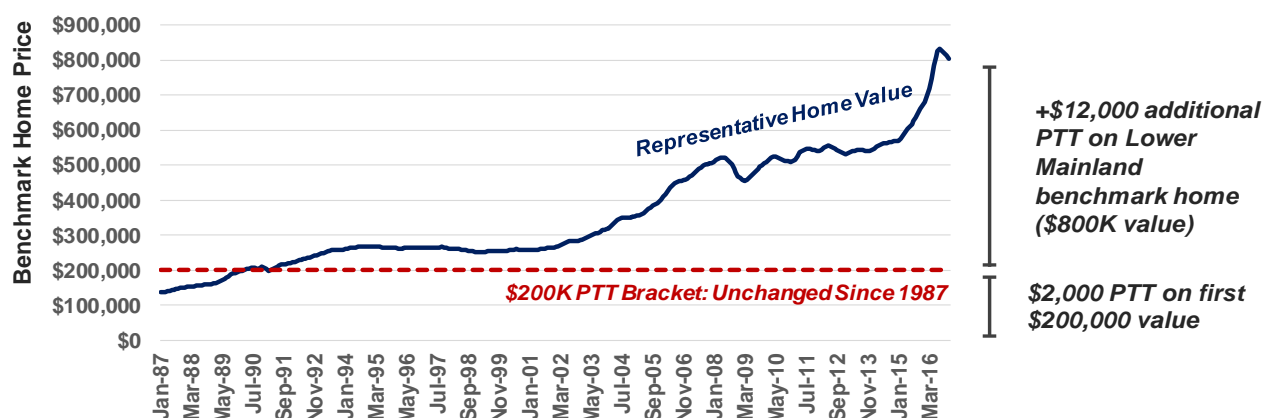
⁴³ The additional tax does not apply to properties located on Tsawwassen First Nation lands.

⁴⁴ This is the value of the additional 15% tax on foreign home buyers.

Property Transfer Tax: Outdated Progressive Tax Brackets

PTT increases at an accelerating pace as the transaction value grows due to its progressive tax brackets. The \$200K PTT bracket (at which point additional value below \$2M is taxed at 2%) was set in 1987 when only 5% of homes exceeded \$200K (now over 95% exceed this value). The figure below shows how benchmark home prices have grown relative to the \$200K bracket since 1987.

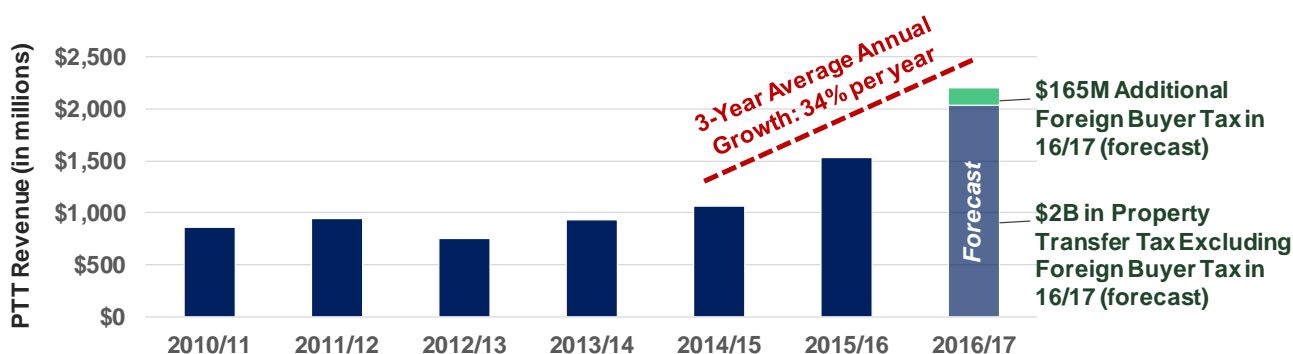
Benchmark Home Price Growth in Relation to \$200K PTT Bracket: 1987-2016⁴⁵



PTT Revenue Growing at 34% per Year on Average Since 2013/14

Provincial PTT revenue increased by 44% between 2014/15 and 2015/16, and is forecast by the Province to increase by over 50% between 2015/16 and 2016/17.^{46,47} PTT revenue growth in 2016/17 is forecast to accelerate due to the introduction of the 3% tax bracket on transactions exceeded \$2M (announced February 2016) and the additional PTT on residential property transfers to foreign entities (announced August 2016). These changes, in addition to rising transaction values and volume led to an adjustment of the Provincial forecast for 2016/17 annual PTT revenue from \$1.2B at the start of the fiscal year⁴⁸ to \$2.2B in September 2016.⁴⁹

Provincial Property Transfer Tax Annual Revenue 2010/11 to 2016/17



⁴⁵ Home Price Index (accessed January 2017)

⁴⁶ BC Provincial Government, First Quarterly Report (September, 2016).

