



City of Richmond

Report to Committee

To: Finance Select Committee

Date: June 6, 2005

From: Andrew Nazareth
Director of Finance

File:

Re: Tax Assessments - Commercial Strata Versus Traditional Malls

Staff Recommendation

That the attached report on Commercial Strata vs. Traditional Malls from the Revenue Manager be received for information.

Andrew Nazareth
Director of Finance
(4365)

FOR ORIGINATING DIVISION USE ONLY		
CONCURRENCE OF GENERAL MANAGER		
REVIEWED BY TAG	YES <input checked="" type="checkbox"/> dw	N/A <input type="checkbox"/>
REVIEWED BY CAO	YES <input checked="" type="checkbox"/>	N/A <input type="checkbox"/>

Staff Report

Origin

At the April 5, 2004 General Purposes Meeting, Mr. Greg Halsey-Brandt, former MLA – Richmond Centre and Mr. Bob Tai, representing the owners of Parker Place Mall raised their concerns regarding assessment equity of strata malls versus traditional leasing malls. From the meeting, Council passed the motion that the issue of the equity of treatment in terms of assessment for commercial strata malls versus traditional leasing malls be referred to staff for a report to the Finance Select Committee on:

1. General issues in relation to the financial impact to the City of creating a new category for property tax assessments for strata malls, and
2. Any other financial issues which may arise.

Analysis

Two provincial legislations prohibits the City in creating a new category for property tax assessments and/or providing financial equity through property tax mill rates for strata malls.

1. The Assessment Act mandates that all BC properties be classified into one of the eight classes as set out in the Act. Changes to any of the classes will impact every taxing jurisdiction in BC and can only be made under the recommendation of the Ministry of Sustainable Resource Management and requires provincial legislation to come into effect.
2. Under the Community Charter, municipalities are required to set one rate for each assessment class. More than one rate per class is prohibited.

Given current legislation, the equity that the Delegates are seeking can only come about if the Minister, through recommendation from the Board of Directors of BC Assessment, legislate the necessary changes that affect the valuation method of all strata properties in BC or create new assessment classes.

In order to achieve equity, any changes in valuation methods or classes will most likely apply to all strata properties in all classes. This change may have a serious impact on municipal rolls since there are a significant number of strata apartments and townhouses in addition to the commercial stratas.

Financial Impact

Currently, the City of Richmond has 1,963 commercial strata units, valued at \$287,840,900. These include strata malls, offices, and warehouses. 2004 municipal taxes for these properties total \$3,253,713. In comparison, the City has over 24,500 strata apartment/townhouse units worth over \$4.5 billion in assessment. On average, strata residential units are assessed at over \$180,000 per unit while conventional rental apartments are assessed at approximately \$88,000 per unit.

If legislation came into effect and if Council approved a lower rate for the new commercial class, then it will set precedent for residential strata owners to appeal for the same treatment. The result could mean a sizable tax burden on remaining property owners to make up for the tax shortfall.

Recent Findings

The Area Assessor for Richmond indicates that the Board of Directors of BC Assessment has turned down a recent request by the "Delegates" to further discuss the Parker Place issue. There is no indication that there would be any assessment class or valuation method changes in the near future.

Conclusion

Given current legislation, the City does not have the authority to implement changes to assessment classes or provide favourable tax rates for one group of tax payers within a specific class.



Ivy Wong
Revenue Manager
(4046)

IW:iw