



To: General Purposes Committee

Date: April 3, 2012

From: Jerry Chong
Director, Finance

File: 03-0925-01/2012-Vol
01

Re: 2012 Annual Property Tax Rates Bylaw No. 8885

Staff Recommendation

1. That Option 2, which redistributes \$1.8M from Business class to Major Industry, Light Industry, Seasonal/Recreation, and Residential classes be approved as outlined in the staff report dated April 3, 2012 from the Director, Finance, titled 2012 Annual Property Tax Rates Bylaw No. 8885.
2. That Annual Property Tax Rates Bylaw No. 8885 be introduced and given first, second and third readings.

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

FOR ORIGINATING DEPARTMENT USE ONLY					
ROUTED TO:	CONCURRENCE		CONCURRENCE OF GENERAL MANAGER		
Economic Development Law	Y <input checked="" type="checkbox"/> N <input type="checkbox"/>	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

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

For the second year in a row, market values provided by BC Assessment for Richmond residential properties experienced one of the largest increases in the Province. In analyzing the 2012 Revised Roll and new growth values, it was noted that the residential class had the largest new growth and market value change in the city. Individual residential property values increased anywhere between 0% - 30% with the average increase at 13.9%.

Table 1 provides a breakdown of the 2012 assessment into valuation change (net market value) and new growth.

Table 1- Breakdown of 2012 Assessment Value

	2011 Total Assessment Value	2012 Total Assessment Value	2012 Net Market Value	2012 New Growth
Class 01 - Residential	38,773,462,536	45,026,857,841	44,164,047,039	862,810,802
Class 02 - Utilities	21,094,264	19,684,767	21,255,967	(1,571,200)
Class 04 - Major Industry	107,536,400	111,751,800	111,353,700	398,100
Class 05 - Light Industry	1,480,245,900	1,614,401,900	1,594,942,700	19,459,200
Class 06 - Business	7,753,426,413	8,046,567,614	8,115,417,614	(68,850,000)
Class 08 - Seasonal/Rec	113,148,800	111,935,100	105,401,500	6,533,600
Class 09 - Farm	26,698,852	26,572,011	26,734,234	(162,223)
Total	48,275,613,165	54,957,771,033	54,139,152,754	818,618,279

Significant Changes to Assessment

Residential assessment values between 2011 and 2012 increased by over \$5.39 billion from \$38.773B to \$44.164B. New growth in the residential class totals over \$862M. New growth is made up of new developments, properties shifting between assessment classes, and any exemptions. New developments add taxable values to the class while new exemptions reduce the value to that class.

In 2011, Council adopted the City Centre Area Transitional Tax ("CCAT") Exemption Bylaw which provides a 20% exemption to the 2012 land value for 37 qualifying properties. This exemption provides partial tax relief to 248 business tenants in the area. The total exempted value was approximately \$13M for Light Industry (class 05) and \$98M for Business (class 06) properties. Although Light Industry had approximately \$13M in CCAT exemptions, new growth totalled \$19.46M due to more properties shifting from Business to Light Industry to take

advantage of the Provincial Industrial Property Tax Credit, which provides a 60% reduction in school taxes for major and light industries.

With a CCAT exemption valued at \$98M in Class 06 – Business, actual growth in this class softened the decline to a \$68.85M reduction in new growth.

In deriving the 2012 tax rates, the following were incorporated into the calculation:

- As reported to Council at the Finance Committee of February 6, 2012, 1/3 of the resulting tax impact of the CCAT exemption is allocated to the Business and Light Industry class, 1/3 allocated to all remaining tax classes and 1/3 funded by the Appeals Provision. Total CCAT tax impact for 2012 was \$863K.
- In 2000, the Province imposed a municipal tax cap for class 2 properties at a maximum of \$40 per \$1,000 of assessment value. As a result, approximately \$14K of taxes shifted from class 2 to all other classes in order to ensure municipal tax rate (including sewer debt) for class 2 properties is less than \$40.
- Tax burden for each assessment class is impacted by the net percentage change in value for that class in relation to the total assessments for the City.

