



City of Richmond

Report to Committee

To: General Purposes Committee

Date: March 23, 2011

From: Jerry Chong
Director, Finance

File:

Re: 2011 Annual Property Tax Rates Bylaw No. 8744

Staff Recommendation

1. That the recommended adjustment to redistribute Richmond's property taxes by class be approved and incorporated in setting the 2011 property tax rates.
2. That Annual Property Tax Rates Bylaw No. 8744 be introduced and given first, second and third readings.

per Jerry Chong
Director, Finance
(604-276-4064)

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

Staff Report

Origin

Section 197 of the Community Charter requires municipalities to establish property tax rates for the current year after the adoption of the 5 Year Financial Plan and before May 15th. In addition, Council must, under subsection 197(3.1), consider the tax distribution to each assessment class prior to adopting the tax rate bylaw.

Analysis

The City's assessment value and property tax distribution per assessment class in 2010 were as follows:

Table 1

2010 Assessments and Tax Distribution				
	Assessment Ratio	Folio Count	Tax Distribution	Tax Class Multiple
Class 01 - Residential	78.28%	63,148	50.53%	1.00
Class 02 - Utilities	0.05%	107	0.43%	14.32
Class 04 - Major Industry	0.26%	19	0.70%	4.20
Class 05 - Light Industry	3.28%	572	8.26%	3.90
Class 06 - Business	17.81%	6,432	39.77%	3.46
Class 08 - Seasonal/Rec	0.26%	436	0.11%	0.68
Class 09 - Farm	0.06%	717	0.19%	4.59

This table shows that 78.28% of the City's total assessment value was in residential ("Class 01") properties and taxes from these properties make up 50.53% of the City's total taxes collected. In comparison, Richmond's light industry ("Class 05") and business ("Class 06") properties make up 21.09% of the City's total assessment value and are responsible for 48.03% of the taxes.

Based on the 2011 Revised Roll totals provided by BC Assessment, the new assessment value and property tax distribution per assessment class would be as follows:

Table 2

2011 Assessments and Tax Distribution				
	Assessment Ratio	Folio Count	Tax Distribution	Tax Class Multiple
Class 01 - Residential	80.32%	63,994	50.75%	1.00
Class 02 - Utilities	0.04%	109	0.43%	15.67
Class 04 - Major Industry	0.22%	18	0.70%	5.00
Class 05 - Light Industry	3.07%	589	8.87%	4.58
Class 06 - Business	16.06%	6,439	38.95%	3.84
Class 08 - Seasonal/Rec	0.23%	436	0.11%	0.72
Class 09 - Farm	0.06%	706	0.19%	5.34

In 2011, the total number of residential folios increased by 1.34% from 63,148 to 63,994 properties. Without a burden shift, Class 01 is responsible for 50.75% of the 2011 taxes, a slight increase from 2010's level of 50.53%. For the same period, the total number of Class 05 and Class 06 properties increased by 0.34% (24 properties) and is responsible for 47.82% of the City's taxes, a reduction from prior year's figure of 48.03%.

Redistribution of Property Taxes

Tax class multiple is often a highly discussed topic because it provides tax rate comparisons between assessment classes and between various municipalities. Tax class multiple is a direct comparison of the tax rates between all classes against residential tax rates. Annual tax rates are adjusted to ensure that the City collects the same amount of taxes as the previous year from each assessment class, before growth. Growth is added to the tax base after prior year's tax rates have been adjusted. When there are significant increases in assessment value in a particular class, the tax rate for that class must be adjusted downwards to compensate.

In 2011, Richmond had the highest residential assessment increase in BC at approximately 17%. In comparison, Class 06 assessments increased moderately at 5.41% while Class 05 assessments decreased by 0.34%. Accordingly, prior year's tax rates for Class 01 and Class 06 were adjusted downwards while Class 05 rates were adjusted upwards for 2011.

With a much lower Class 01 tax rate, the resulting tax class multiples for Class 05 and Class 06 is higher than 2010. The City's 5 Year Plan (2011-2015) Bylaw 8707 states that the City's objective is to maintain the business tax ratio in the middle in comparison to other municipalities. In past years, Richmond has made a conscious effort to shift the tax burden to ensure that the tax class multiple for Class 06 remains below 3.5 times the Class 01 rate.

