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SPEECH
Presented by
Robert Williams of British Columbia, Canada*
at the CONFERENCE FOR UNION OF RUSSIA MAYORS
Moscow - April 29, 1993

First, we want to thank you for the opportunity of meeting with you in these trying and difficult times in your country. Because there are two sides of every coin, *as we say in the West*, these difficult times should also be seen as times of opportunity. It is in that light that we hope we can be of some help to you.

Our group comes from British Columbia....Canada's western-most province. You may have seen a few pictures on your television screens in the past month because Presidents Yeltsin and Clinton met for their summit meeting in Vancouver, our principal city.

We have a very successful economy - resource based originally, (forests, fish, mines, hydro-electricity) but more and more we are information, knowledge, and tourist and service based.

- * Mr. Williams holds a bachelors degree in economics and geography and a Master of Science degree in community planning. He is a successful businessman, a former Member of the Legislature and former Minister of Lands and Forests in British Columbia and is currently Secretary, Crown Corporations Committee/Executive Council - the equivalent of a Deputy Minister in the Ministry of Finance and Corporate Relations in British Columbia, Canada.

We have a rich mix of private enterprise, but also public enterprise, working well together efficiently and effectively - more so in our Province probably than most parts of North America. Add to that an influx of educated Asian business interests, and we are even more unique than most of our neighbours. (I would like to show a few slides to show the location, and physical nature of the place we come from).

Over the past fifty years, Canada has played more and more of a positive peace-keeping role in the world. Lester B. Pearson, our former Prime Minister won the Nobel Peace price for his work. We have played a role in conflict areas like the former Yugoslavia, Cyprus and Arab/Israeli conflicts. But we've taken on special areas of aid as well, where we have expertise. Our private sector has developed significant capabilities in mapping, the use of satellites, software and mobile data.

And in British Columbia, in our public enterprises, we have developed high quality expertise in providing the infrastructure around private property.

We have in British Columbia an excellent Land Registry system; a system we would argue, that is better than anything in the United States. It is a service provided by our Attorney-General's office at

a modest cost, which guarantees your tenure rights on specific property. Our public sector system is far less costly than the U.S. system which is far less efficient and delivered by many, many companies, and requiring costly charges for insurance to guarantee tenure. We have a member of our Land Registry staff with us today.....Mr. D'Arcy Hammett, who will be giving a short presentation about our capabilities in this area.

We also have in British Columbia an excellent Assessment Authority .. something we believe you need as soon as you move into private tenure in land and buildings.

The Assessment Authority in BC annually measures the value of all private lands and buildings in the province. Those values become the basis for municipal, school and property taxes in the Province.

As you are aware, classical economics tells us that there are the three main factors of production; land, labour, and capital. The way we tax these three elements does effect our economies dramatically. With privatization in your country, there will be a significant redistribution of land and capital from the state to individuals and corporations. The way you tax these elements can make that process more equitable and can impact productivity in a

positive or negative manner. That is for you to determine. But to privatize without having a tax system in place would, I suggest, be both bad economics, and bad politics.

Land assessment in North America is generally not maintained at full market value...pressures by land owners has frequently meant that valuation for tax purposes is decades old. In Toronto, Canada for example, taxes are based on values from the 1940's - fifty years behind current values! In B.C. we require proper market evaluations every year. We believe that helps make our system one of the most honestly based systems on the continent.

You in Russia, as you embark on new tenure systems and private ownership, have a unique opportunity to start with a relatively clean slate. We believe that our know-how in this area (which is highly regarded around the world) could be very helpful for you as you embark on this great adventure. Mr. Tom Johnstone, who is the Commissioner of our Assessment Authority, will give a detailed presentation a little later showing the kind of work his staff does. He is assisted by Ms. Sharon Halkett.

Also with us on this trip is a representative of the BC Buildings Corporation, who is currently in St. Petersburg reviewing some of their property reform work. The Buildings Corporation manages all

of our public buildings and bargains with the private sector for renting or building some of our projects. In our Capital City of Victoria, over half the buildings are publicly owned; the remainder are rented from private owners. We thought an agency such as that could be helpful to you in that while they wisely bargain for when buying from private sellers...you could use some of that same know-how in reverse...especially in dealing with foreign or western buyers. They have a significant capability in contract management; a capability we believe you will need as well.

All of these agencies are very advanced in a technological sense. Our Land Registry now has a computer scanning system, our Assessment Authority communicates data from the field directly to the mainframe computer electronically...no clerks or paper are needed...fewer bureaucrats and more efficiency.... exactly what Russia needs, I expect. We also have an advanced central computer system, the BC Systems Corporation with considerable expertise.

In turn, I myself head-up a small agency that coordinates and monitors the activities of our Crown or public sector corporations, which represent about 10% of our gross provincial product. Our group is called the Crown Corporations Secretariat.

And the property tax - a tax on the market value of land and buildings currently and historically, is the way we have funded local government. Some of our communities, at an earlier stage, taxed land alone. New Westminster, known as the Royal City, because it was our early capital is one such city. Even today, it is one of our most efficient and densely built communities, a heritage I believe rooted in that early land tax.

Today, there are 1.4 million properties in B.C. that are assessed annually, which generate a total of 3 billion dollars in taxes. This provides for the provision of roads, police, fire protection, garbage collection, libraries, public health nurses, and much of our school costs. The level of services is determined by democratically elected city councils and mayors. That in turn of course determines the level of taxes on property. The valuation of that property however is established by the province-wide agency, the B.C. Assessment Authority.

A couple of slides indicate the sources of revenues in Vancouver and Victoria - our two largest cities, and the nature of spending in both communities.

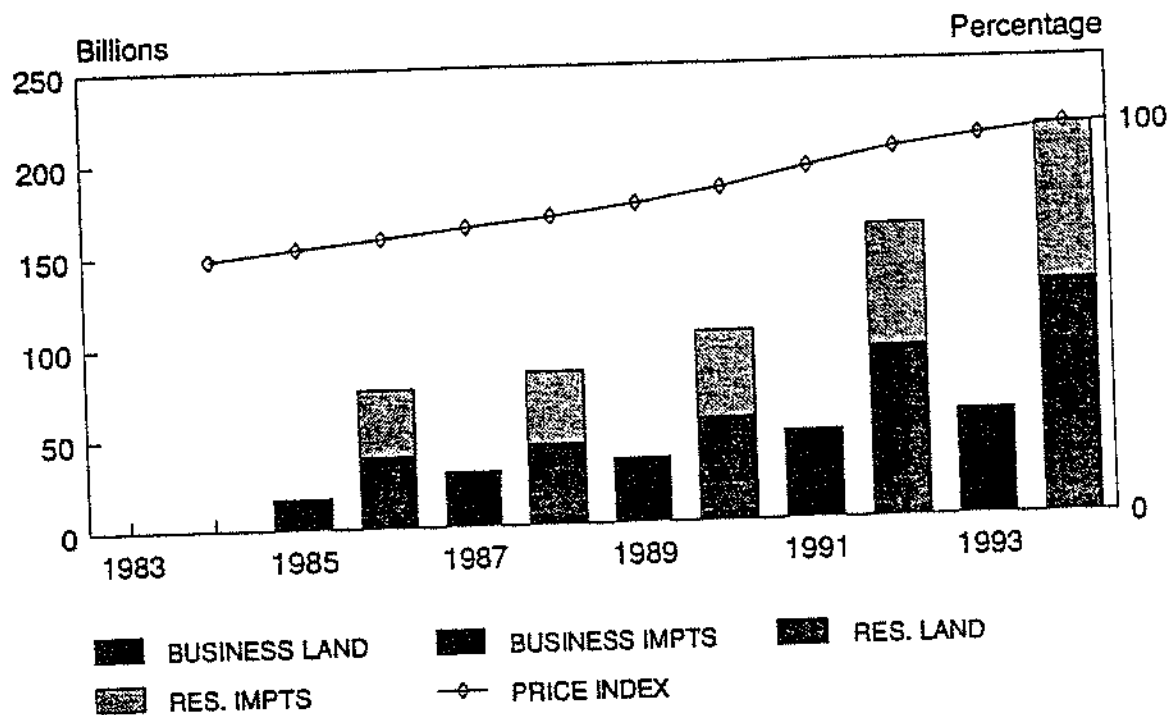
Provincial Actual Value Totals

1978 and 1993

Year	Folios	Land - \$	Improvements - \$	Total - \$
1978	982,495	33,530,927,695	37,094,946,147	70,625,873,842
1993	1,396,920	170,634,053,623	135,788,746,510	306,422,800,133

