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Purpose

This document provides direction for the consistent classification of live/work properties (home-based businesses). A live/work property or home-based business (HBB) is a property in respect of which a secondary business or commercial function is carried out in conjunction with the primary residential use.

Resources

Legislation

[Assessment Act, R.S. B.C. 1996, c. 20](#)

[Industrial and Business Property Exemption Regulation, B.C. Reg. 485/83](#)

[Prescribed Classes of Property Regulation, B.C. Reg 438/81](#)



Policy Statements

1. Until construction is complete, place the property 100 percent in Class 1 – residential unless the applicable zoning or a covenant registered on title by a municipality under section 219 of the *Land Title Act* requires a specific, defined portion or percentage of the property to be used for commercial purposes.
2. Once constructed, the property should be placed entirely in Class 1 unless one of the following exceptions applies:
 - The HBB is a high visibility business that occupies a significant portion of the total area of the residence or property
 - The zoning or a section 219 covenant registered on title by a municipality requires a specific, defined portion or percentage of the property to be used for commercial purposes
 - The zoning or a section 219 covenant requires some commercial use to be made of the live/work unit but does not specify the extent of commercial use, in which case the Live-Work Purchaser Declaration Form returned to BCA determines how much of the property is used for commercial purposes
 - If one of the exceptions applies, the property will be split-classed in accordance with the actual use, the zoning or section 219 covenant, or the Live-Work Purchaser Declaration Form, as appropriate.
3. Common areas that appear to be used for both residential and commercial purposes should be placed in Class 1, unless parts of the common area are specifically set aside for use associated with the commercial use of the property.
4. Live/Work properties which meet the criteria for split classification must be assigned a folio characteristic of 45 – Live/Work.



Classification Direction

General

A live/work property is a property where a business or commercial function is carried out in conjunction with the residential use. The property is primarily residential in nature, but a portion of the property is devoted to a business or commercial purpose.

As a rule, we will only consider a split classification for a residential property with a secondary commercial use where (1) the secondary commercial use is a significant and obvious use of the property, or (2) where a section 219 covenant or zoning requires a portion or percentage of the property to be used for a commercial purpose in conjunction with the residential purpose.

Despite the above, some special rules apply when a live/work property is under construction.

If you have questions about whether a split classification is appropriate, please ask your deputy assessor.

During Construction

During construction, a live/work property should be placed entirely in Class 1 unless the applicable zoning or a covenant registered on title by a municipality under section 219 of the *Land Title Act*¹ requires a specific, defined portion or percentage of the property to be used for commercial purposes. If the municipality requires a specific, defined portion or percentage of the property to be used for commercial purposes through zoning bylaws or the registration of a restrictive covenant on title, then BC Assessment (BCA) should give effect to that zoning or covenant even while the property is under construction. In these circumstances, the property should be split-classified between Class 1 and Class 6 – business and other in accordance with the zoning or restrictive covenant.

However, if the zoning or section 219 covenant

- a. requires a portion of the property to be used for live/work purposes, but does not specify how much of the property must be used for business or commercial purposes (e.g., the zoning or section 219 covenant may provide for a range of commercial use such as up to 30 percent of the area or no more than 50 percent of the area), or
- b. permits but does not require the property to be used for live/work purposes, without specifying how much of the property must be used for business or commercial purposes (e.g., the zoning or section 219 covenant may simply allow live/work use and may or may not provide a range or maximum),

the property should be placed entirely in Class 1 while it is under construction.

For direction on classifying vacant development land in respect of which an HBB or live/work use is contemplated, please consult [Mixed-Use Development Land Policy](#) and section 1(1)(c) of the *Prescribed Classes of Property Regulation*.

¹ Section 19(7) of the *Assessment Act* requires BCA to consider whether section 219 covenants have an effect on value.



Upon Completion

For completed properties, the general rule is that only those high visibility HBBs that are sufficiently substantial should be split-classified. Take into consideration that Class 6 improvements are exempt from taxation to a maximum of \$10,000, under [Industrial and Business Property Exemption Regulation](#), B.C. Reg. 485/83.

If the portion of improvements being used for business does not have a contributory value equal to or greater than \$10,000 to the total assessed improvement value, the entire improvement should be placed in Class 1.

A significant or obvious commercial use may be one where a commercial area has been purpose built (e.g., a hair salon), or there may be advertising on-site inviting people to come on-site to use the commercial services being offered. Where the secondary use is for a seasonal period (e.g., Christmas craft production and sale) or generic residential facilities are used on a part-time basis (e.g., music or art lessons for individual students) or for purposes that would not be apparent to outside observers (e.g., teleworking accountants or researchers), a split use would not be triggered and the property would remain wholly in Class 1.

If the zoning or a section 219 covenant permits live/work purposes, but does not require a specific portion or percentage of the property to be used for business or commercial purposes, then only split-classify the property if the HBB is a high visibility business occupying a significant portion of the total area of the residence or property. In these cases, use the checklist set out in [Appendix B](#).

Licensing

In some situations, a local government may not

1. have a bylaw which requires licensing for the HBB, or
2. be aware of the existence of the HBB, despite the requirement for licensing.

Where there is no bylaw requiring HBBs to be licensed, take care in split-classifying an HBB even if it meets the primary criteria for split classification in the checklist (see [Appendix B](#)). Split classification may raise equity issues among property owners. It is important to first review the use of other residences in the general area.

Where a bylaw requires licensing, but the local government is not aware of an HBB that meets the primary criteria in the checklist (see [Appendix B](#)), the property should be split-classified.