Based on the 2012 Revised Roll and the aforementioned items, the 2012 summary of assessment ratios, folio counts, tax distribution, and tax ratio is as follows:

Table 2 – Breakdown of Assessments and Tax Distribution

2012 Assessments and Tax Distribution				
	Assessment Ratio	Folio Count	Tax Distribution	Tax Ratio
Class 01 - Residential	81.93%	64,751	53.10%	1.00
Class 02 - Utilities	0.04%	110	0.46%	20.12
Class 04 - Major Industry	0.20%	18	0.84%	6.38
Class 05 - Light Industry	2.94%	605	8.19%	4.30
Class 06 - Business	14.64%	6,435	37.12%	3.91
Class 08 - Seasonal/Rec	0.20%	443	0.10%	0.74
Class 09 - Farm	0.05%	696	0.19%	6.02
Total	100.00%	73,058	100.00%	N/A

Tax Ratio

Tax ratio is often a highly discussed topic because it provides tax rate comparisons between assessment classes and between various municipalities. Tax ratio is a direct comparison of the tax rates between all classes against residential tax rates. In 2011, Richmond’s business to residential tax ratio was 3.72 (Appendix 1). Per Table 2, the 2012 calculated ratio is 3.91. This increase is largely affected by Richmond’s increased residential values. When assessment values increase, tax rates must be reduced in order to collect only the taxes required to meet budget.

When residential tax rates fall and tax rates in other classes are adjusted at a lesser rate, tax ratios naturally increase.

Appendix I shows Richmond’s 2011 tax ratio ranking in all assessment classes in relation to the comparator group. Richmond’s business tax ratio of 3.72 was 3rd lowest in the comparator group. Both municipalities with the highest tax ratios have announced a 1% shift in tax burden from business to residential class in 2012. The burden shift will reduce their business tax ratio and will narrow the gap in relation to Richmond’s 2012 business tax ratio of 3.91.

To ensure that Richmond remains competitive in attracting businesses and to mitigate further business tax ratio increases, the following options are available in setting the 2012 tax rates:

Option 1 – Maintain tax distribution and ratios as calculated in Table 2

Highlights of this option include:

- Residential tax burden increased from 51.65% in 2011 to 53.10% in 2012, reflecting the growth in that class in relation to other properties.
- Combined tax burden of Light Industry and Business is 45.31%, a reduction of 1.37% from the 2011 level of 46.68%.
- Business to residential tax ratio increases to 3.91.

Option 2 - Redistribution of Property Taxes

In addition to the distribution of taxes as calculated in Table 2, staff recommends a further \$1.8M tax burden shift from the business class to be shared \$200K with class 04; \$750K with class 05; \$50K with class 08; and the remaining \$800K with class 01. Comparison of tax rates, tax ratios and tax burden between the two options is shown in Table 3.

Table 3 – Comparison of 2012 Rates and Ratios Between Proposed Options

Assessment Class	With No Tax Shift (Option 1)			With \$1.8M Tax Shift (Option 2)		
	Tax Rate	Tax Ratio	Tax Burden	Tax Rate	Tax Ratio	Tax Burden
Class 01 - Residential	1.98351	1.00	53.10%	2.00128	1.00	53.57%
Class 02 - Utilities	39.90000	20.12	0.46%	39.90000	19.94	0.46%
Class 04 - Major Industry	12.64572	6.38	0.84%	14.43540	7.21	0.96%
Class 05 - Light Industry	8.53423	4.30	8.19%	8.99880	4.50	8.64%
Class 06 - Business	7.75939	3.91	37.12%	7.53569	3.77	36.05%
Class 08 - Seasonal/Rec	1.46389	0.74	0.10%	1.91058	0.95	0.13%
Class 09 - Farm	11.94322	6.02	0.19%	11.94322	5.97	0.19%

The rationale for the shift is as follows:

- a) Richmond’s current tax rate for class 04 – Major Industry is the 2nd lowest in comparison to other municipalities in the comparator group (Appendix 2). 2011 tax rate was \$12.97 per \$1,000 of assessment, \$36.90 less than the highest tax rate in the group. Richmond is

comparable to that of Vancouver, Delta and Burnaby in the number of properties in this assessment class. In 2011, taxes average over \$300K for major industries in these three municipalities. Richmond’s average tax for similar valued properties was approximately \$78K.

