



# Highest and Best Use

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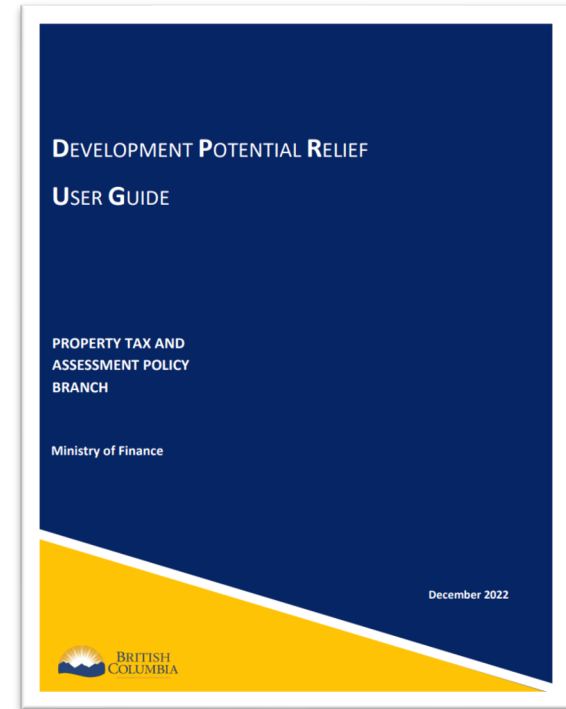
# Topics

1. Bill 28
2. Market Value
3. Highest and Best Use
4. Case Study
5. Speculation

# Bill 28

The intent of the Development Potential Relief is to allow municipalities to reduce property taxes for eligible commercial properties by taxing all or a portion of the assessed value of the land at a municipal tax rate that is lower than the tax rate for the property class.

BC Assessment must consider the Highest and Best Use of properties in determining assessed market values. As such, businesses and organizations occupying properties with future development potential pay taxes on a value that exceeds the value of the current commercial use.



[https://www2.gov.bc.ca/assets/gov/british-columbians-our-governments/local-governments/finance/development\\_potential\\_relief\\_-\\_user\\_guide.pdf](https://www2.gov.bc.ca/assets/gov/british-columbians-our-governments/local-governments/finance/development_potential_relief_-_user_guide.pdf)

# How land use affects market value

Our communities are changing.



## Local Government

When a local government introduces a new community or development plan, it provides a long-term vision for land use.



## Rezoning

The plan may permit rezoning to encourage redevelopment of under used property.



## Redevelopment

For example, new plans may support redevelopment of two-storey commercial buildings downtown into 20 storey mixed residential and commercial towers.



## Market Demand

If market demand for new towers is high, smaller buildings often sell quickly and for high prices based on their redevelopment potential, not their current use.



## Assessment

BC Assessment assesses properties at market value as of July 1 each year.

# Highest & best use (H&BU)

- Foundation of market value is H&BU, which is the reasonable probable use of a property that is:



Physically possible



Legally permissible



Financially feasible

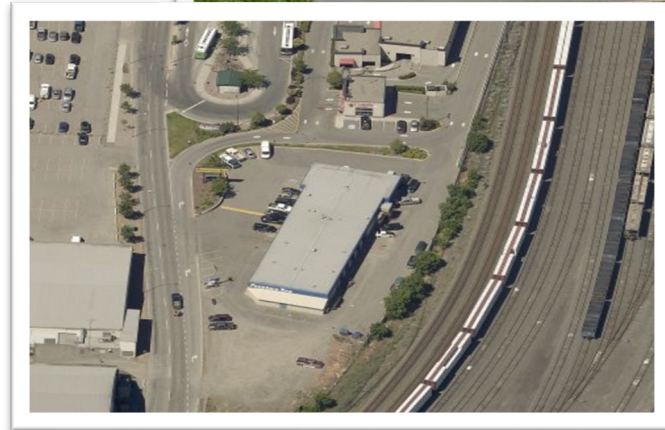
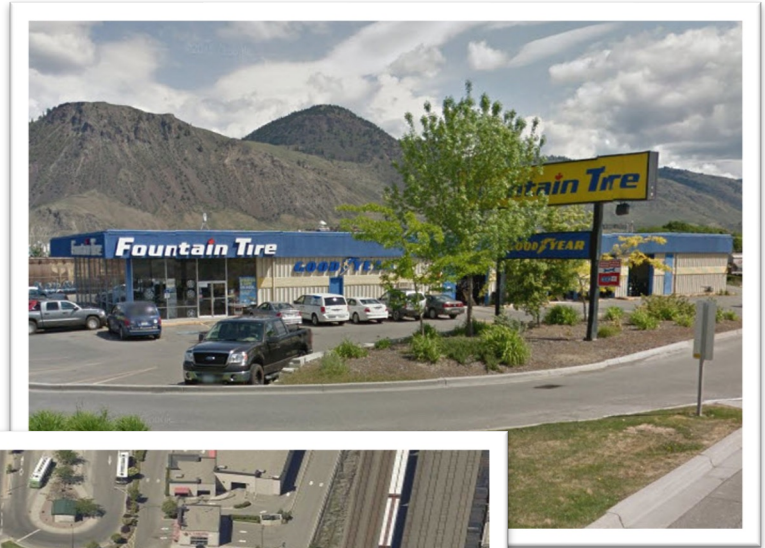


Maximally productive

# Highest and Best Use

## As Vacant vs. As Improved

- Is the present use the same as the highest and best use of the site as if vacant?
- Do the improvements contribute significant value, compared with the underlying land value?
- Does any alternate use support partial or total demolition of the improvements?
- Alternatives to demolition: Renovation, Conversion, Expansion



# Highest and Best Use Case Study

- Subject property is located on the corner of 128 & 62
- Zoning – RA
- The Official Community Plan allows for single family development
- The newer SFD development is 32 stratified SFDs
- Older subdivision is single family homes



# Highest and Best Use Case Study





# Highest and Best Use Case Study



# Highest and Best Use Case Study

The properties across the street were redeveloped into single family homes in 2020/2021.



# Highest and Best Use Case Study

The developer that purchased these properties applied to the city to amend the OCP and allow for the following:

OCP Amendment from Urban to Multiple Residential; Rezoning from RA to RM-30; Development Permit / Development Variance Permit to permit the development of 42 townhouse units.



# Highest and Best Use Case Study



# Speculation

- A purchaser may speculate a future potential use, that is not currently allowed by the Zoning/OCP, as the highest and best use to determine a purchase price.
- Storch v Area 10 (2020)
  - The Board must decide whether the Assessor's opinion of HBU is "probable," as she concludes, or "speculative" as implied by the Appellant.



# Questions

