



To: Finance Committee

Date: April 11, 2007

From: Jerry Chong
Director, Finance

File:

Re: Property Tax Distribution Between Residential and Business Classes

Staff Recommendation

That this report on property tax distribution between residential and business classes be received for information.

Jerry Chong
Director, Finance
(4064)

Att. 1

FOR ORIGINATING DEPARTMENT USE ONLY			
ROUTED TO:	CONCURRENCE	CONCURRENCE OF GENERAL MANAGER	
Business Licences	Y <input checked="" type="checkbox"/> N <input type="checkbox"/>		
REVIEWED BY TAG	YES <input checked="" type="checkbox"/> NO <input type="checkbox"/>	REVIEWED BY CAO	YES <input checked="" type="checkbox"/> NO <input type="checkbox"/>

Staff Report

Origin

The following items were referred to staff for comment after the Finance Committee meeting of March 15th:

1. The relationship between commercial business taxes and residential taxes in Richmond
2. Comparison of business license fees and other business charges between Richmond and other municipalities

Analysis

Relationship between Business and Residential Taxes:

Comparisons were made between six Lower Mainland municipalities with respect to 2006 assessments, mill rates, and class multiples. The municipalities surveyed were Richmond, Burnaby, Coquitlam, Delta, Surrey and Vancouver (Appendix 1). Ranking of these properties show:

- Richmond's mill rate for residential property is 2.86, which is interpreted as, for every \$1,000 of assessed residential value, residents are paying \$2.86 in taxes. Richmond had the 3rd lowest mill rate of the six municipalities included in this analysis. The lowest mill rate among all the municipalities was Vancouver with a rate of 2.39, whereas Delta had the highest mill rate of 3.70.
- Richmond's mill rate for business property is 10.61, which is interpreted as, for every \$1,000 of business assessed value, the property owner pays \$10.61 in taxes. Richmond had the 2nd lowest business mill rate of the six municipalities surveyed. The lowest mill rate among the surveyed municipalities was Surrey with a rate of 9.08, whereas Coquitlam had the highest mill rate of 17.73.
- Richmond's business mill rate is 3.71 times the residential mill rate. This number has been the focus of attention in many published articles. This ratio essentially states that, in Richmond, a business pays 3.71 times more taxes than a resident pays on a property of equivalent value. All six municipalities surveyed had higher business mill rates compared to their respective residential mill rates. Richmond had the 3rd lowest ratio of business mill rate relative to residential mill rate. The lowest ratio was Surrey with 3.35 and the highest was Coquitlam with 5.98.

Based on the above rankings, Richmond residential and business taxes are reasonable in comparison to other municipalities. Richmond is consistently ranked in the lower half of the comparison in both residential and business taxes per \$1,000 of assessment.

Other financial information:

- 78.88% of the City's total assessed value, or tax base, is contained in the residential class. This is the lowest percentage of the six municipalities surveyed. Surrey has the highest residential tax base of 88.53% of their total assessed value.
- Richmond's business tax base of 19.04% of total assessment is the highest of the six municipalities surveyed. Surrey has the lowest with only 9.64% of their total assessments attributable to the Business Class.
- Currently the City collects 50% of its annual taxes from residential property owners. This ranks as the second lowest in comparison to other municipalities surveyed. Vancouver's residential properties contribute the lowest at 44.88% of their annual taxes whereas Surrey has the highest percentage of 69.57%. Surrey's proportionate collection from residential properties is in line with the fact that they have the highest assessment residential property class ratio.
- Richmond collects 44.75% of its annual taxes from its business class property owners. This represents the second highest percentage of the six municipalities surveyed. Surrey has the lowest percentage at 25.37% while Vancouver has the highest percentage at 51.63%. Although Richmond ranks high in the dollar amount collected from its business class, Richmond has the highest proportionate share of business assessment in comparison to other cities, therefore, it stands to reason that the dollar amount collected would be in synch with that volume.

Comparison of Business Licence Fees

A survey was conducted in 2005 on business licence fees for the same six municipalities. Throughout the survey, it was apparent that there are no set standards or guidelines to how a municipality sets its rates and fees. For example Burnaby charges a higher first time fee and a lower renewal fee whereas most other municipalities charge the same rate for first time and renewal licences. Summary of the surveyed results for various business fee categories show:

- **Assembly Use:** Richmond tended to fall into the higher end of the sample, particularly for food establishments with liquor licences. Most municipalities surveyed, except for Richmond, did not have separate liquor licences for food establishments.
- **Residential Use:** The samples in this category are exclusively hotels. Richmond's fees in this category were lower than average, although that changes when accompanied by liquor licences.
- **Mercantile Use:** The samples in this category were mostly large retail and wholesale establishments. On average Richmond's fees were near the top end in the category.