Adding \$200K in tax for this assessment class will increase the tax burden from 0.84% in 2011 to 0.96%. After the shift, Richmond should easily maintain the position of having the 2nd lowest tax rate for this class in the comparator group.

- b) Richmond’s tax rate for class 05 – Light Industry was also the 2nd lowest in the comparator group. In 2011, this class accounted for 8.26% of the tax burden for the City. In 2012, the calculated tax burden dropped to 8.19% even though this class has grown due to more businesses appealing to BC Assessment for a class change. With this growth, the class should bear a slightly higher tax burden than 2011. A \$750K shift will result in an additional \$0.46 per \$1,000 in assessment and a tax burden increased to 8.64%.
- c) Without the additional burden shift, class 08 – Seasonal/Recreational would have had a tax reduction of \$0.37 per \$1,000 in assessment and a tax burden reduction of 0.03% for the entire class. The tax shift of \$50K will bring the burden back to the 2011 rate of 0.13%.
- d) In 2011, Richmond’s class 01- residential accounted for 51.65% of the tax burden (Table 4), the 2nd lowest in the comparator group. Although Richmond’s average assessment was the 2nd highest in the group at almost \$606K, average residential tax was the 2nd lowest at \$1,309.

Table 4 – Residential Tax Between Richmond and Other Municipalities

Municipality - Residential	Folio Count	Municipal Rate	Average Assessment Value	Taxes Per Average Assessment	Total Municipal Taxes From Class	% of Tax Burden (% of Total Taxes Collected)
Surrey	130,396	2.3781	490,466.06	1,166.38	152,090,940.69	68.38%
Coquitlam	39,325	3.0486	539,091.21	1,643.47	64,629,593.57	59.55%
Delta	30,937	3.2785	534,245.27	1,751.52	54,186,871.02	53.93%
Vancouver	174,467	2.1282	877,298.83	1,867.07	325,741,642.16	53.07%
Richmond	63,994	2.1609	605,892.15	1,309.27	83,785,575.19	51.65%
Burnaby	65,950	2.3771	598,992.08	1,423.86	93,903,836.30	47.82%

Historically, Richmond’s residential class has benefited from the higher burden placed onto businesses. With the recent development in residential properties in the City, an additional tax shift could be shared by more properties. An \$800K tax shift to this class will result in an additional \$0.02 per \$1,000 in assessment and will help in maintaining a competitive business to residential tax ratio.

At the February 6, 2012 Finance Committee, it was reported that the average residential property will have an estimated \$54.39 increase in taxes resulting from the 2.98% tax increase. This figure was based on assessment totals prior to property owners appealing their assessments in early January. Values often change by the time the revised roll is issued due to these appeals and corrections to the assessment. With the revised roll, the average residential property will have a \$59.63 increase in taxes. The additional \$800K shift to the residential classes will result in an additional \$12.26 in municipal taxes.

Under Provincial Legislation for the 5 Year Financial Plan, Council must review the City's property tax distribution annually before setting tax rates. Council's objective in property tax distribution has been to maintain the business to residential tax ratio in the middle in comparison to other municipalities to ensure that the City remains competitive in attracting and retaining businesses. Option 2 will meet this objective.

Financial Impact

Tax rates provided in Bylaw 8885 will provide the taxes necessary to meet Council's approved tax increase of 1.98% with an additional 1% going into the City's reserves.

Conclusion

That Council approves Option 2 which redistributes \$1.8M from Business class to Major Industry, Light Industry, Seasonal/Recreation, and Residential classes and that Council introduce and give first, second, and third readings to the 2012 Annual Property Tax Rates Bylaw 8885.



Ivy Wong
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IW:gjn

2011 Tax Ratio Comparison – Sorted by Business Class							
	Class 01 - Residential	Class 02 - Utility	Class 04 - Major Industry	Class 05 - Light Industry	Class 06 - Business/ Other	Class 08 - Seasonal/ Rec	Class 09 - Farm
Coquitlam	1.00	13.12	16.36	4.04	4.85	4.75	5.30
Vancouver	1.00	17.89	14.79	4.32	4.32	0.94	0.94
Burnaby	1.00	14.54	18.39	4.22	4.22	0.65	4.22
Richmond	1.00	17.20	6.00	4.19	3.72	0.85	5.50
Delta	1.00	12.20	9.19	3.19	3.19	2.09	5.09
Surrey	1.00	13.84	4.92	2.78	3.12	0.98	1.01