Taxable Property Values

Provincial Total



TAXABLE PROPERTY VALUES (in Billions) PROVINCIAL TOTAL

YEAR	BUSINESS		TOTAL	RESIDENTIAL		TOTAL
	LAND	IMPROV.		LAND	IMPROV.	
1983	N/A	N/A	N/A	N/A	N/A	N/A
% Change	N/A	N/A	N/A	N/A	N/A	N/A
1985	8.58	8.77	17.35	39.43	36.83	76.26
% Change	48.0	100.0	74.70	11.7	8.9	10.40
1987	12.73	17.58	30.31	44.06	40.13	84.19
% Change	18.7	15.8	17.06	28.1	19.0	23.74
1989	15.12	20.36	35.48	56.42	47.76	104.18
% Change	18.7	18.2	36.33	65.8	40.0	53.95
1991	24.31	24.06	48.37	93.54	66.85	160.39
% Change	22.3	15.5	18.94	36.8	27.8	33.11
1993	29.74	27.79	57.53	128.00	85.5	213.50

We believe that understanding how urban land values change over time is most important, if we are to understand the basic nature of this wealth. We are fortunate in our province in that we have been properly recording these values since 1974-75. For you in Russia, without this experience, we think you will find these numbers fascinating. Indeed, even for us in a market economy all our lives it is hard to believe that these values are so high and could increase so quickly. It is especially so in British Columbia because we do have a vigorous and diverse economy.

The next slide shows how those values have increased over the past twelve years, between 1980 and 1992. This slide covers the Greater Vancouver region - several municipal jurisdictions around our major City of Vancouver.

Within the inner city of Vancouver, values have gone up 23 times over the past twelve years! That is an extraordinary increase in values....in the overall urban region the increase is 12 to 13 times which in itself is very substantial.

Urban land values of course generally reach their great peaks in the central business districts at the centre of town. That is certainly the case in Vancouver. These central areas are of course where the great expenditures on public infrastructure

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Greater Vancouver Regional District - Assessment Rolls

(Millions of Current Dollars)

Locality	1980		1992	
	Land Value	Improvement Value	Land Value	Improvement Value
N. Vancouver - city	660.67	536.95	1,662.72	1,209.869
N. Vancouver - district	1,340.04	979.01	3,738.52	2,034.641
West Vancouver	865.32	806.22	4,003.52	1,883.461
Lions Bay	2.89	2.84	70.21	49.890
Vancouver City	1,493.07	1,204.79	34,071.73	13,401.974
UEL	—	—	341.833	83.789
New Westminster - city	89.37	115.59	1,480.490	1,385.217
New Westminster - rural	—	—	143.03	93.305
Burnaby	427.40	403.92	7,666.694	5,035.26
Delta	121.72	134.21	3,212.344	2,656.969
Richmond	313.13	320.23	6,914.435	3,621.373
Port Coquitlam	280.40	327.86	965.341	1,030.666
Port Moody	31.95	37.58	563.073	529.175
Coquitlam	129.12	138.00	2,631.156	2,568.094
Anmore	—	—	28.373	20.516
Balcarra	—	—	38.121	25.241
White Rock	24.90	27.67	705.494	459.688
Surrey	279.69	296.47	6,558.011	6,928.928
Langley - city	179.44	199.80	469.699	574.605
Langley - town	92.21	87.39	1,412.006	1,973.380
Total GVRD	6,061.73	5,332.348	76,691.287	45,575.908

occur...streets, bridges, rapid transit, subways, and cultural amenities. It is also where there is much application of private capital in hotels, offices, and retail shopping areas.

After all, the price of urban land in our society is entirely a social phenomenon...it is the result of public spending on streets, watermains, sewers, traffic, major highways, railways, buses and the like. It is also a reflection of all the private spending in relation to that infrastructure. As Jean Canaux has said, "land values or prices are a function of the movement of persons, goods, intangibles, money and ideas". Better still, land value is the shadow of the people, as someone else once said.

Another fascinating example in the Vancouver area is the large municipality of Surrey across the Fraser River. This fast growing community in the suburbs increased land values some 23 times during those same 12 years.....from 279 million dollars to 6,558 million dollars. A comparable rate of increase to the City of Vancouver itself which went from 1,493 million dollars to 34,071 million dollars in the same time period. Both the inner city and the main outer suburb increased land values 23 times in twelve years. It is understandable that the inner city is the focus of values because of huge public and private expenditures in the downtown. But Surrey is a different question.

Greater Vancouver Regional District - Assessment Rolls

(Millions of Current Dollars)

Locality	1980		1992	
	Land Value	Improvement Value	Land Value	Improvement Value
Surrey	279.69	296.47	6,558.001	6,928.928
Total GVRD	6,061.73	5,332.348	76,691.287	45,575.908

The explanation for the huge increases in land values in Surrey can, to a great extent, be explained by three major changes:

- 1) the building of the Alex Fraser bridge - an 8-lane bridge over the Fraser River to Surrey, along with a major highway;
- 2) the building of the SkyTrain bridge across the Fraser River to bring rapid transit to Surrey;
- 3) increases in densities in Surrey. Moving more land into apartment categories rather than single houses.

It is interesting to note that improvement or building values in the region went up by 9 times during this same period...from 5,332 million to 45,575 million. During this same period average family incomes went from \$28,580.00 to \$55,199.00far more modest increases of course than land values.

Those fortunate enough to own lands obviously benefitted greatly compared to average citizens and non-land owners.

Indeed this high increase in land values had a serious negative side in that it became less feasible for lower income citizens to own homes because of the high cost of land. Almost a quarter of the families in our Capital City of Victoria, for example, cannot afford to own a home.

Province-wide, the data on land value increases is not so dramatic because land values in smaller towns and in the agricultural and forest hinterland was nowhere near so high.

The second table here also shows how taxes on land and buildings changed during this period. In Vancouver, where land values increased some 23 times, the amount of taxes went from 90 million to 306 million....little more than a three-fold increase. You can see therefore that the distribution of wealth in our society during that period shifted substantially to those who owned land. Land values up 23 times, yet taxes up only 3 times. The same pattern prevailed in the Victoria area where taxes again only increased three-fold in relation to 12 times increases in the City of Victoria and 23 times in Sidney, their new suburb.

The tenure system in these areas is what we call fee-simple ownership. There are however great areas in our Province where tenure is granted on a limited term or longer term on a leasehold

basis. In some of these tenures, lease would reflect market and would be adjusted every five years. In these cases then, the distribution of wealth is shared.

These earlier examples we just gave are, we think, most important to understand and appreciate. In our Province, we have a very strong economy that automatically generates what economists would call land rent. The better the location, the more rent generated. It is for you at this stage in your country to determine how that rent should be shared. It will be one of the most important decisions you will make.

The rents can go to the community to service community needs. The rents can be tapped by a minority, or by foreigners who will become immensely rich, or the rents can be shared.

One thing is sure though; these rents are there now, and they will grow.

We thought it would be useful to also show you a few specific examples of land and buildings in both Vancouver and Victoria to see the kinds of revenues they generate for the private owner, and the kind of tax revenue they generate. The examples we are using are office buildings - all of them in quite good locations, two of them older and two of them newer.