Tables 3 to 6 show the 2010 comparison of tax class multiples, tax rates, average assessment, and average municipal taxes between comparable municipalities in the Lower Mainland.

Table 3

Comparison of 2010 Tax Class Multiples						
	Richmond	Vancouver	Coquitlam	Surrey	Delta	Burnaby
Class 01 - Residential	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Class 02 - Utilities	14.3201	18.5754	12.4412	13.3721	11.6920	12.6049
Class 04 - Major Industry	4.2000	14.2648	18.8629	4.6187	8.6360	17.1974
Class 05 - Light Industry	3.9000	4.5522	3.9025	2.5964	3.0415	3.8774
Class 06 - Business	3.4600	4.5522	4.6862	2.9994	3.0415	3.8774
Class 08 - Seasonal/Rec	0.6800	1.0024	4.4035	0.9660	1.9244	0.6453
Class 09 - Farm	4.5900	1.0024	4.9596	0.9433	4.6760	3.8774

Table 4

2010 Tax Rate Comparison						
	Richmond	Vancouver	Coquitlam	Surrey	Delta	Burnaby
Class 01 - Residential	2.4173	2.1486	3.2077	2.4604	3.4210	2.5867
Class 02 - Utilities	34.6159	39.9110	39.9076	32.9006	39.9984	32.6052
Class 04 - Major Industry	10.1527	30.6494	60.5065	11.3638	29.5437	44.4844
Class 05 - Light Industry	9.4275	9.7808	12.5179	6.3883	10.4049	10.0296
Class 06 - Business	8.3639	9.7808	15.0318	7.3798	10.4049	10.0296
Class 08 - Seasonal/Rec	1.6438	2.1538	14.1252	2.3768	6.5834	1.6693
Class 09 - Farm	11.0955	2.1538	15.9088	2.3210	15.9966	10.0296

Table 5

2010 Average Assessment						
	Richmond	Vancouver	Coquitlam	Surrey	Delta	Burnaby
Class 01 - Residential	517,935	781,451	489,742	452,131	489,019	532,710
Class 02 - Utilities	182,642	902,170	233,631	127,961	158,711	845,087
Class 04 - Major Industry	5,708,995	11,058,944	9,418,450	2,136,302	10,251,177	7,368,681
Class 05 - Light Industry	2,397,916	1,171,958	1,653,758	1,649,485	2,905,239	2,568,845
Class 06 - Business	1,156,874	1,915,090	2,074,627	1,087,345	1,346,310	2,137,209
Class 08 - Seasonal/Rec	245,514	313,059	87,796	114,188	234,139	74,696
Class 09 - Farm	37,379	9,741	43,315	33,793	82,969	22,955

Table 6

2010 Municipal Taxes for the Average Property Within Class						
	Richmond	Vancouver	Coquitlam	Surrey	Delta	Burnaby
Class 01 - Residential	1,252.00	1,679.03	1,570.95	1,112.42	1,672.94	1,377.96
Class 02 - Utilities	6,322.31	36,006.51	9,323.66	4,209.98	6,348.21	27,554.23
Class 04 - Major Industry	57,961.71	338,950.01	569,877.44	24,276.51	302,857.71	327,791.35
Class 05 - Light Industry	22,606.35	11,462.68	20,701.58	10,537.41	30,228.72	25,764.49
Class 06 - Business	9,675.98	18,731.12	31,185.37	8,024.39	14,008.22	21,435.35
Class 08 - Seasonal/Rec	403.58	674.27	1,240.13	271.40	1,541.43	124.69
Class 09 - Farm	414.74	20.98	689.09	78.43	1,327.22	230.23

In general, Richmond's tax rates and tax rate multiples were competitive with comparable municipalities in the region in 2010. The following are areas needing attention:

- In 2010, 63,148 of the total 71,431 folios (88.40%) in Richmond were residential properties (Table 2) and were responsible for 50.13% of the City's property taxes. Adjustments should be made to ensure that as the number of residential properties increase, tax burden for this class also increases. Municipal tax for an average residential property in Richmond (Table 6) was the second lowest in the comparable group.

