



To: General Purposes Committee

Date: June 13, 2011

From: Andrew Nazareth
General Manager, Business & Financial Services

File:

Re: **City Centre Area Transitional Tax Exemption Bylaw No. 8776**

Staff Recommendation

That the City Centre Area Transitional Tax Exemption Bylaw No. 8776 be introduced and given first, second and third readings and that staff provide public notice in accordance with Sections 94 and 227 of the Community Charter.

Andrew Nazareth
General Manager, Business & Financial Services
(604-276-4095)

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ROUTED TO:		CONCURRENCE	CONCURRENCE OF GENERAL MANAGER
Law		Y <input checked="" type="checkbox"/> N <input type="checkbox"/>	
Policy Planning		Y <input checked="" type="checkbox"/> N <input type="checkbox"/>	
REVIEWED BY TAG	<input checked="" type="checkbox"/>	YES <input checked="" type="checkbox"/> NO <input type="checkbox"/>	REVIEWED BY CAO
			<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO

Staff Report

Origin

In recent years, properties in Richmond's City Centre/Brighouse area have experienced significant assessment increases due to various factors including:

- changes in Richmond's City Centre Area Plan ("CCAP"), which over time will see much of the City Centre core change from low-rise commercial and light industrial development to high density mixed residential/commercial development in support of long-term regional sustainability;
- completion of the Canada Line, which has put upward pressure on property assessments in the area;
- strong buyer demand in the Richmond real estate market, which has consistently exceeded regional norms;
- continued low interest rates, which have allowed investor speculation; and
- the City's sale of lands adjoining the Richmond Olympic Oval, which set a significant new benchmark for property values in the area.

This resulted in significant financial hardship for existing business owners and tenants in the area which prompted the City to request that the Province of British Columbia provide a viable solution. The combined efforts of the City and the Province of British Columbia in the last three years have now produced a resolution for the transition period.

Analysis

Bill 15 – 2011 Municipalities Enabling And Validating Act (No. 4) ("Bill 15"), which was passed on June 2, 2011, provides the City with the authority to issue permissive tax exemptions to properties that meet certain criteria, and also provides a corresponding school tax exemption for properties that are given a municipal tax exemption by the City. The program is intended to provide transitional tax relief; therefore, tax exemptions under Bill 15 are only available over the next five years (from the 2012 to 2016 taxation years).

Proposed City Centre Area Transitional Tax Exemption Bylaw No. 8776

The proposed City Centre Area Transitional Tax Exemption Bylaw No. 8776 ("Bylaw 8776") specifies the eligibility criteria and process within the framework set out by Bill 15. The tax exemption program is primarily intended to assist business owners and tenants who are affected by the significant tax increases. All properties that satisfy the following criteria and conditions will qualify for the exemption:

- a) the property is located within the CCAP area;
- b) the property is classified only as Class 5 or 6 under the *Assessment Act*;

- c) the property's assessed land value must have increased by 100% or more between the 2005 and 2011 revised assessment rolls;
- d) the municipal taxes for the property must have increased by more than \$30,000 between the 2005 and 2011 taxation years;
- e) the property must contain improvements, as determined by the BC Assessment Authority;
- f) the property is not a strata lot;
- g) the property must contain at least one business that holds a valid City business licence;
- h) the owner of the property has entered into an exemption agreement with the City; and
- i) the property has been issued an exemption certificate.

For eligible properties, the exemption would equal a reduction of 20% of the assessed land value of the property (i.e. excluding the value of improvements). The Province of British Columbia would also provide the same 20% reduction in determining school taxes.

The proposed Bylaw 8776 delegates to the City's tax collector, currently the General Manager, Business & Financial Services, the authority to process the tax exemption applications, sign the exemption agreements on behalf of the City and issue exemption certificates.

The exemption agreement, between the owner of the eligible property and the City, will set out the term of the tax exemption, the extent of the tax exemption, the conditions associated with the tax exemption and that a recapture amount is payable to the City if the conditions are not met or the exemption certificate is cancelled.