Required Commercial Use

There is an exception to the rule that only high visibility or significant commercial use attracts Class 6. Where the zoning or a section 219 covenant requires some portion of the property to be used for live/work purposes, but does not specify how much of the property must be used for business or commercial purposes (e.g., up to 30 percent of the area must be used for business or commercial purposes), BCA should ask the owner how much of the property is being used for residential versus commercial purposes. In these circumstances only, use the [Live-Work Purchaser Declaration Form](#). If you do not receive a response to your request for a declaration, then assume the commercial use is the maximum allowable under the zoning bylaw or section 219 covenant unless the owner subsequently provides different information.



Split Applied to Land and Improvements

Where the commercial activity takes place in the residence and not in a separate building and a portion of the improvements is being split out as an HBB, a pro-rata share of the land under the footprint of the building will also need to be split out to be placed in Class 6. Additionally, any land specifically set aside for parking or other use ancillary to the HBB use should be classified as Class 6. In other words, split-classify the property based on the square footage used for each purpose rather than based on the contributory value of each purpose to the property.



Appendix A: Case Law

1. *Adam Yawrenko v. Assessor of Area 25 – Northwest (21 November 2000), Appeal No. 2000-2500005 (P.A.A.B.)*

The Board found that the assessor has the ability, under the *Assessment Act* and its regulations, to place a property within one or more property classes. In the event a property does not fall clearly within one of the classes, there is a catchall class available, being Class 6.

In addition, the Board found the assessor was correct in classifying the property generally as residential, except for the portion used as a hairdressing salon. The use of the salon is clearly not residential, and the use does not fit within any of the other classes. Therefore, by default, it falls into Class 6. Therefore, the Board found that this property was correctly split-classified between Class 1 and Class 6, based on predominant use.

2. *Stockman v. Assessor of Area 09 – Vancouver, 2004 PAABBC 20040033 (April 16, 2004)*

The property is one of 43 strata lots contained in a three-storey concrete building built in 1999 in a commercial/industrial area of the City of Vancouver. The developer's original intent (and this is reflected in the initial development permit issued by the City of Vancouver) was to market the individual strata lots as commercial/industrial workshops (I-2 zoning). The developer successfully applied to the City to have the building rezoned to CD-1 (live/work); the rezoning was effective as of April 9, 2002.

The appellant intended to alter the property so that it could be used as a live/work studio. However, as of October 31, 2002, the relevant classification date, the property was vacant and could have been used as a live/work studio or a workshop. The zoning did not permit exclusively residential use. In any event, the Board found that the appellant's subjective intention, alone, was not enough to bring the property within Class 1 (see *Assessor of Area #10-Burnaby/New Westminster v. Reemark XIII Developments Ltd.* (1992), Stated Case 329 (B.C.S.C.)). "The issue [i.e., residential classification] is really one of whether the owner has dedicated the land to a particular use and has actually started construction" (*Assessor of Area #10-Burnaby/New Westminster v. Intracorp Developments Ltd.* (2000), Stated Case 416 (B.C.C.A.) at p. 5; see also *Reliance Holdings Ltd. v. Assessor of Area #09 – Vancouver* (2002, PAAB - 2003 PAABBC 20039268).

3. *Kong v. Assessor of Area 11 – Richmond/Delta, 2007 PAABBC 20071928 (December 11, 2007)*

The appellant challenged the value and classification of a property improved with a dwelling and a cinder-block building, which appeared to be used for boat repair. The assessor argued the assessed value should be even higher than that confirmed by the PARP and that the cinder block building should be placed in Class 6 as it is used for commercial purposes.

The Board found for the appellant and not the assessor on the evidence. The appellant argued the assessor could not classify any part of the property as commercial because the zoning did not permit commercial use. The Board rejected



this argument, stating that classification is based on actual and not permitted use, but accepted the evidence from the tenant denying any commercial activity.

4. Won Holdings Ltd. v. Assessor of Area 09 – Vancouver Sea to Sky Region, 2010 PAABBC 20101516 (October 27, 2010)

The appellant challenged the value and split classification of a strata-titled ground floor unit in Gastown. The appellant sought to have the property split-classified equally between Class 1 and Class 6. The assessor took the position that the classification was correct, with 75 percent in Class 6 and 25 percent in Class 1.

The Board held that the property was correctly classified as being 75 percent within Class 6 and 25 percent within Class 1. In this case, there was a kitchen and a powder room on the main floor along with a wedding shop, but the appellant did not introduce any evidence as to the use of the powder room or the size of the kitchen. Accordingly, the Board found that only the bedroom and bathroom on the mezzanine level could be classified as residential.



Appendix B: The High-Visibility HBB Checklist

Generally, if the answer to all four of the primary criteria listed below is yes, the classification on the property should be split. If the answer to any of these questions is no, it is unlikely the classification should be split. There may be isolated cases where the answer to the first three questions is yes, but the business is not licensed where split classification may still be appropriate because of the nature and extent of the commercial use.

	Primary Criteria	Yes	No
1	Is the area used for business of significant consequence to justify splitting class (i.e., \$10,000 exemption for improvements in Class 6)?		
2	Is the business in a stand-alone building or clearly segregated from the basic function of the home to allow clear establishment and predominant use of the business portion?		
3	Is the business in continual operation for the entire year (i.e., not seasonal)?		
4	Is the business licensed?		

In some cases, the answer to the first three questions posed above may not be clear. The following set of criteria may assist you in determining the answers to those questions.

	Secondary Criteria	Yes	No
1	Is there a separate customer/client entrance?		
2	Is there signage on the site to draw attention to the business?		
3	Is the business listed as a member of the local Chamber of Commerce?		
4	Does the business operator reside in the residence?		
5	Does the business attract walk-in/drive by traffic? (is it in obvious competition to other businesses?)		
6	Is the business listed in the Yellow Pages or other commercial directories (e.g., online commercial directories) or advertisements, or promoted in other resources (e.g. magazines, flyers, brochures, website)?		