2011 Tax Rate Comparison - Sorted By Class 01 - Residential

	Class 01 - Residential	Class 02 - Utility	Class 04 - Major Industry	Class 05 - Light Industry	Class 06 - Business/ Other	Class 08 - Seasonal/ Rec	Class 09 - Farm
Delta	3.2785	39.9977	30.1458	10.4617	10.4617	6.8520	16.6941
Coquitlam	3.0486	39.9897	49.8661	12.3135	14.7825	14.4708	16.1582
Surrey	2.3781	32.9050	11.6885	6.6073	7.4185	2.3338	2.4046
Burnaby	2.3771	34.5657	43.7265	10.0307	10.0307	1.5342	10.0307
Richmond	2.1609	37.1666	12.9651	9.0540	8.0384	1.8367	11.8847
Vancouver	2.1282	38.0774	31.4658	9.1988	9.1988	1.9937	1.9937

2011 Tax Rate Comparison - Sorted By Class 02 - Utility

	Class 01 - Residential	Class 02 - Utility	Class 04 - Major Industry	Class 05 - Light Industry	Class 06 - Business/ Other	Class 08 - Seasonal/ Rec	Class 09 - Farm
Delta	3.2785	39.9977	30.1458	10.4617	10.4617	6.8520	16.6941
Coquitlam	3.0486	39.9897	49.8661	12.3135	14.7825	14.4708	16.1582
Vancouver	2.1282	38.0774	31.4658	9.1988	9.1988	1.9937	1.9937
Richmond	2.1609	37.1666	12.9651	9.0540	8.0384	1.8367	11.8847
Burnaby	2.3771	34.5657	43.7265	10.0307	10.0307	1.5342	10.0307
Surrey	2.3781	32.9050	11.6885	6.6073	7.4185	2.3338	2.4046

2011 Tax Rate Comparison - Sorted By Class 04 - Major Industry

	Class 01 - Residential	Class 02 - Utility	Class 04 - Major Industry	Class 05 - Light Industry	Class 06 - Business/ Other	Class 08 - Seasonal/ Rec	Class 09 - Farm
Coquitlam	3.0486	39.9897	49.8661	12.3135	14.7825	14.4708	16.1582
Burnaby	2.3771	34.5657	43.7265	10.0307	10.0307	1.5342	10.0307
Vancouver	2.1282	38.0774	31.4658	9.1988	9.1988	1.9937	1.9937
Delta	3.2785	39.9977	30.1458	10.4617	10.4617	6.8520	16.6941
Richmond	2.1609	37.1666	12.9651	9.0540	8.0384	1.8367	11.8847
Surrey	2.3781	32.9050	11.6885	6.6073	7.4185	2.3338	2.4046

2011 Tax Rate Comparison - Sorted By Class 05 - Light Industry

	Class 01 - Residential	Class 02 - Utility	Class 04 - Major Industry	Class 05 - Light Industry	Class 06 - Business/ Other	Class 08 - Seasonal/ Rec	Class 09 - Farm
Coquitlam	3.0486	39.9897	49.8661	12.3135	14.7825	14.4708	16.1582
Delta	3.2785	39.9977	30.1458	10.4617	10.4617	6.8520	16.6941
Burnaby	2.3771	34.5657	43.7265	10.0307	10.0307	1.5342	10.0307
Vancouver	2.1282	38.0774	31.4658	9.1988	9.1988	1.9937	1.9937
Richmond	2.1609	37.1666	12.9651	9.0540	8.0384	1.8367	11.8847
Surrey	2.3781	32.9050	11.6885	6.6073	7.4185	2.3338	2.4046

Appendix 2 (Cont'd)