An exemption certificate will be issued when all eligibility criteria and conditions are met. The certificate is valid for a term of one year but may be renewed by re-applying to the program if the eligibility criteria continue to apply to the property. Exemption certificates must be issued by October 31 in the year prior to the taxation year that the exemption is being provided, in order for the BC Assessment Authority to be aware of the exemption and provide the necessary assessment calculations to the City. Exemption certificates may be cancelled at the request of the owner of the property or if any of the conditions associated with the exemption are not met. Other circumstances that will trigger cancellation are:

- a) subdivision of the property;
- b) issuance of a demolition permit for a building on the property;
- c) issuance of a development permit for the property;
- d) transfer of ownership of the property and the new owner does not enter into the same exemption agreement with the City; and
- e) municipal property taxes for the property become in arrears.

A recapture of the tax exemption amount given will apply if an exemption certificate is cancelled before the term of the certificate ends. The recapture amount will be calculated as the pro-rated amount of the tax exemption from the date of cancellation to the end of the term (i.e. end of the taxation year).

The changes brought about by Bill 15 and the proposed Bylaw 8776 will more readily achieve a fair distribution of taxes. Preliminary analysis by the City has identified approximately 40 properties that meet the eligibility criteria. For these properties, the 2011 land assessment values net of exemptions total \$576.3 M. This value has increased by \$431.8 M from 2005, which translates to an increase of 299%. Municipal taxes for 2011 are approximately \$4.8 M which more than doubled the amount collected for 2005. By providing a 20% exemption of assessed land value, the derived 2011 municipal taxes for the eligible properties will be more aligned to those for all other non-eligible properties within CCAP. After taking into consideration the proposed assessment exemption on the land component, the average municipal tax increase from 2005 to 2011 will decrease from approximately 107% to 66% for eligible properties.

Financial Impact

Based on a recommended exemption of an amount equal to 20% of the assessed land value of eligible properties, it is estimated that the annual cost of the exempted taxes to the City will be approximately \$946,000. The resulting tax burden may be distributed to others within the same property classifications (Class 5 and 6) or shifted to other property classifications, depending on the extent of the revenue generated by the anticipated new growth in future years. This may be done by revising the appropriate future taxation mill rate(s).

Conclusion

That the City Centre Area Transitional Tax Exemption Bylaw No. 8776 be introduced and given first, second and third readings and that staff provide public notice in accordance with Sections 94 and 227 of the Community Charter.



Ivy Wong
Manager, Revenue
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IW:



CITY CENTRE AREA
TRANSITIONAL TAX EXEMPTION BYLAW NO. 8776

WHEREAS the 2011 *Municipalities Enabling and Validating Act (No. 4)*, S.B.C. 2011, c. 14 authorizes Council to establish a tax exemption program for land meeting certain criteria in Richmond’s City Centre area;

AND WHEREAS certain commercial and light industrial properties in the City Centre area have experienced substantial increases in property taxes since 2005 due to various factors, including changes to the Richmond Official Community Plan to permit high density mixed-use developments in the area, construction of the Canada Line, rapid redevelopment in the area, and demand causing significant increases to the fair market and assessment values of the properties in the area;

AND WHEREAS the City wishes to protect businesses and jobs in the City Centre area during the transition of the area from primarily commercial and light industrial to high density mixed-use developments by providing temporary partial tax exemptions to properties meeting the criteria, terms and conditions set out in this bylaw;

AND WHEREAS section 227 of the *Community Charter* applies to this bylaw and requires that notice be given of a tax exemption bylaw, and notice of this bylaw has been given accordingly;

AND WHEREAS Council has considered this bylaw in conjunction with the objectives and policies set out for the use of permissive tax exemptions under the City’s financial plan and determined that this bylaw is compatible with those objectives and policies,

NOW THEREFORE, the Council of the City of Richmond enacts as follows:

PART ONE: DEFINITIONS

1.1 In this bylaw:

- ACT** means the *Municipalities Enabling and Validating Act (No. 4)*, S.B.C. 2011, c.14
- CITY** means the City of Richmond
- COUNCIL** means the Council of the **City**
- EXEMPTION AGREEMENT** means the tax exemption agreement between the **owner** of a **parcel** and the **City** in accordance with Part Four of this bylaw
- EXEMPTION AREA** means the area prescribed pursuant to section 2(3)(a)(i) of the **Act**

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|------------------------------|---|
| EXEMPTION CERTIFICATE | means a tax exemption certificate issued by the City under this bylaw and under section 2(8) of the Act |
| IMPROVEMENTS | has the same meaning as in the <i>Assessment Act</i> |
| OWNER | means the owner registered on the title of a parcel |
| PARCEL | has the same meaning as in the Schedule to the <i>Community Charter</i> |
| TAX COLLECTOR | means the City officer assigned the responsibility as collector of taxes for the City |
| TAX EXEMPTION | means a tax exemption for which an exemption certificate has been issued |
- 1.2 Words defined in the *Community Charter* have the same meaning when used in this bylaw unless defined in this bylaw.
- 1.3 For certainty, a reference in this bylaw to a "class" is a reference to that class as defined in the *Assessment Act*.