BELMONT BUILDING - VICTORIA

GROSS LEASABLE AREA	8000 SQUARE METERS
RENT	\$115.40 PER SQ. METER
GROSS INCOME	\$842,314
NET INCOME	\$758,076
LAND VALUE	\$1,335,000
BUILDING VALUE	\$6,644,000
TOTAL VALUE	\$7,979,000
TOTAL PROPERTY TAXES	\$232,000
GROSS RENT MULTIPLIER	9.5
(Total Value/Gross Effective Income i.e., Value is 9.5 times gross income)	

The first example is the Belmont Building in Victoria. It has 8,000 square meters, rents at \$115.40 per square meter, has a net income of \$758,076.00 per year

We might compare that with a newer, more efficient building (the Royal Bank building) near the very centre of land values in downtown Victoria. Here there is 5,060 square meters. Rents here are as high as \$161.50 per square meter for office space, \$193,000 per square meter for retail space, and on the prime corner the large bank pays \$306.00 per square meter. The net income here is \$976,293.00 annually for the owner (that is about one million dollars income after paying taxes and expenses). Total property taxes paid in this case are \$344,000 per year. The value for this property on the assessment files is \$11,833,000.00 or about 12 times the net income. The newer more efficient building on a better site attracts a higher multiplier to net income to determine full value.

Over in Vancouver, the example of a good older building on a good site that we have used is the Marine Building. Here the gross leasable area is 15,500 square meters. The retail space is rented for \$215.50 per square meter while office space is rented for 174.10 per square meter. The gross income is \$2,925,728.00 per year, and the net income after all expenses is

ROYAL BANK BUILDING - VICTORIA

GROSS LEASABLE AREA	5060 SQUARE METERS
RENT	\$193.75 PER SQ. METER
RETAIL	\$161.50 PER SQ. METER
OFFICE	\$306.80 PER SQ. METER
BANK	
GROSS INCOME	\$1,067,982
NET INCOME	\$976,293
LAND VALUE	\$ 4,748,000
BUILDING VALUE	\$ 7,085,000
TOTAL VALUE	\$11,833,000
TOTAL PROPERTY TAXES	\$344,000
GROSS RENT MULTIPLIER	11.1

MARINE BUILDING - VANCOUVER

GROSS LEASABLE AREA	15500 SQUARE METERS
RENT	\$215.40 PER SQ. METER
RETAIL	
OFFICE	\$174.10 PER SQ. METER
GROSS INCOME	\$2,925,728
NET INCOME	\$2,369,547
LAND VALUE	\$15,035,000
BUILDING VALUE	\$12,840,000
TOTAL VALUE	\$27,875,000
TOTAL PROPERTY TAXES	\$802,500
GROSS RENT MULTIPLIER	9.5

\$2,369,547.00 per year. Total property taxes paid are \$802,500.00. Value of the building on assessment files is \$27,875,000.00, or about 12 times net income.

Again, in Vancouver, we have chosen a newer building on a prime site; the Burrard Building. This larger building has 20,170 square meters. The retail rents out at \$301.00 per square meter per year while the office space rents out at \$161.00 per square meter per year. Net income, after all expenses, provides the owner with \$3,234,242.00 per year. Property taxes are \$1,278,600.00 to the City. The appraised value here is at 14 times net income.

The two Vancouver examples are in or adjacent to a part of the downtown that is known as the "Golden Triangle", because it is on the growing edge of the old downtown and bounded by major streets of high prestige. (Georgia Street, Granville Street, and the waterfront are the boundaries).

Here we thought it might be interesting for you to see how substantial these values are in a few blocks of the downtown.

Total annual gross income out of this small land area is 325 million dollars to the private owners. After taxes and expenses, they net 207.6 million annually. That kind of flow of income

BURRARD BUILDING - VANCOUVER

GROSS LEASABLE AREA	20170 SQUARE METERS
RENT	\$301.40 PER SQ. METER
RETAIL	
OFFICE	\$161.40 PER SQ. METER
GROSS INCOME	\$3,887,771
NET INCOME	\$3,234,242
LAND VALUE	\$30,814,000
BUILDING VALUE	\$13,600,000
TOTAL VALUE	\$44,414,000
TOTAL PROPERTY TAXES	\$1,278,600
GROSS RENT MULTIPLIER	11.4

every year is of course very appealing to foreign buyers
....especially if the values keep going up as they have in our
economy. Those land rents, however, could probably best be
applied in your own country. Total property taxes paid in these
few blocks in Vancouver are 73.6 million annually. Total values in
these few blocks are \$2,532,200,000.00. There are 110
individual properties in this small area. The next slide simply
shows patterns of net income by use category.

This shows that some uses have much higher net income flows
than others. Offices for example have the highest net income
flows to the owner. Taxes and other expenses are passed on to
tenants, and offices can be an extremely profitable business.

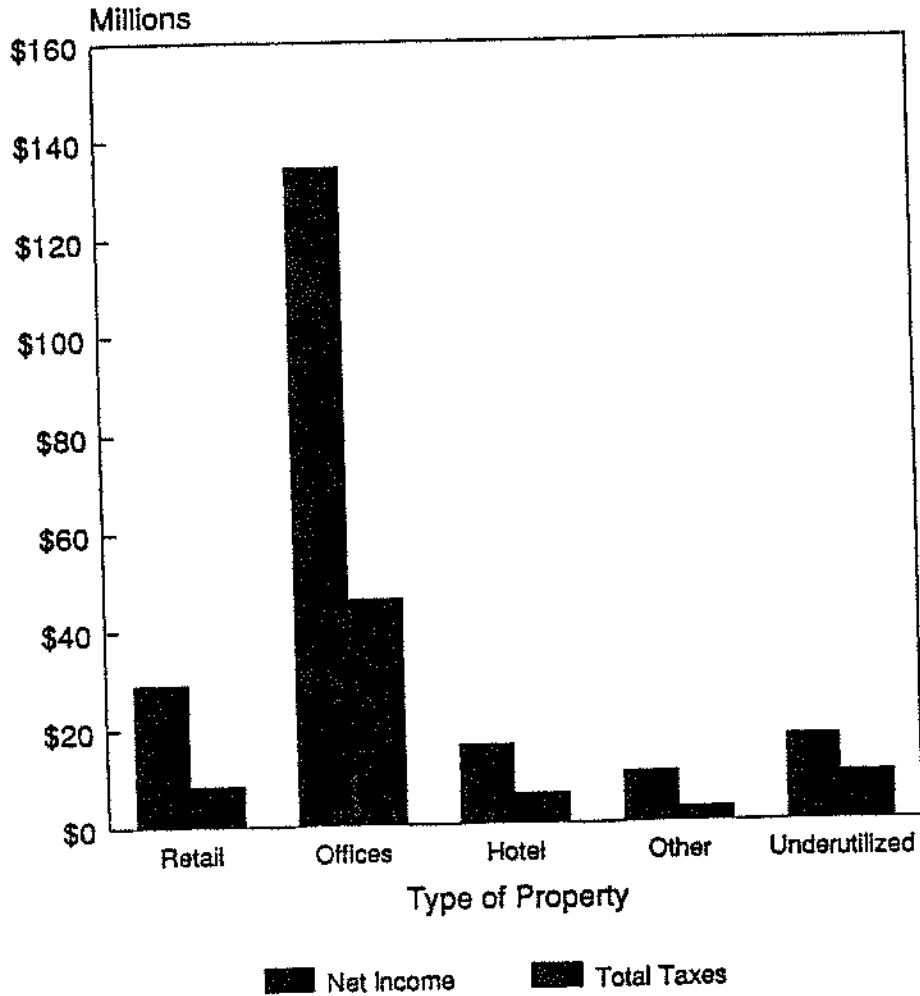
Now, however, in much of North America and elsewhere, far too
many office buildings have been constructed, causing
bankruptcies for the owners and serious problems for the banks
who have loaned much of the money for this excessive building.
It is of course rooted as well in the modern "land bubble" of
speculative land values which has dominated the economies of the
West and Japan in the past decade - a most serious problem that
we in the West are still dealing with. If more of these enormous
land rents had been collected through the years by community or
government, then the speculative bubble of value would have

Vancouver - Golden Triangle
(millions of \$)

	Retail	Offices	Hotel	Other	Under-utilized	Total
Gross Income	33.4	162.2	92.4	15.6	21.6	325.2
Vacancy	1.7	13	23.1	-	1.3	39.1
Gross Effective Income	31.7	149.2	69.3	15.6	20.3	286.1
Expenses	2.7	14.5	53.2	5.3	2.8	78.5
Net Operating Income	29	134.7	16.1	10.3	17.5	207.6
Total Property Taxes	8.4	46	6.2	3	10	73.6
Total Value	290.2	1,584.4	215.1	103.3	339.2	2,532.2

City of Vancouver - Golden Triangle

Net Commercial Income



been contained avoiding the kind of disruption that Japan and the United States have faced.

