Headline: **Common Property Assessment**
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Real estate products continually evolve. A recent progression in strata development is treating the common property as a revenue generator. In downtown Vancouver and Whistler, core urban and resort areas, a portion of the common property of some residential strata developments has been leased. Specifically, parking garages or storage areas are being leased to unit owners or third parties.

Parking garages in downtown Vancouver condo projects illustrate why common property is being treated as an income source. There are three market trends driving this new approach to common property tenure.

Land Costs
Land prices in downtown Vancouver continue to rise. For example, a site at the northeast corner of Richards and Robson Streets sold in October, 2003 (closing end of February, 2004) for $98 per buildable square foot, one of the highest prices ever paid for land in Vancouver. Although the price paid for that site was unusually high, the current market is clearly upward of $75 per buildable foot. Just a few short years ago, prices were in the $30 to $50 range.[1]

Construction Costs
Over the past two years, construction costs in BC – both materials and labour – have risen significantly. According to Helyar & Associates, a Canadian cost consulting and development management firm, high-end condo construction costs rose nearly 20% between May and September 2002. Incidentally, underground parking is a very expensive component of a high-rise tower. With so many major construction projects in the pipeline - Olympic venues, the Sea to Sky Highway upgrade, the RAV rapid transit line, and a new convention centre, among many other private sector projects - demand for labour and materials shows no signs of abating.[2]

Scarce Parking
Surface parking lots in downtown Vancouver are usually "holding properties." The owner is waiting for the right time to sell or develop the property to a more profitable use. In the meantime, parking fees provide some revenue. Many parking lots have now been developed or are in the development pipeline. For example, the southeast corner of Seymour and Robson Streets was a sizeable surface parking lot before construction of a condo tower, called *L'Aria*, began. The *Brava* towers at 1133-1199 Seymour were also parking lots, as was 900 Burrard, the site of the *Paramount Place* project. A site at 1001 Homer, also a former parking lot, has a condo tower going up. At the same time as the number of surface parking lots declines, the number of street parking spots remains virtually unchanged.

Given mounting land and construction costs, developers find they must be increasingly creative to realize the maximum revenue from a project. Simultaneously, the scarcity of parking downtown creates demand for more parking spots and presents an opportunity to gain incremental revenue from a development project.

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[1] Vancouver Sun October 27, 2003.
[2] www.helyar.com

Whereas a parking spot was once a standard part of the condo package, developers are beginning to sell or lease them separately. Leasing of common property has implications for who is assessable for that portion of the building(s). The identity of the assessable party depends on when the lease was executed.

If a lease of common property exceeding three years is executed after the creation of strata property (i.e. after the strata plan was deposited), section 235(1) of the *Strata Property Act* deems that the lease creates a subdivision of common property under Part 7 of the *Land Title Act*. Furthermore, ownership is deemed to be held in the name of, or on behalf of, the strata corporation. Therefore, the strata corporation is assessable for the common property improvements. Note that if the lease is for a term of three years or less, no subdivision takes place.

If a lease exceeding three years is executed before the creation of strata property, no subdivision occurs pursuant to section 253 of the *Strata Property Act* because the common property did not exist at the time of the lease. In this scenario, the individual owners of the strata units are assessable for their unit entitlement to the leased common property. In order to use the common property, the unit owners would have to enter into a sublease with the head lessee.

The latter scenario is typical in Vancouver. Unit purchasers who want a parking stall enter into a lease, usually for a 99-year term, and pre-pay the cost. A single parking stall can cost as much as $25,000 over and above the price of the home. The value of the parking stall is part of the assessed value of the unit. Although parking stalls generally "sell-out," in theory, any remaining stalls could be opened to the public on a fee-for-use basis.

Leasing of common property such as parking garages is a fairly recent trend. It will likely continue in areas where parking comes at a premium and where it is profitable to convey the use of common property separate from the dwelling units.

About BC Assessment
BC Assessment operates as an independent, Crown corporation, governed by a Board of Directors. The company's mandate is to establish and maintain uniform real property assessments throughout British Columbia in accordance with the *Assessment Act*.

BC Assessment is committed to transparency and openness in government and wants to ensure that all parties, owners, developers, and property managers are aware of this situation. For more information call the assessment office in your region. BC Assessment has developed a policy to ensure uniform treatment of leased strata common property. The full text of the policy document, along with a list of frequently asked questions, can be found on BC Assessment's Web site: www.bcassessment.bc.ca. Click on the "Property Valuation & Assessment" button on the main menu on the left side of the screen.