PART TWO: TAX EXEMPTION PROGRAM

- 2.1 There is established a tax exemption program for the granting of **tax exemptions** and issuance of **exemption certificates** for **parcels** in accordance with the terms and conditions prescribed by this bylaw.
- 2.2 The kind of land that is eligible for a **tax exemption** under this bylaw is a **parcel** that:
- (a) is located in the **exemption area**;
 - (b) is classified only as Class 5 or 6 property under the *Assessment Act* for the purpose of taxation for the taxation year;
 - (c) has an assessed value with respect to land, not including **improvements**, on the revised assessment roll for the 2011 municipal taxation year that has increased by an amount equal to or more than the greater of 100%, or a percentage prescribed by the Province, from the assessed value with respect to land, not including **improvements**, for that **parcel** on the revised assessment roll for the 2005 municipal taxation year;
 - (d) without limiting paragraph (c), has had an increase of more than \$30,000 in municipal property value taxes for the **parcel** between the 2005 municipal taxation year and the 2011 municipal taxation year;
 - (e) is not a strata lot pursuant to the *Strata Property Act*;
 - (f) contains **improvements** as part of the assessed value of the **parcel**;
 - (g) contains at least one business, the operator of which holds a valid **City** business licence;

- (h) is subject to an **exemption agreement**; and
 - (i) is the subject of an **exemption certificate**.
- 2.3 The extent of the **tax exemption** available under this bylaw is twenty percent (20%) of the assessed value of the land, not including **improvements**, for a **parcel** that is the subject of an **exemption certificate**.
- 2.4 A **tax exemption** under this bylaw applies during a municipal taxation year to a **parcel** in respect of which the **tax collector** has issued an **exemption certificate** on or before October 31 of the prior municipal taxation year.
- 2.5 A **tax exemption** under this bylaw must not be provided after the 2016 municipal taxation year, and an **exemption certificate** must not be issued after October 31, 2015.
- 2.6 Subject to sections 2.5 and 5.7, the maximum term of a **tax exemption** is one year.

PART THREE: APPLICATION PROCESS

- 3.1 Application for a **tax exemption** for a **parcel** for a municipal taxation year must be submitted by the **owner** in a form acceptable to the **tax collector** no later than July 31 in the year preceding the year for which the **tax exemption** is sought, except that an application for a tax exemption for the 2012 municipal taxation year must be made no later than September 16, 2011.
- 3.2 An **owner** applying for a **tax exemption** must submit the following to the **tax collector**:
- (a) a tax search certificate indicating that all taxes assessed and rates, charges and fees imposed in respect of the **parcel** have been paid, and where taxes, rates or assessments are payable by instalments, that all instalments owing at the date of application have been paid;
 - (b) a certificate, in a form acceptable to the **tax collector**, setting out how the **parcel** satisfies the eligibility criteria set out in paragraphs (a) to (g) of section 2.2;
 - (c) a certificate, in a form acceptable to the **tax collector**, containing a list of lessees, if any, of the **parcel** or a portion of the **parcel**, whether or not there are registered lease agreements, and the business contact information for the lessees;
 - (d) written acknowledgement by each lessee, or a representative of the lessee, referred to in paragraph (c) that the **owner** is making an application for a **tax exemption**;
 - (e) an **exemption agreement** duly executed by the **owner**; and
 - (f) a non-refundable fee in the amount of \$200.
- 3.3 The **tax collector** is the designated municipal officer for the purpose of receiving applications and issuing **exemption certificates**.

PART FOUR: EXEMPTION AGREEMENT

- 4.1 An **exemption agreement** must include the following:
- (a) the term of the **tax exemption**;
 - (b) the **parcel** to which the **tax exemption** applies;
 - (c) the extent of the **tax exemption**;
 - (d) the conditions on which the **tax exemption** is provided; and
 - (e) that the recapture amount under Part Six is payable if the conditions are not met or the **exemption certificate** is cancelled.
- 4.2 The **tax collector** is delegated the authority on behalf of Council to enter into and execute an **exemption agreement**.

