2024

CITY OF VICTORIA | Finance Department

Development Potential Tax Relief Pilot Program

Committee of the Whole October 10, 2024

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Purpose of Program

- In BC, properties are assessed by BC Assessment at their "highest and best" use, not current use

- Properties with development potential can experience above average increases in assessment result in above average increases in property tax

- Property taxes are commonly passed on to tenants through lease agreements

- Program aims to support independent small businesses and non-profits

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Provincial Eligibility Highlights

- Legislation enacted in 2022

- Class 5 (light industrial) and class 6 (business and other) properties
  - Can only be split with Class 1 (Residential)
  - Property does not already benefit from an exemption from municipal taxation or otherwise excluded by legislation from participating in program

- Class 5/6 land value is $\geq$ 95% of the total class 5/6 assessed value

- Relief extends to only the City's portion of taxes

- Time limited relief (can qualify for five consecutive years)

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Additional Proposed Parameters

- Based on the City of Vancouver's program

- Intended to benefit those most impacted by development potential assessments while limiting the shift of the tax burden to ineligible properties

- Proposed excluded uses outlined in Option 1 of the report on pages 8-9

- Relief % based on the neighbourhood median
  - capped at $925,000 per property

- 50% discount off the Class 5 and Class 6 tax rates

- Validation of a property's primary use
  - >50% eligible uses
  - >50% of floor space in use Oct 1-Dec 31 of previous year

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Tax Burden Shift

- No loss in tax revenue to the City

- Tax burden shifts to ineligible properties

- Program aims to balance relief with resulting impact on ineligible properties

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Sample Median Relief

Sample Property		No DPTR			With DPTR			
Land Value	$2,231,000			Total Property Tax			Total Property Tax	Savings with DPTR
Improvements Value	30,000	City Portion	Other Agencies		City Portion	Other Agencies		
Total Assessed Value	$2,261,000							
Land (20% of $2.231 million) subject to DPTR rate	$446,200	**$5,016**	$2,631	**$7,647**	**$2,519**	$2,631	**$5,150**	**$2,497**
Land and Improvements (remaining) taxed at regular rate	1,814,800	20,402	10,702	31,103	20,490	10,702	31,192	**-89**
Total	$2,261,000	**$25,418**	$13,333	**$38,751**	**$23,009**	$13,333	**$36,342**	**$2,409**

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Recommendation

That Council:

1. Approve a pilot development potential tax relief (DPTR) program for eligible Light Industry (Class 5) and Business and Other (Class 6) properties in the Harris Green district of the Downtown neighbourhood in 2025 as authorized by s.198.1 of the *Community Charter*.

2. Approve that, for each eligible property in the Harris Green district, 20% of the Class 5 and Class 6 land value, up to a maximum of $925,000, be taxed at the municipal tax rate that is 50% lower than the rates established for Classes 5 and 6 (tax rates to be finalized based on the 2025 Revised Assessment Roll).

3. Approve the additional City exclusions and additional eligibility criteria generally as outlined in Option 1 of this report.

4. Require that, subject to recommendation 1, upon receiving from BC Assessment the list of properties that meet the Provincial eligibility criteria for the 2025 tax year, the owners/agents of each property on the list within the Harris Green district provide a written declaration to the City, by February 7, 2025 that:

    a. the property was in use from October 1 to December 31, 2024;

    b. the primary use of the property does not fall into one or more of the City exclusions; and

    c. the tenants of the property must be informed of any tax relief resulting from the 2025 DPTR Pilot Program

5. Require that properties whose owners/agents fail to provide such written declaration to the City by February 7, 2025 not be considered for the 2025 Pilot DPTR.

6. Include in the applicable bylaw that it is an offence, subject to a fine of up to $10,000, to complete, file or provide a false declaration to the City.

7. Direct staff to bring forward the applicable bylaws in accordance with the above recommendations.

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