2011 Tax Rate Comparison - Sorted By Class 06 - Business/Other

	Class 01 - Residential	Class 02 - Utility	Class 04 - Major Industry	Class 05 - Light Industry	Class 06 - Business/Other	Class 08 - Seasonal/Rec	Class 09 - Farm
Coquitlam	3.0486	39.9897	49.8661	12.3135	14.7825	14.4708	16.1582
Delta	3.2785	39.9977	30.1458	10.4617	10.4617	6.8520	16.6941
Burnaby	2.3771	34.5657	43.7265	10.0307	10.0307	1.5342	10.0307
Vancouver	2.1282	38.0774	31.4658	9.1988	9.1988	1.9937	1.9937
Richmond	2.1609	37.1666	12.9651	9.0540	8.0384	1.8367	11.8847
Surrey	2.3781	32.9050	11.6885	6.6073	7.4185	2.3338	2.4046

2011 Tax Rate Comparison - Sorted By Class 08 - Seasonal/Rec

	Class 01 - Residential	Class 02 - Utility	Class 04 - Major Industry	Class 05 - Light Industry	Class 06 - Business/Other	Class 08 - Seasonal/Rec	Class 09 - Farm
Coquitlam	3.0486	39.9897	49.8661	12.3135	14.7825	14.4708	16.1582
Delta	3.2785	39.9977	30.1458	10.4617	10.4617	6.8520	16.6941
Surrey	2.3781	32.9050	11.6885	6.6073	7.4185	2.3338	2.4046
Vancouver	2.1282	38.0774	31.4658	9.1988	9.1988	1.9937	1.9937
Richmond	2.1609	37.1666	12.9651	9.0540	8.0384	1.8367	11.8847
Burnaby	2.3771	34.5657	43.7265	10.0307	10.0307	1.5342	10.0307

2011 Tax Rate Comparison - Sorted By Class 09 - Farm

	Class 01 - Residential	Class 02 - Utility	Class 04 - Major Industry	Class 05 - Light Industry	Class 06 - Business/Other	Class 08 - Seasonal/Rec	Class 09 - Farm
Delta	3.2785	39.9977	30.1458	10.4617	10.4617	6.8520	16.6941
Coquitlam	3.0486	39.9897	49.8661	12.3135	14.7825	14.4708	16.1582
Richmond	2.1609	37.1666	12.9651	9.0540	8.0384	1.8367	11.8847
Burnaby	2.3771	34.5657	43.7265	10.0307	10.0307	1.5342	10.0307
Surrey	2.3781	32.9050	11.6885	6.6073	7.4185	2.3338	2.4046
Vancouver	2.1282	38.0774	31.4658	9.1988	9.1988	1.9937	1.9937



Annual Property Tax Rates Bylaw No. 8885

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 benefiting 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 3, 2012.

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. 8744 (2011) is repealed.

PART SEVEN: BYLAW CITATION

7.1 This bylaw is cited as "Annual Property Tax Rates Bylaw No. 8885".

FIRST READING	_____
SECOND READING	_____
THIRD READING	_____
ADOPTED	_____



MAYOR

CORPORATE OFFICER

SCHEDULE A to BYLAW NO. 8885

PROPERTY CLASS	COLUMN A GENERAL PURPOSES	COLUMN B POLICING SERVICES	COLUMN C FIRE & RESCUE	COLUMN D STORM DRAINAGE	TOTAL
1. Residential	<i>1.14802</i>	0.44006	0.36656	0.04664	<i>2.00128</i>
2. Utilities	<i>22.88831</i>	8.77350	7.30823	0.92996	<i>39.9000</i>
4. Major Industry	<i>8.28075</i>	3.17416	2.64404	0.33645	<i>14.43540</i>
5. Light Industry	<i>5.16209</i>	1.97872	1.64825	0.20974	<i>8.99880</i>
6. Business / other	<i>4.32279</i>	1.65700	1.38026	0.17564	<i>7.53569</i>
8. Recreation / non profit	<i>1.09599</i>	0.42011	0.34995	0.04453	<i>1.91058</i>
9. Farm	<i>6.85113</i>	2.62616	2.18757	0.27836	<i>11.94322</i>

SCHEDULE B to BYLAW NO. 8885

PROPERTY CLASS	REGIONAL DISTRICT
1. Residential	0.05766
2. Utilities	0.20180
4. Major Industry	0.19603
5. Light Industry	0.19603
6. Business/other	0.14126
8. Rec/non profit	0.05766
9. Farm	0.05766

SCHEDULE C to BYLAW NO. 8885

AREA	RATES
A, B, & C	Sewer Debt Levy (land only) 0.04923