⁴⁷ BC Provincial Budget and Fiscal Plan (2016/17).

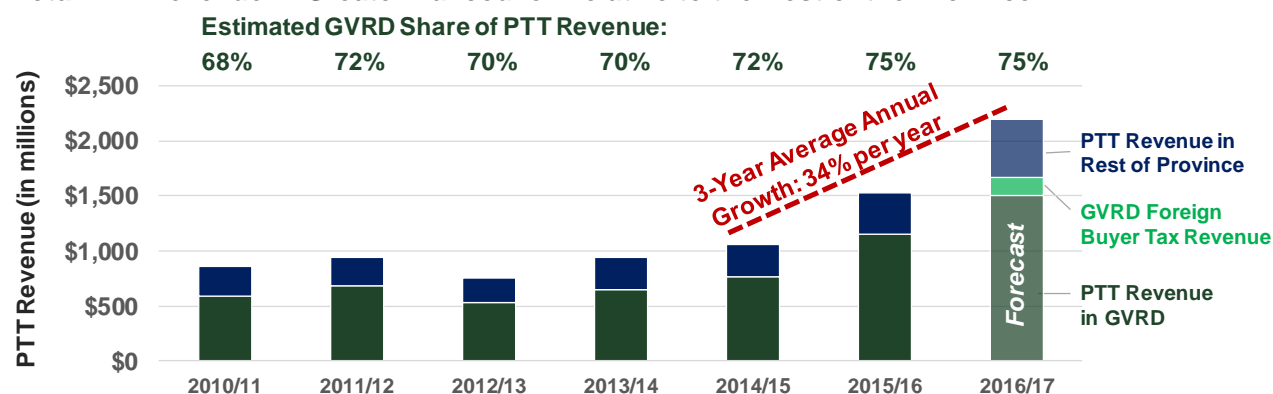
⁴⁸ BC Provincial Budget and Fiscal Plan (2016/17).

⁴⁹ BC Provincial Government, First Quarterly Report (September, 2016).

GVRD's Share of PTT Revenue Increased 8% Since 2010/11

Greater Vancouver's relative share of total PTT revenue has increased from 68% in 2010/11 to an estimated 75% in 2016/17,⁵⁰ driven by disproportionately high transaction volume and values, the introduction of the additional 3% bracket over \$2M, and the additional 15% tax on foreign buyers of residential properties. In two years, Greater Vancouver is estimated to have increased PTT revenue by \$900M, more than doubling the \$767M generated in 2014/15. Over same the period, PTT revenue in the rest of the Province has increased by an estimated \$241M (+81%).

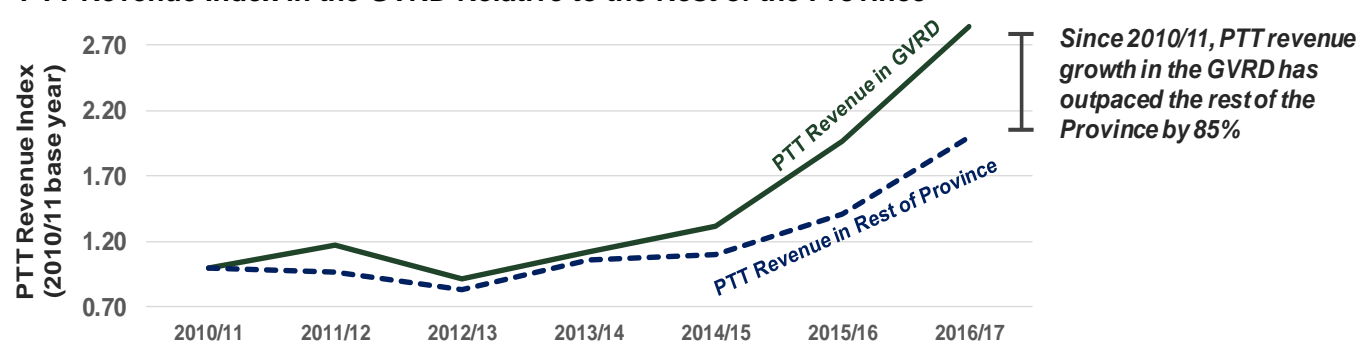
Total PTT Revenue in Greater Vancouver Relative to the Rest of the Province⁵¹⁵²⁵³⁵⁴⁵⁵



PTT Growth in the GVRD Outpaced Other Regions by 85% Since 2010/11

Since 2010/11, PTT revenue growth in Greater Vancouver has outpaced other regions by 85%, adding over \$800M more PTT revenue compared to the rest of the Province. While PTT revenue growth for Greater Vancouver and the rest of the Province was roughly correlated from 2010/11 to 2013/14, since then PTT revenue growth in Greater Vancouver has significantly outpaced other regions in the Province as shown in the figure below.

