



July 2, 2021

Dear Minister Osborne,

I am writing to you today on behalf of Victoria City Council, to thank you for your ministry's response to Victoria's 2020 UBCM Resolution "EB44 Tax Land and Improvements Separately". I would like to take this opportunity to share Council's comments on the response.

The ministry response suggests that separate rates on land and improvements would allow "unfairly" high tax rates on undeveloped or underdeveloped land. However, the purpose of differential rates is precisely to impose relatively higher rates on such underdeveloped land, in order to encourage development and to avoid land being held as vacant buildings, surface parking lots, or other low intensity uses. Like other cities, Victoria has at times suffered from land being held in such uses. The value of land results primarily from the efforts of others, while the value of improvements reflects the investment, work and care of the owner. It is our belief that fairness is served by taxing the unearned land value at a higher rate than the earned improvement value. Contrary to the suggestion in the response, we would not expect the development of properties to reduce property taxes, rather it will reduce taxes relative to the income from the property, thus encouraging development.

The response also suggests that other policies might be used to offset the impact of the current system and incentivize land development. Conversely, we suggest it would be more appropriate for other policies to be used to offset any negative impacts of higher land taxes. For example, it has been suggested that long-established businesses in old, low-rise buildings should be helped to stay in place. Rather than holding down land taxes on such properties, to the benefit of the owners of the land such businesses sit on (who may not be the business owners) we can envision a targeted program that might assist the businesses themselves.

Another issue to consider in looking at separate tax rates (which in practice means higher rates for land) is the growing wealth disparity between those who own their homes and those who live in rental accommodation. We believe research would show that the bulk of the recent increase in home values has been in land rather than building values, so that a relative increase in land taxes that would gradually depress land values would probably result in a more equitable distribution of wealth.

Finally, we understand the response to suggest that land held for future use with Class 6 zoning is taxed at a rate that is too high. We note that it is the municipality itself that sets the relative tax

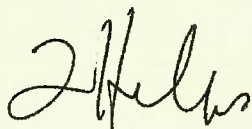
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The City of Victoria recognizes the Songhees and Esquimalt Nations in whose traditional territories we live and work "Hay swx qa

rates for different classes, so that that a much more direct solution to this perceived problem is easily available.

Thank you for your consideration of our continued advocacy on this topic, to encourage housing affordability and new rental housing.

Sincerely,

A handwritten signature in black ink, appearing to read "L. Helps". The signature is written in a cursive style with a large initial "L" and a long, sweeping tail.

Lisa Helps
Victoria Mayor