- The 2010 tax class multiple (Table 3) and tax rate (Table 4) for Richmond's Class 04 – Major Industry was the lowest in the comparator group at 4.2 times residential rates and \$10.1527. An adjustment should be made to ensure that the rate is comparable for the region.

In addressing these issues, the following tax shift is recommended:

Table 7

	Calculated 2011 Rates & Ratios			Recommended 2011 Rates & Ratios		
	Calculated 2011 Tax Rate	2011 Tax Class Multiple	% of Total Taxes	Adjusted Tax Rate	Adjusted Tax Class Multiple	% of Total Taxes
Class 01 - Residential	2.12856	1.00	50.75%	2.16085	1.00	51.65%
Class 02 - Utilities	33.35246	15.67	0.43%	37.16662	17.20	0.48%
Class 04 - Major Industry	10.64726	5.00	0.70%	12.9651	6.00	0.86%
Class 05 - Light Industry	9.73908	4.58	8.87%	9.05396	4.19	8.26%
Class 06 - Business	8.16901	3.84	38.95%	8.03836	3.72	38.42%
Class 08 - Seasonal/Rec	1.54062	0.72	0.11%	1.83670	0.85	0.13%
Class 09 - Farm	11.36219	5.34	0.19%	11.88468	5.50	0.20%

- Since calculated tax multiple ratios for Class 05 and Class 06 were higher in 2011 due to lower residential tax rates, adjustments were made to ensure that Richmond remains competitive for businesses.
- Tax rate for Major Industry was adjusted upwards to be ensure that properties in that class is taxed competitively.

Financial Impact

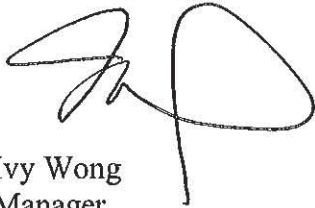
The recommended rates will result in the following average tax increases for :

	Average Assessed Property	Calculated 2011 Average Tax Increase	Recommended 2011 Average Tax Increase	Difference
Class 01 - Residential	\$605,892	\$37.67	\$57.24	\$19.57
Class 05 - Light Industry	\$2,513,151	\$1,869.43	\$147.62	(\$1,721.81)
Class 06 - Business	\$1,156,874	\$160.61	\$3.29	(\$157.32)

The recommended adjustment to property tax rates will result in a 0.9% increase in residential tax burden from 50.75% to 51.65% and a 0.39% and 0.12% decrease in tax burden for Class 05 and Class 06 properties respectively. This recommendation minimizes the tax class multiple creep for business and light industry and ensures a fair redistribution of tax burden to residential properties that are growing in numbers. \$19.57 is the added tax burden for the average residential property valued at \$605,892.

Conclusion

That Council approves the recommended adjustment to redistribute Richmond's property taxes by class and that Council introduce and give first, second, and third readings to the 2011 Annual Property Tax Rates Bylaw 8744.

A handwritten signature in black ink, appearing to be 'IW' with a large loop, positioned above the printed name and contact information.

Ivy Wong
Manager
(604-276-4046)

IW:gjn



Annual Property Tax Rates Bylaw No. 8744

The Council of the City of Richmond enacts as follows:

- (a) Parts 1 through 6 excluding Part 3, pursuant to the *Community Charter*; and
- (b) Part 3 pursuant to section 100 of the *Municipalities Enabling and Validating Act*.

PART ONE: GENERAL MUNICIPAL RATES

1.1 General Purposes

- 1.1.1 The tax rates shown in column A of Schedule A are imposed and levied on the assessed value of all land and improvements taxable for general municipal purposes, to provide the monies required for all general purposes of the **City**, including due provision for uncollectible taxes, and for taxes that it is estimated will not be collected during the year, but not including the monies required under bylaws of the **City** to meet payments of interest and principal of debts incurred by the **City**, or required for payments for which specific provision is otherwise made in the *Community Charter*.

1.2 City Policing, Fire & Rescue and Storm Drainage

- 1.2.1 The tax rates shown in columns B, C & D of Schedule A are imposed and levied on the assessed value of all land and improvements taxable for general municipal purposes, to provide monies required during the current year for the purpose of providing policing services, fire and rescue services and storm drainage respectively in the **City**, for which other provision has not been made.