The next table shows data on the downtown core of Victoria, British Columbia - the downtown business district in a provincial capital of about 300,000 people.

Gross income annually from this downtown is 235.6 million dollars. Much of that gross is from hotels - for Victoria has a strong tourist economy as well as government. Net income, however, is 104 million dollars annually. (Tourism is down at the moment so hotels lose a possible 50 million annually through vacancies). Offices, it should be noted, have only a 2 million dollar loss due to vacancy. Total property taxes collected in the downtown are 32.7 million annually.

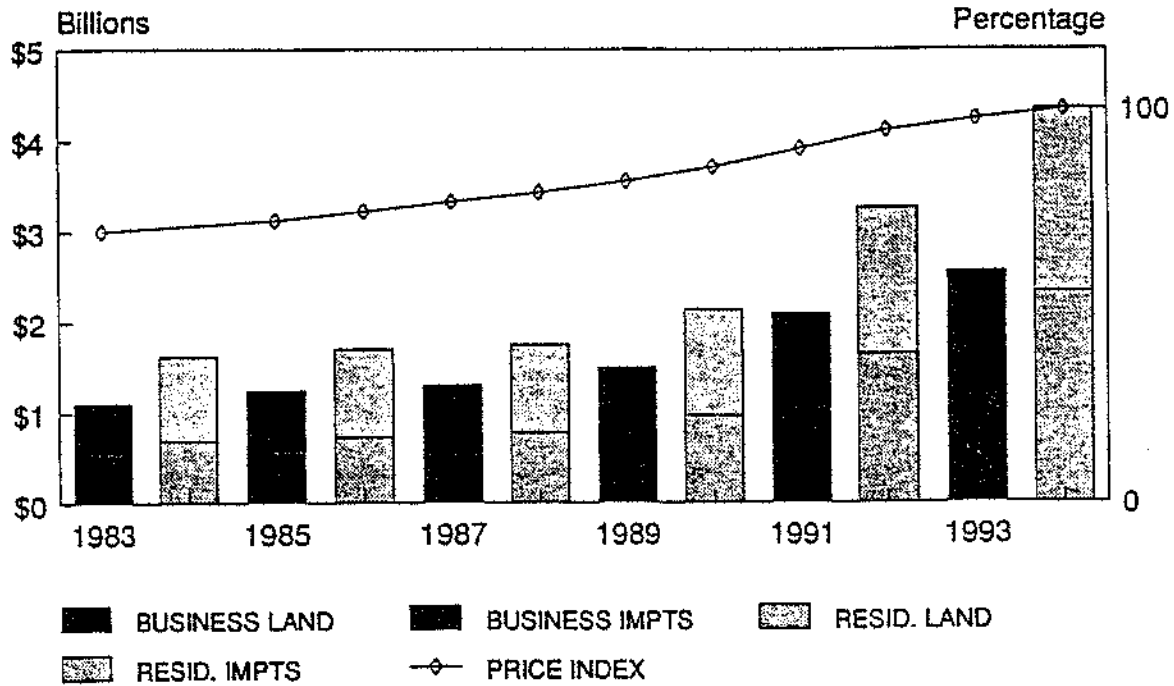
The combined land and building values in downtown Victoria are \$1,123,700.00.

If we go back however to our revenue chart of the City of Victoria we find that the total property tax revenue in the City is 48.4 million annually while the entire city budget for the year is 87.4 million dollars. But 32.7 million in taxes annually comes from the downtown alone. Total property taxes collected in the city are 97.3 million dollars of which 38.1 million are for schools and 3.5 million dollars are for hospitals, and 7.3 million for other services.

Victoria - Downtown Core
(millions of \$)

	Retail	Offices	Hotel	Other	Total
Gross Income	53.2	45	126	11.1	235.3
Vacancy	6.7	2	50.4	.4	59.5
Gross Effective Income	46.5	43	75.6	10.7	175.8
Expenses	4.4	2.1	64.3	1	71.8
Net Operating Income	42.1	40.9	11.3	9.7	104
Total Property Taxes	13.1	13	3.6	3	32.7
Total Value	452.0	447.1	122.6	102.0	1,123.7

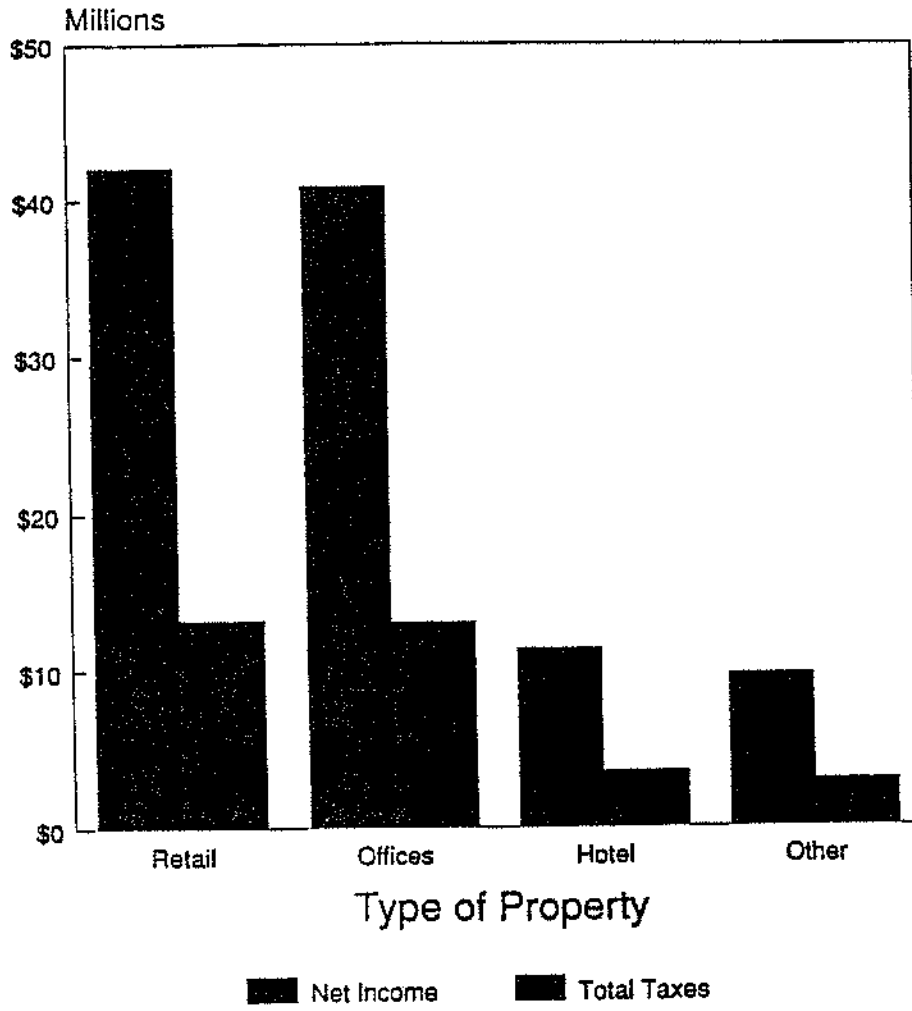
Taxable Property Values City of Victoria