PTT Revenue Index in the GVRD Relative to the Rest of the Province⁵¹⁵²



⁵⁰ Note: the Province does not report PTT revenue by region earlier than June 16. The data used to estimate Greater Vancouver's relative share of Provincial PTT revenue is based on property transactions data provided to the GVRD with a confidence interval of +/- 10%.

⁵¹ BC Assessment Transactions Data (accessed December 2016).

⁵² BC Provincial Government, First Quarterly Report (September, 2016).

⁵³ BC Provincial Budget and Fiscal Plan (2016/17).

⁵⁴ Assumption: 7% PTT exemption eligibility based on monthly share of GVRD value.

⁵⁵ Note: Since the presentation of this report on February 15, 2017, the BC Provincial Government has reduced the forecast for 2016/17 Property Transfer Tax (PTT) revenue from \$2,204M (from the First Quarterly Report 2016/17) to \$2,025M (from the 2017/18 Budget and Fiscal Plan released February 21, 2017) to reflect slower growth in Province-wide real estate markets.

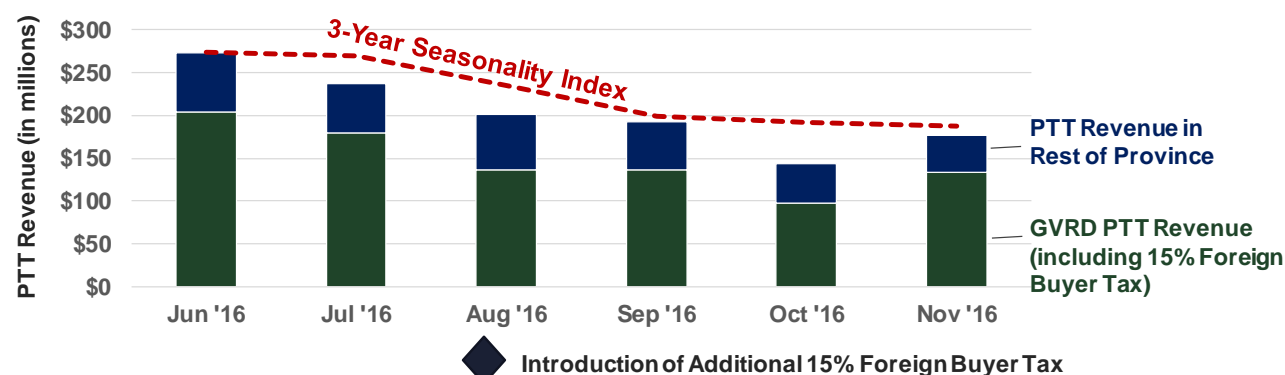
Note: Provincial Property Transfer Tax Data Availability

While the Province reports annual total Province-wide PTT revenue in its annual Budget and Fiscal Plan, it has only reported detailed PTT data (including transaction volume, transaction volume, and PTT revenue by region, etc.) since June 2016.⁵⁶ Any PTT data reported in this report between June 2016 and November 2016 is sourced from this recent release of Provincial data; while any regional PTT data reported prior to June 2016 has been estimated based on property transactions data provided by the BC Assessment Authority.⁵⁷