PART TWO: REGIONAL DISTRICT RATES

- 2.1 The tax rates appearing in Schedule B are imposed and levied on the assessed value of all land and improvements taxable for hospital purposes and for Greater Vancouver Regional District purposes.

PART THREE: TRUNK SEWERAGE RATES

3.1 The tax rates shown in Schedule C are imposed and levied on the assessed values of all land only of all real property, which is taxable for general municipal purposes, within the following benefitting areas, as defined by the Greater Vancouver Sewerage & Drainage District:

- (a) Area A, being that area encompassing those portions of sewerage sub-areas and local pump areas contained in the Lulu Island West Sewerage Area of the Greater Vancouver Sewerage and Drainage District as shown on the current plan of the Lulu Island West Sewerage Area; and
- (b) Area B, being that area encompassing Sea, Mitchell, Twigg and Eburne Islands, which is that part of the **City** contained in the Vancouver Sewerage Area of the Greater Vancouver Sewerage and Drainage District as shown on the current plan of the Vancouver Sewerage Area; and
- (c) Area C, being that part of the **City** contained in the Fraser Sewerage Area of the Greater Vancouver Sewerage and Drainage District as shown on the current plan of the Fraser Sewerage Area,

and the total amount raised annually is to be used to retire the debt (including principal and interest) incurred for a sewage trunk system, which includes the collection, conveyance and disposal of sewage, including, without limiting the generality of the foregoing, forcemain sewers and their pumphouses and such ancillary drainage works for the impounding, conveying and discharging the surface and other waters, as are necessary for the proper laying out and construction of the said system of sewerage works, provided however that land classified as "Agriculture Zone" in Section 14.1 of the **Zoning Bylaw**, is exempt from any tax rate imposed or levied pursuant to this Part.

PART FOUR: GENERAL PROVISIONS

4.1 Imposition of Penalty Dates

4.1.1 All taxes payable under this bylaw must be paid on or before July 4, 2011.

4.2 Designation of Bylaw Schedules

4.2.1 Schedules A, B and C are attached and designated a part of this bylaw.

PART FIVE: INTERPRETATION

5.1 In this bylaw, unless the context otherwise requires:

CITY	means the City of Richmond.
ZONING BYLAW	means the Richmond Zoning Bylaw 8500, as amended from time to time.

PART SIX: PREVIOUS BYLAW REPEAL

6.1 Annual Property Tax Rates Bylaw No. 8591 (2010) is repealed.

PART SEVEN: BYLAW CITATION

7.1 This bylaw is cited as “Annual Property Tax Rates Bylaw No. 8744”.

FIRST READING

SECOND READING

THIRD READING

ADOPTED



MAYOR

CORPORATE OFFICER

SCHEDULE A to BYLAW NO. 8744

PROPERTY CLASS	COLUMN A GENERAL PURPOSES	COLUMN B POLICING SERVICES	COLUMN C FIRE & RESCUE	COLUMN D STORM DRAINAGE	TOTAL
1. Residential	<i>1.23970</i>	0.47407	0.39591	0.05117	<i>2.16085</i>
2. Utilities	<i>21.32290</i>	8.15391	6.80971	0.88010	<i>37.16662</i>
4. Major Industry	<i>7.43822</i>	2.84439	2.37548	0.30701	<i>12.96510</i>
5. Light Industry	<i>5.19436</i>	1.98633	1.65888	0.21439	<i>9.05396</i>
6. Business / other	<i>4.61170</i>	1.76352	1.47280	0.19034	<i>8.03836</i>
8. Recreation / non profit	<i>1.05374</i>	0.40295	0.33652	0.04349	<i>1.83670</i>
9. Farm	<i>6.81837</i>	2.60736	2.17752	0.28143	<i>11.88468</i>

SCHEDULE B to BYLAW NO. 8744

PROPERTY CLASS	REGIONAL DISTRICT
1. Residential	0.06235
2. Utilities	0.21820
4. Major Industry	0.21197
5. Light Industry	0.21197
6. Business/other	0.15274
8. Rec/non profit	0.06234
9. Farm	0.06234

SCHEDULE C to BYLAW NO. 8744

AREA		RATES
A, B, & C	Sewer Debt Levy (land only)	0.07808