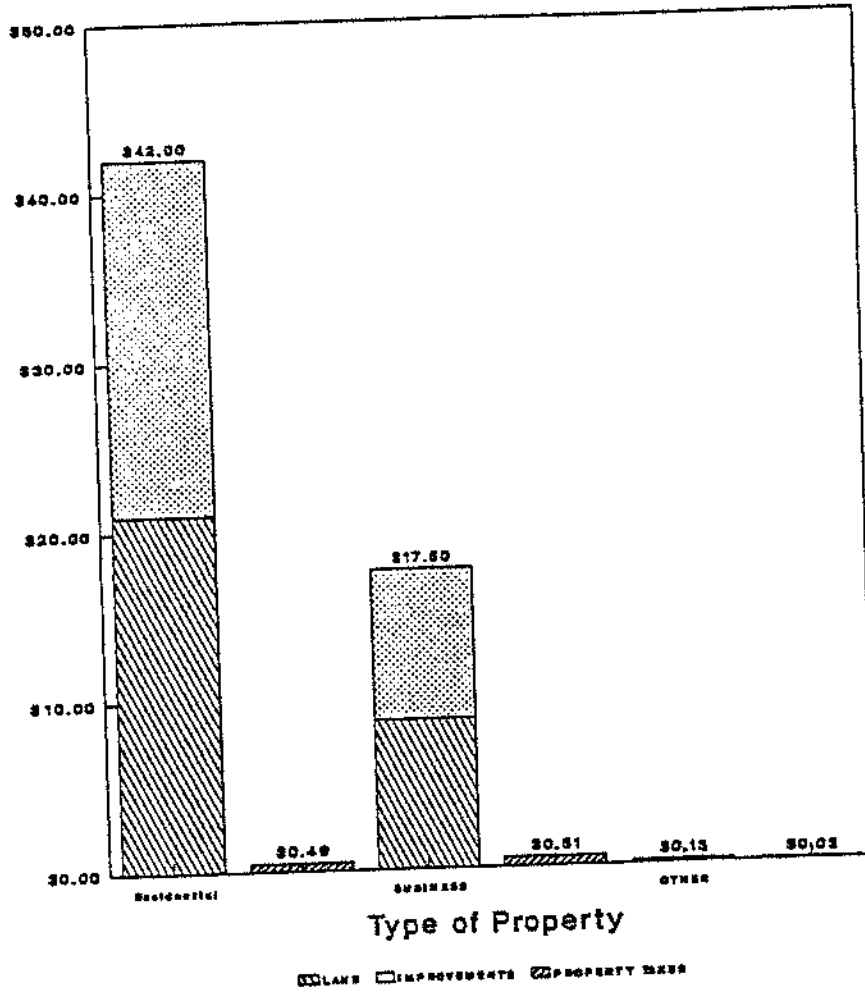
TAXABLE PROPERTY VALUES
(in Billions)
CITY OF VICTORIA

YEAR	BUSINESS		TOTAL	RESIDENTIAL		TOTAL
	LAND	IMPROV.		LAND	IMPROV.	
1983	0.56	.54	1.10	0.69	0.94	1.63
% Change	3.6	24.1	13.64	5.8	4.3	4.91
1985	0.58	0.67	1.25	0.73	0.98	1.71
% Change	3.4	11.9	4.80	6.8	0.0	2.92
1987	0.56	0.75	1.31	0.78	0.98	1.76
% Change	2.1	8.0	43.51	23.1	19.4	21.02
1989	0.68	0.81	1.88	0.96	1.17	2.13
% Change	57.3	26.0	491.49	71.9	38.5	53.52
1991	1.07	1.02	11.12	1.65	1.62	3.27
% Change	13.1	34.3	13.04	42.4	24.1	33.33
1993	1.21	1.37	12.57	2.35	2.01	4.36

City of Victoria - Downtown Core Net Commercial Income



City of Victoria Property Values and Property Taxes

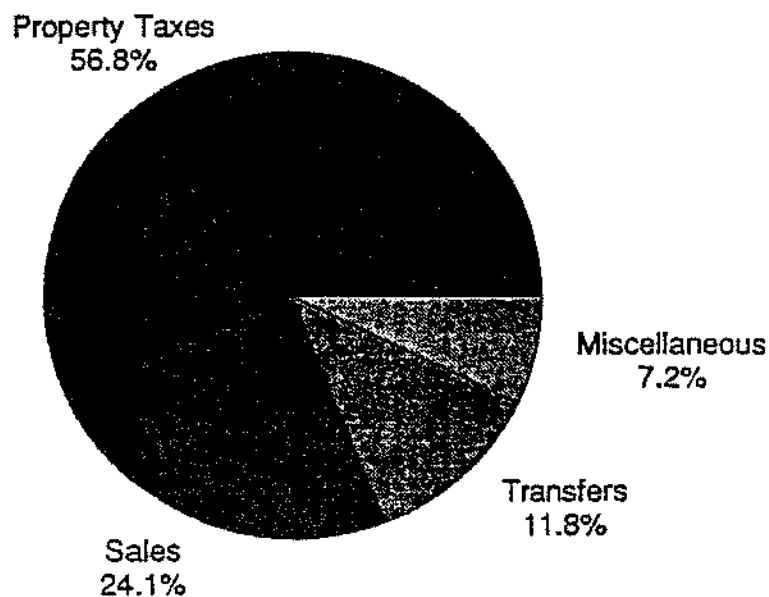


Victoria Value Property Taxes (millions of \$)

Residential:		
Land	21.00	
Building	21.00	
Total	42.00	.49
Business:		
Land	8.80	
Building	8.80	
Total	17.60	.51
Other:		
Land	.07	
Building	.06	
Total	.13	.02
Total	59.83	1.02

City of Victoria

Revenue - 1992

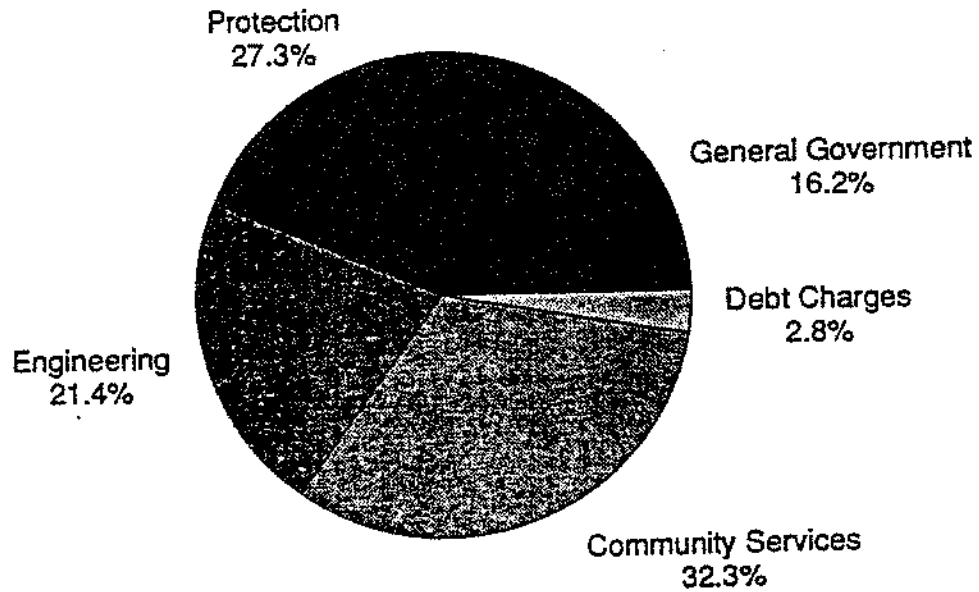


Victoria - Revenue

(millions of \$)

Property Taxes (taxes, grants in lieu)	48.4
Sales of Goods & Services (parking, garbage, recreation, licenses, permits, fines) Sale of Water (\$5 million)	27.0
Transfers (from provincial government)	5.2
Miscellaneous	<u>6.8</u>
Total	87.4

City of Victoria Expenditure - 1992



Victoria - Expenditure

(millions of \$)

Protection (police, fire, emergency)	23.7
Engineering (road main., street cleaning, lighting, traffic services, parking)	25.2
Community Services (garbage, recycling, public health, community develop., housing, recreation facilities)	23.2
Debt Charges	2.4
General Government	<u>12.9</u>
Total	87.4

For normal municipal services however, police, fire, traffic, engineering services, libraries, community centres, the downtown currently provides over one-third of the necessary money.

Our downtown in Victoria however is privately owned while paying a property tax on land and buildings.

Those private owners of the downtown currently net 104 million dollars annually from those properties.

In your country, these central properties are state-owned and rent is not clearly defined by markets. The Victoria example, where market conditions prevail gives you an understanding of how substantial the return is on land and buildings. Just out of that area, right now, the city collects taxes of 32.7 million dollars annually. That amount plus the net income from private property would produce 104 million dollars annually, a combined total of 136.7 million dollars annually.