PART FIVE: EXEMPTION CERTIFICATE

- 5.1 If the **tax collector**:
- (a) receives the documentation and fee set out in section 3.2;
 - (b) is satisfied that the **parcel** satisfies the eligibility criteria under this bylaw and the **Act**, and
 - (c) is satisfied that the municipal property value taxes for the **parcel** are not in arrears,
- the **tax collector** must issue an **exemption certificate** for the **parcel**.
- 5.2 An **exemption certificate** will include the following:
- (a) a statement that the **tax exemption** for the **parcel** is twenty percent (20%) of the assessed value of the land, not including **improvements**, for the **parcel**;
 - (b) the term of the **tax exemption**;
 - (c) the conditions on which the **tax exemption** is provided;
 - (d) a statement that the **City** has relied on the written representation of the **owner** with respect to the matters referred to in paragraphs (a) to (g) of section 2.2;
 - (e) a statement that the **parcel** must continue to meet all of the eligibility criteria set out in section 2.2 of this bylaw throughout the term of the **exemption certificate**.
- 5.3 If:
- (a) a **parcel** is subdivided after the issuance of an **exemption certificate** for the **parcel**,

- (b) a building permit is issued, pursuant to the **City's Building Regulation Bylaw No. 7230**, for the demolition of a building on a **parcel** after the issuance of an **exemption certificate** for the **parcel**,
 - (c) a development permit is issued for the **parcel** after the issuance of an **exemption certificate** for the **parcel**,
 - (d) a **parcel** that is subject to an **exemption certificate** is disposed of to a successor **owner** and the successor **owner** fails to enter into the same **exemption agreement** with respect to the **parcel**, or
 - (e) the municipal property value taxes for the **parcel** are in arrears,
- the **exemption certificate** for the **parcel** is cancelled.

5.4 An **exemption certificate** is valid for one year, commencing on January 1 and expiring on December 31 of the applicable municipal taxation year.

5.5 If an **exemption certificate** has been issued in respect of a **parcel** and the **owner** of the **parcel** has received an assessment notice for that **parcel** under the *Assessment Act*, the **owner** must promptly deliver a copy of the notice and of the **exemption certificate** to each lessee of any portion of the **parcel**, whether or not there is a registered lease agreement with respect to the lessee.

5.6 The **tax collector** may cancel an **exemption certificate**:

- (a) on the request of the **owner**;
- (b) if any of the conditions set out in the **exemption certificate** are not met; or
- (c) if any of the events described in section 5.3 (a) through (e) occur,

and the **tax collector** must provide written notice of cancellation to the **owner** and in the notice state the effective date of the cancellation, which is retroactive to the earliest date that a condition was not met or when any of the events described in section 5.3 (a) through (e) occurred.

5.7 An **exemption certificate** may be renewed for subsequent taxation years by applying to the **tax collector** in accordance with this bylaw.

PART SIX: RECAPTURE AMOUNT

6.1 If an **exemption certificate** is cancelled pursuant to section 5.6 of this bylaw, the **owner** of the **parcel** for which the **exemption certificate** was issued will remit to the **City**, no later than 30 days after receipt of the cancellation notice provided by the **tax collector**, a recapture amount calculated as follows:

$$\frac{\text{\# of days remaining in taxation year after cancellation date}}{365} \times \text{value of tax exemption}$$

6.2 The amount of the recapture is a debt due and owing to the **City** by the **owner** of the parcel for which the **exemption certificate** was issued.

6.3 The amount of the recapture constitutes municipal property value taxes owing and so may be collected in like manner as property taxes.

PART SEVEN: SEVERABILITY AND CITATION

7.1 The provisions of this bylaw are severable, and if, for any reason, any subdivision, part, section, subsection, clause, or sub-clause, or other words in this bylaw are for any reason, found to be invalid or unenforceable by the decision of a Court of competent jurisdiction, such decision does not affect the validity of the remaining portions of this bylaw.

7.2 This bylaw is cited as "**City Centre Area Transitional Tax Exemption Bylaw 8776**".

FIRST READING

SECOND READING

THIRD READING

ADOPTED

CITY OF RICHMOND
APPROVED for content by originating dept. <i>[Signature]</i>
APPROVED for legality by Solicitor <i>[Signature]</i>

MAYOR

CORPORATE OFFICER