- **Service Use:** Businesses sampled in this category were predominately service stations and banks/credit unions. For both types of businesses, Richmond had licence fees in the lower half of the survey.
- **Industrial/Manufacturing Use:** Richmond's licence fees for the three sampled businesses were about average in comparison to the surveyed municipalities.
- **Vending Machines Use:** Richmond fees were generally in the lower half of the survey and below average.

Surveyed results indicate that depending on the category of business licence fee, Richmond's fees are generally reasonable and competitive with other jurisdictions.

Aside from property taxes and business licence fees, no other taxes are charged by any municipality to businesses in order to operate in its jurisdiction.

Financial Impact

There is no financial impact.

Conclusion

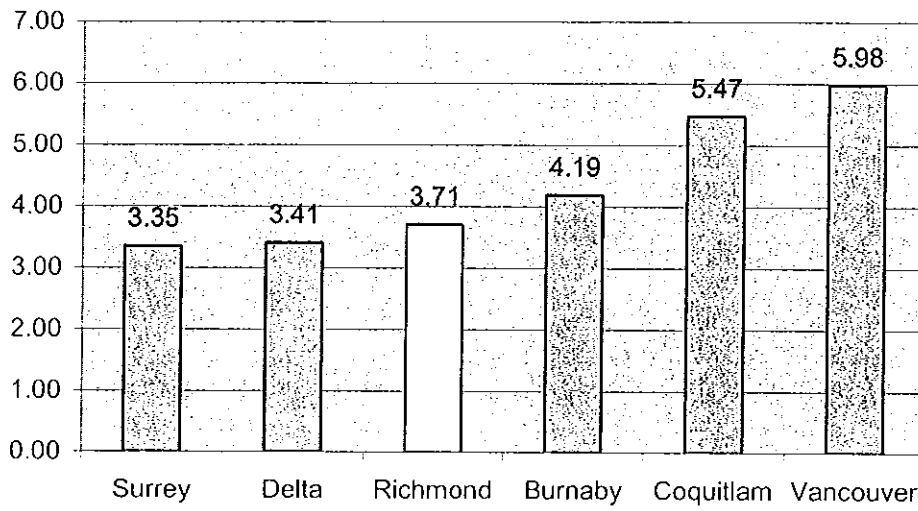
Richmond's current tax rates and business licence fees are fair, reasonable and competitive in comparison to other municipalities in the Lower Mainland.



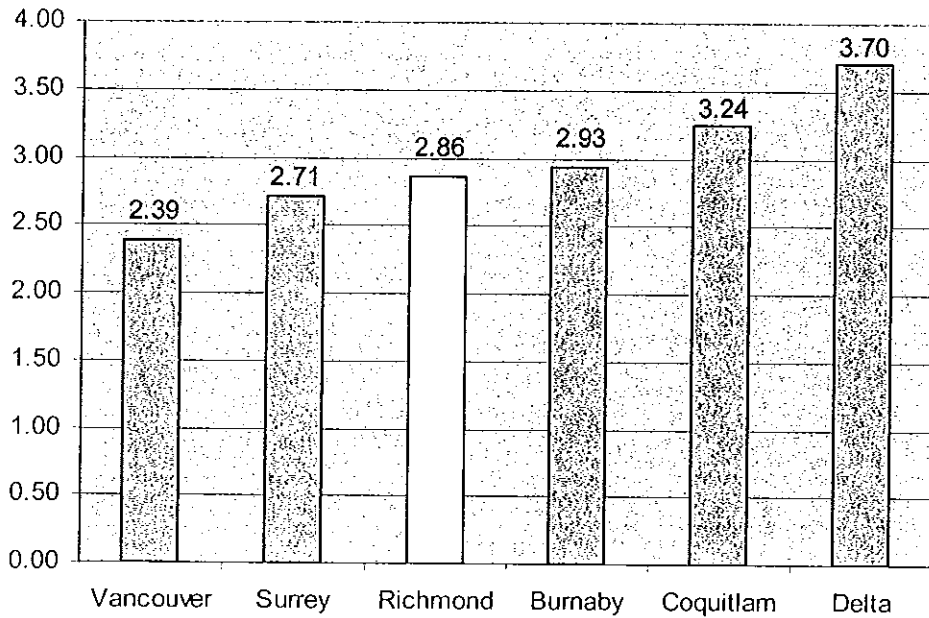
Ivy Wong, CMA
Revenue Manager
(4046)

IW:iw

Business versus residential mill rate ratio



Residential mill rate



Business mill rate