Currently, the city only spends 87.4 million dollars in total annually for all its services including its share of schools. If all these funds were civic revenues, that would mean a surplus of 49.3 million dollars a year in this relatively small community.

This then gives you just the beginning of a sense of how valuable your central land and building values are in the hearts of your

cities. But of course cities are much larger than their downtowns' ... there are other shopping areas and retail districts - there are huge industrial areas - and there are huge residential areas. And there are residential areas of grand homes where the elite live. These are always properties of immense value. All of these areas produce additional substantial land rents on an annual basis.

In fact the total land values in all of the city are 34.9 billion dollars and total building value for the entire city are 12.97 billion dollars.

Does this not suggest to you in your own cities how significant property values are and how high they can become?

Does it not suggest how cautious you should be about disposing of these assets, especially those of high value and high potential?

Does it not suggest that land assets should be seen as distinct from business enterprises per se?

I should make it clear that I am in favour of private tenure, I am convinced that private tenure is necessary if you are to achieve your full potential. Defining tenure however and defining rents is absolutely critical if you want to avoid the worst extremes of the U.S. and Japanese property markets of the past decade and achieve a reasonable level of fairness in the distribution of wealth in your society.

The great increases in property values are of course in land values...these enormous increases can be captured by the relative few, or they can be shared by the community, decreasing the need for taxes on labour and new capital...a prospect that could be very exciting indeed.

If we go back now, to the "Golden Triangle", part of downtown Vancouver, it is again interesting to see how the huge incomes generated by these properties, compares to what it costs to run the city. The city's taxes from the area are currently 73.6 million dollars annually. The net income to the 110 property owners in the area is 207.6 million dollars annually. The combined return in this relatively small area (taxes and private returns) would be 281.2 million dollars annually.

But let's reach back and check out what the entire city budget is. The entire city budget totals 486.4 million dollars...ie. fire, police, street, traffic, parks, community facilities, utilities, debt charges, and the like (schools are separate).

So, the combined flow of income and taxes from these 110 properties could pay more than half of the annual costs of running the entire city.

The total taxes from most of the downtown were \$195,044,000.00 and the total revenues from the private holdings were \$552,007,000.00 annually. Again, we should compare that to the annual costs of running the entire city (other than schools) which is 486 million dollars.

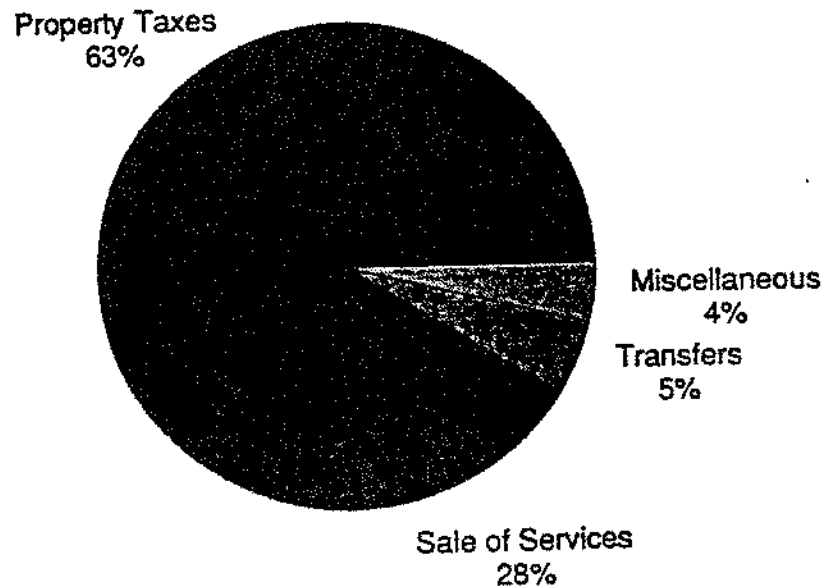
We received the data on the whole of downtown Vancouver after the slides were prepared. The following table sums up that information covering the whole downtown.

**CITY OF VANCOUVER BUSINESS DISTRICT
(IN \$'000)**

PROPERTY TYPE	NET INCOME	LAND VALUE	IMPROVEMENT VALUE	1992 TAXES
Office Buildings	248,781	1,383,397	1,726,370	94,242
Retail / Other	257,213	1,777,112	1,080,818	84,825
Hotels	30,370	168,007	189,283	8,217
Parkades	8,563	90,761	16,279	3,082
Residential (Rental)	7,080	76,081	65,514	1,075
Residential (non rental)	N/A	278,095	267,791	3,603
TOTAL	552,007	3,773,453	3,346,055	195,044

This table shows us that the net income to private owners totals \$552,007,000.00 annually and tax revenue totals \$195,044,000.00 per year, a combined total of \$747,051,000.00.

City of Vancouver Revenue - 1992



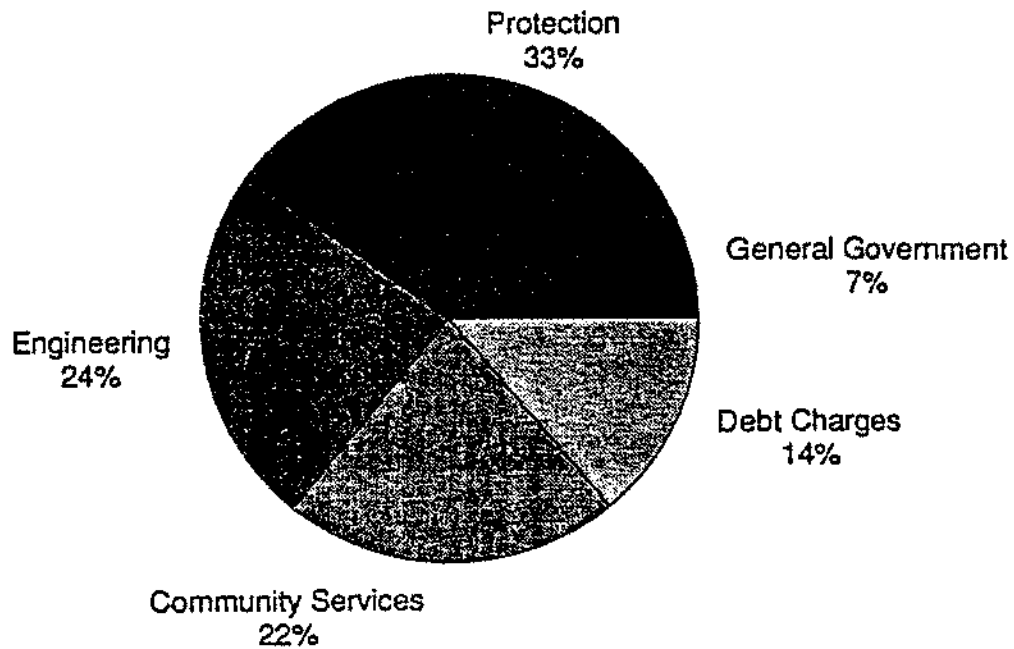
Total Revenue - \$486,400,000

Vancouver - Revenue

(millions of \$)

Property Taxes (taxes, grants in lieu)	306.4
Sales of Goods & Services (parking, garbage, recreation, licenses, permits, fines) Sale of Water (\$28.6 million)	136.2
Transfers (from provincial government)	24.3
Miscellaneous	<u>19.5</u>
Total	486.4