Impact of Additional 15% Foreign Buyer Tax in Greater Vancouver

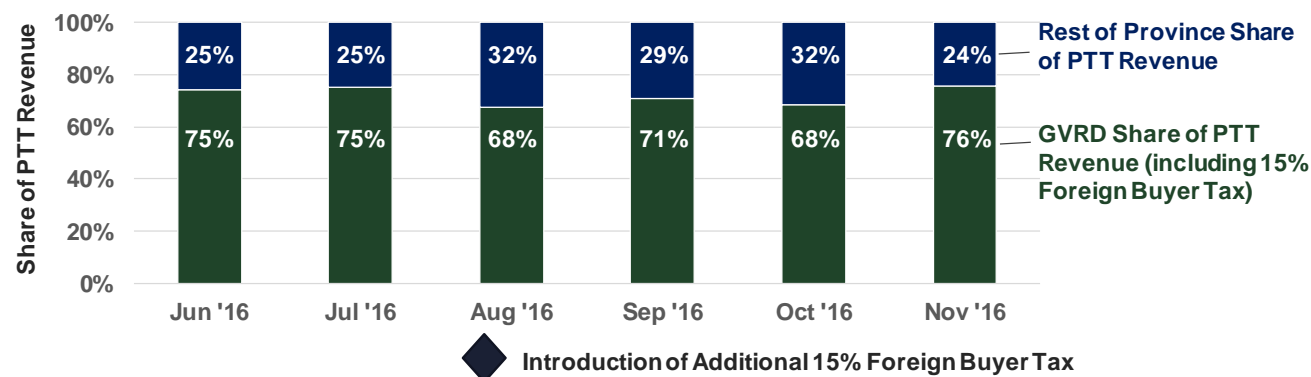
Following the introduction of the additional 15% tax on foreign buyers of residential properties, total PTT revenue in Greater Vancouver decreased below the seasonality-index value for the month of August (including revenue from the new 15% tax). Additional revenue from the 15% tax on foreign home buyers has been offset by an overall reduction in transaction values and volume.

Total PTT Revenue in Greater Vancouver Relative to the Rest of the Province



Greater Vancouver's share of total PTT revenue relative to the rest of the Province decreased in August 2016, after the introduction of the additional 15% tax on foreign buyers, from 75% to 68%, but by November 2016 (the last month of data available at time of writing) has increased to 76%.

Greater Vancouver Share of Total PTT Revenue Compared to the Rest of the Province



⁵⁶ BC Provincial Open Data Website (assessed January 2016).

⁵⁷ BC Assessed Property Transactions Custom Reporting for the GVRD (provided December 2016).

Application of Property Transfer Tax Brackets in Greater Vancouver (2016)

Municipality	Number and % of Properties Under \$200K	Number and % of Properties Over \$200K	Number and % of Properties Over \$2M
University Endowment Lands	0 (0.00%)	1,168 (100.00%)	445 (38.10%)
City of North Vancouver	16 (0.09%)	17,182 (99.91%)	934 (5.43%)
City of Vancouver	205 (0.11%)	190,669 (99.89%)	45,070 (23.61%)
City of Burnaby	274 (0.38%)	71,120 (99.62%)	6,494 (9.10%)
Village of Lions Bay	4 (0.69%)	573 (99.31%)	77 (13.34%)
City of Port Moody	142 (1.21%)	11,634 (98.79%)	200 (1.70%)
Corporation of Delta	448 (1.44%)	30,709 (98.56%)	399 (1.28%)
City of Richmond	1,229 (1.74%)	69,248 (98.26%)	6,854 (9.73%)
Tsawwassen First Nation	11 (2.42%)	443 (97.58%)	22 (4.85%)
District of West Vancouver	406 (2.53%)	15,627 (97.47%)	11,511 (71.80%)
Village of Belcarra	9 (2.67%)	328 (97.33%)	96 (28.49%)
City of Port Coquitlam	549 (2.83%)	18,874 (97.17%)	48 (0.25%)
Lower Mainland Rural	123 (3.05%)	3,915 (96.95%)	287 (7.11%)
City of Coquitlam	1,401 (3.10%)	43,804 (96.90%)	749 (1.66%)
Village of Anmore	29 (3.52%)	796 (96.48%)	232 (28.12%)
City of White Rock	370 (4.47%)	7,903 (95.53%)	684 (8.27%)
City of New Westminster	1,087 (4.85%)	21,336 (95.15%)	138 (0.62%)
Township of Langley	2,182 (4.91%)	42,256 (95.09%)	1,104 (2.48%)
Bowen Island Municipality	116 (4.94%)	2,234 (95.06%)	141 (6.00%)
District of North Vancouver	1,504 (5.15%)	27,680 (94.85%)	5,128 (17.57%)
City of Surrey	9,409 (6.60%)	133,209 (93.40%)	5,292 (3.71%)
City of Maple Ridge	2,666 (8.09%)	30,298 (91.91%)	133 (0.40%)
City of Pitt Meadows	664 (8.50%)	7,146 (91.50%)	46 (0.59%)
City of Langley	2,402 (19.07%)	10,197 (80.93%)	39 (0.31%)
Total / Average	25,246 (3.2%)	758,349 (96.8%)	86,123 (11.0%)

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