City of Vancouver Expenditure - 1992



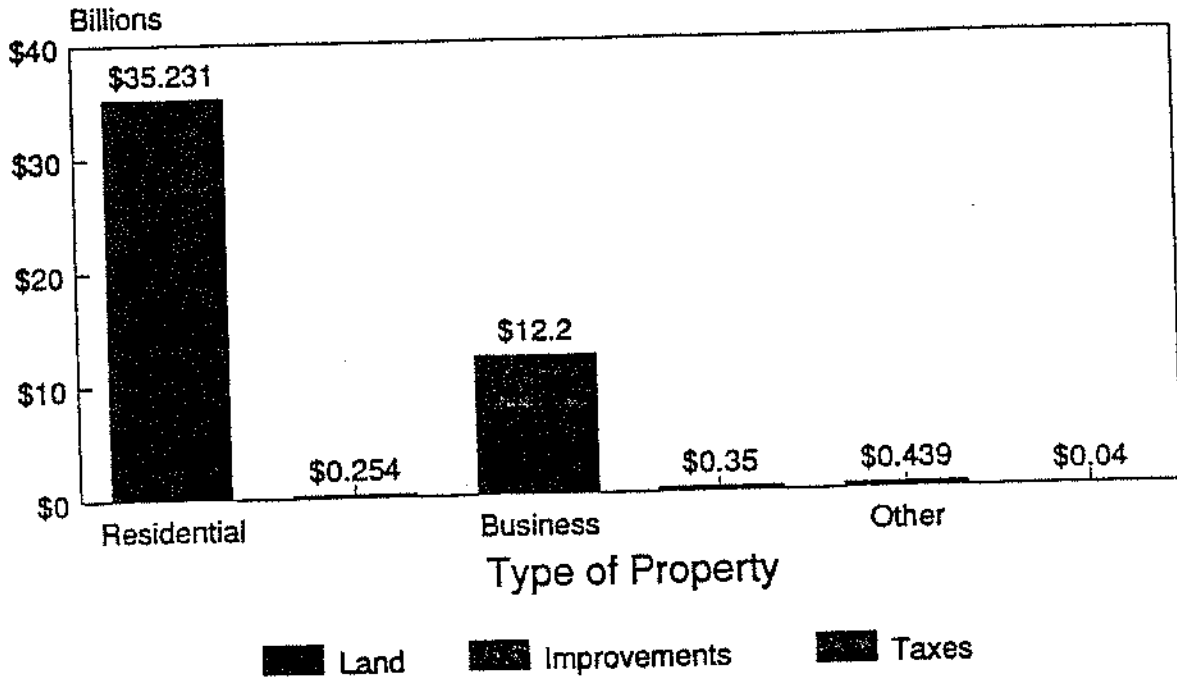
Total Expenditure \$486,400,000

Vancouver - Expenditure

(millions of \$)

Protection (police, fire, emergency)	160.5
Engineering (road main., street cleaning, lighting, traffic services, parking)	116.7
Community Services (garbage, recycling, public health, community develop., housing, recreation facilities)	107.1
Debt Charges	68.1
General Government	<u>34.0</u>
Total	486.4

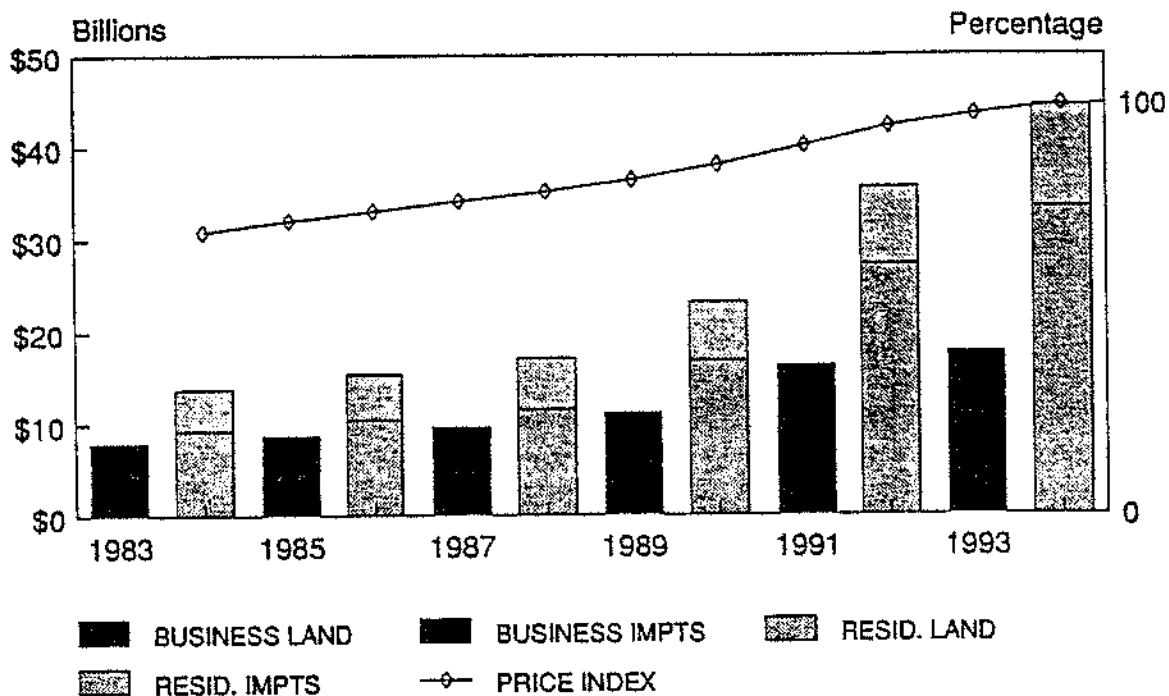
City of Vancouver Property Values and Property Taxes



Vancouver
Value Property Taxes
(billions of \$)

Residential:		
Land	27.00	
Building	8.23	
Total	35.23	.25
Business:		
Land	7.64	
Building	4.56	
Total	12.20	.35
Other:		
Land	.26	
Building	.18	
Total	.44	.04
Total	47.87	.64

Taxable Property Values City of Vancouver

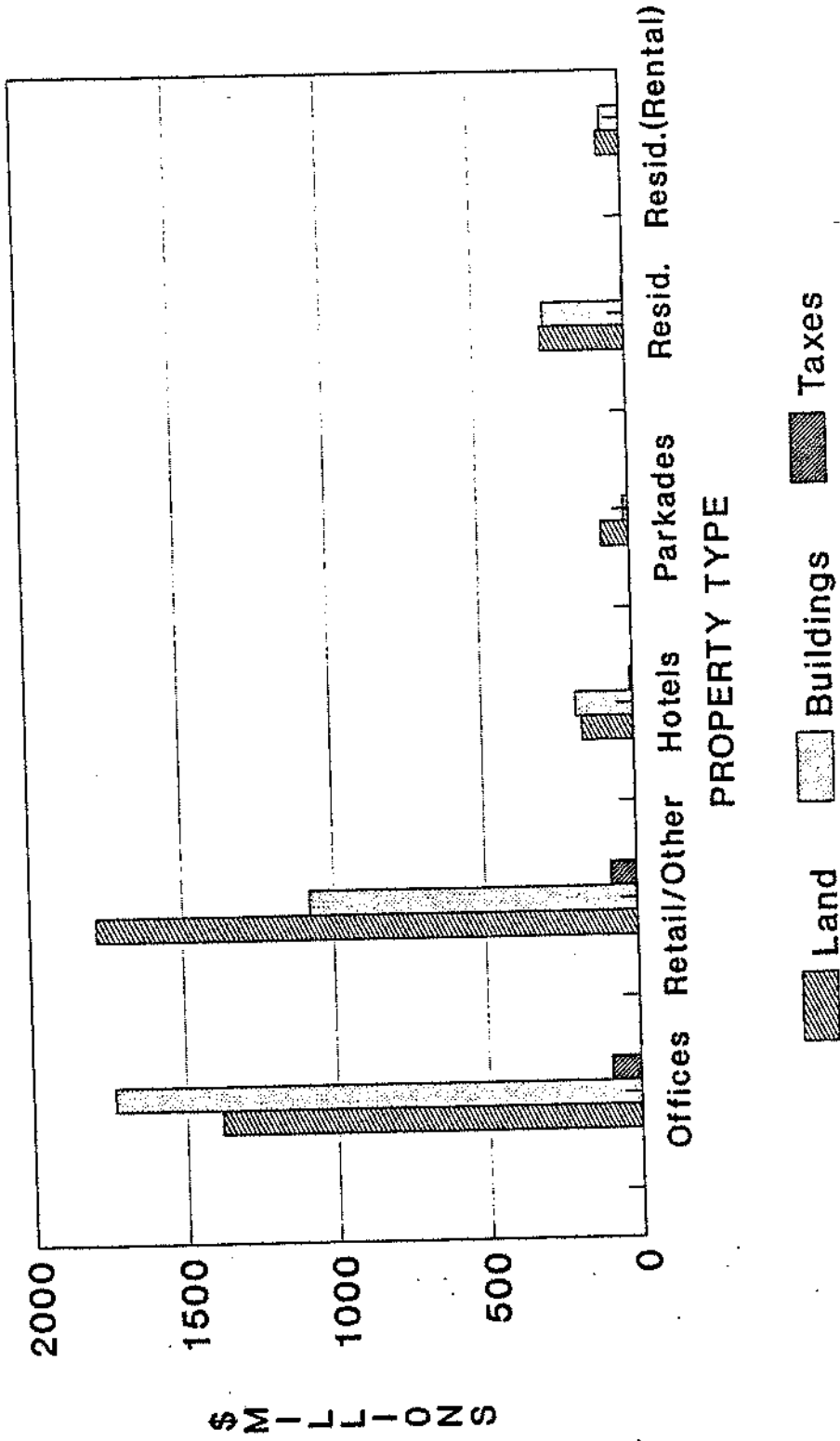


TAXABLE PROPERTY VALUES
(in Billions)
CITY OF VANCOUVER

YEAR	BUSINESS		TOTAL	RESIDENTIAL		TOTAL
	LAND	IMPROV.		LAND	IMPROV.	
1983	4.59	3.40	7.99	9.28	4.50	13.78
% Change	2.2	19.7	9.64	12.1	9.8	11.32
1985	4.69	4.07	8.76	10.40	4.94	15.34
% Change	5.1	15.7	10.05	10.6	14.2	11.73
1987	4.93	4.71	9.64	11.50	5.64	17.14
% Change	19.9	10.8	15.46	47.0	13.3	35.88
1989	5.91	5.22	11.13	16.90	6.39	23.29
% Change	70.9	19.2	46.63	62.1	30.0	53.33
1991	10.10	6.22	16.32	27.40	8.31	35.71
% Change	10.9	6.4	9.19	22.3	32.4	24.61
1993	11.20	6.62	17.82	33.50	11.00	44.50

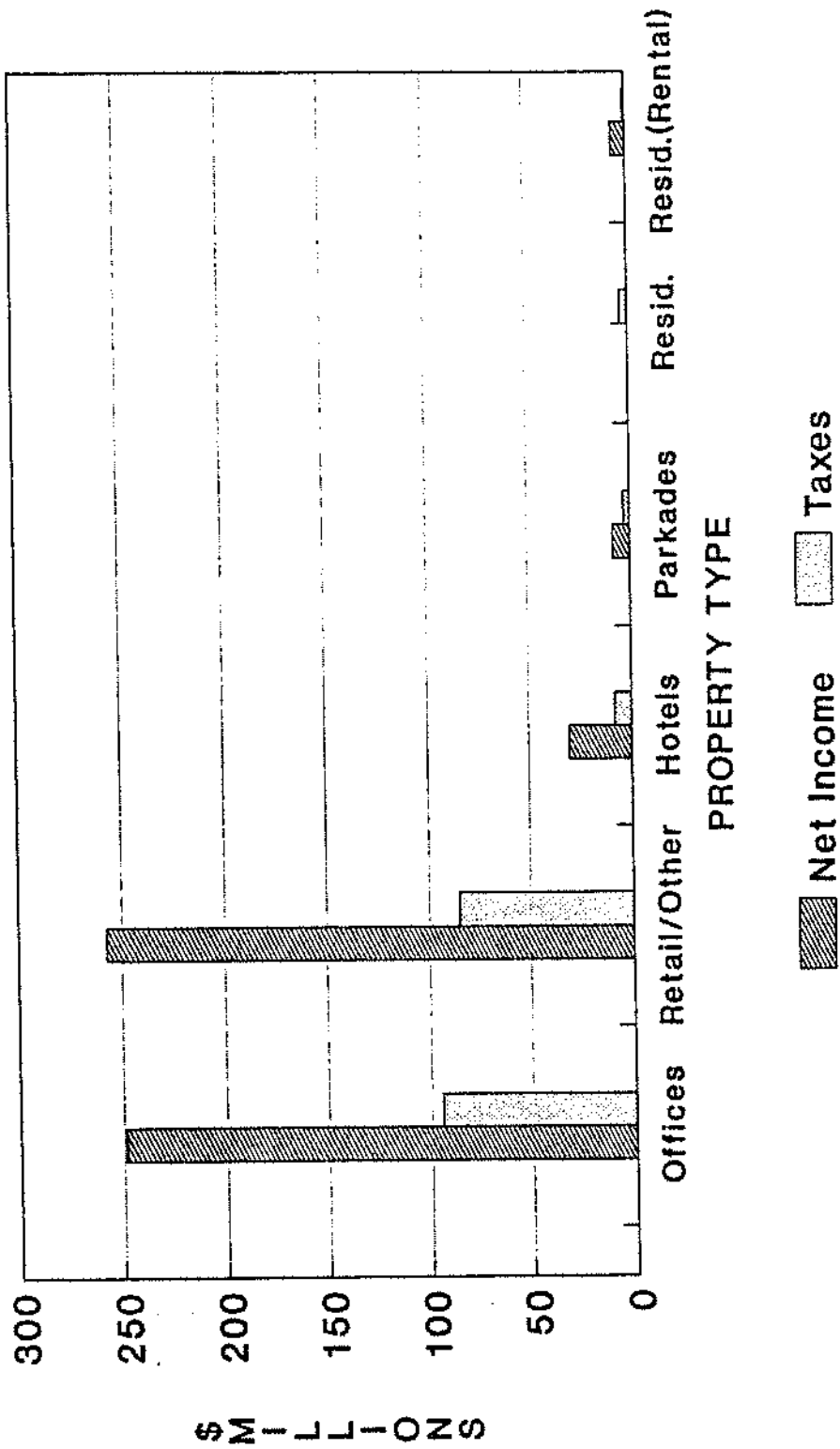
VANCOUVER - CENTRAL BUSINESS DISTRICT

COMPONENTS OF LAND & BUILDING VS. TAXES



VANCOUVER - CENTRAL BUSINESS DISTRICT

NET INCOME VS. TAXES



The annual costs of running the entire city are \$486,000,000.00. If the city's municipal school costs were added in then these revenues would equal the costs of running the City and paying their share of school financing.

But again, we are just talking about the downtown. There is the remainder of the city; some 44 square miles with magnificent assets - the major East-West Street, Broadway, with huge buildings the industrial areas, residential areas, other shopping streets. Cities are enormous generators of land rents and enormous repositories of capital. You in your communities own both that land and capital. Your challenge, I would think, is to see that those land rents are reasonably shared, to see that existing capital is allocated fairly, and to see that there is encouragement and returns for new capital.

At the moment you are in very volatile times, and you are in a period of hyper-inflation. You must ask yourselves if it is wise to sell off most of your most valuable land and buildings at today's prices at a time when your currency is unstable. There is no simple, single answer of course. And the benefits of private tenure are enormous; especially in housing and agriculture. Private tenure provides the incentive to improve and expand your housing stock which is of enormous importance for both your quality of life and your economy.

That also applies to agriculture, where private tenure can stimulate the production of food which is of course critical.

Leasehold tenure however has great appeal, so that proper rents can be obtained by the community over time, while maintaining the benefits of private initiative. It would also be appealing in the areas of great value and future value (such as the downtown areas) to receive a substantial proportion of these benefits at the community level for these incredibly valuable assets in land and buildings. It is here that you could probably use sophisticated help in the area of contract so that where there is to be private tenure the terms are clear and not one-sided. Of critical importance is having a tenure system that reflects current markets, so that the terms of contract are reviewed on a regular basis ... every three years at least in areas of high value. We have shown how quickly these values have increased in our own society.

The next two speakers from British Columbia are Mr. D'Arcy Hammett of our Land Registry Office and Mr. Tom Johnstone, Commissioner of the British Columbia Assessment Authority.

Mr. Hammett will quickly outline how our Land Registry System works and Mr. Johnstone will give a more lengthy presentation of how our Assessment Authority carries out its annual valuation for our annual property tax in British Columbia.

The challenge you face in your country in this area alone is enormous. The way you proceed is yours to determine.

We believe we have a level of expertise in British Columbia that could be of enormous help to you in this process. We hope to return and formally help in this great endeavour.

Thank you.