



City of Richmond

Report to Committee

To: General Purposes Committee

Date: March 29, 2017

From: Jerry Chong
Director, Finance

File: 03-0925-01/2017-Vol
01

Re: Annual Property Tax Rates (2017) Bylaw No. 9695

Staff Recommendation

That the Annual Property Tax Rates (2017) Bylaw No. 9695 be introduced and given first, second and third readings.

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

Att. 2

REPORT CONCURRENCE	
CONCURRENCE OF GENERAL MANAGER 	
REVIEWED BY STAFF REPORT / AGENDA REVIEW SUBCOMMITTEE	INITIALS: WJ
APPROVED BY CAO 	

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. Council must, under subsection 197(3.1), consider the tax distribution to each assessment class prior to adopting the tax rate bylaw.

This report supports Council's 2014-2018 Term Goal #7 Strong Financial Stewardship:

7.2. *Well-informed and sustainable financial decision making.*

7.3. *Transparent financial decisions that are appropriately communicated to the public.*

Analysis

BC Assessment provides assessment values that reflect the market condition as of July 1st, 2016. Assessment totals are comprised of market values for existing properties and values for new properties (new growth).

Table 1 provides a comparison between 2016 and 2017 market value changes and 2017 new growth. Market value changes reflect the market price of existing properties from year to year. New growth is the term used for new developments, property shifts between assessment classes, and any new exemptions. New developments add taxable value to the class while new exemptions reduce the value to that class.

Table 1: Comparison of Assessment Values 2016 - 2017

	(1) 2016 Total Assessment	(2) 2017 Market Value of Same Properties	(3) 2017 Net Market Change	(4) 2017 New Growth	(5) 2017 Total Assessment	(6) % Net Market Change
Class 01 - Residential	53,427,310,470	71,855,275,756	18,427,965,286	1,558,976,576	73,414,252,332	34.49%
Class 02 - Utilities	22,181,408	26,239,848	4,058,440	301,301	26,541,149	18.30%
Class 04 - Major Industry	139,615,700	154,370,900	14,755,200	60,875,000	215,245,900	10.57%
Class 05 - Light Industry	2,338,871,400	2,697,705,700	358,834,300	-72,850,500	2,624,855,200	15.34%
Class 06 - Business	10,669,182,553	12,765,701,047	2,096,518,494	327,521,300	13,093,222,347	19.65%
Class 08 - Seasonal/Rec	126,429,900	148,012,600	21,582,700	35,347,200	183,359,800	17.07%
Class 09 - Farm	26,650,139	26,903,968	253,829	-337,805	26,566,163	0.95%
Total	66,750,241,570	87,674,209,819	20,923,968,249	1,909,833,072	89,584,042,891	31.35%

Highlights:

- From 2016 to 2017, total market value increased by approximately \$20.9 billion (column 3) or 31.35% (column 6). In comparison, 2015 to 2016 had a total market value increase of approximately 5.6 billion or 9.43%.
- Breakdown of the market value change by assessment class shows that residential market values increased by \$18.4 billion or an average of 34.49%. This is a significant increase compared to 2016 where residential market values increased by \$4.9 billion or an average of 10.30% over 2015.
- Total new growth (column 4) in 2017 is approximately \$1.9 billion, an increase of 35.46% from the \$1.4 billion in new growth in 2016.
- Similar to previous years, the majority of new growth is in the residential class. In 2017, 81.63% of the total new growth is in the residential class as compared to 80.86% in 2016 and 85.04% in 2015.
- New growth in business class has decreased from a high in 2016 of 21.45% of total new growth for that year. Business new growth is 17.15% of the total new growth for 2017.
- One property valued at over \$40M changed from Class 05 - Light Industry to Class 04 – Major Industry in late 2016. This created an unexpected increase in new growth to Class 04 and a reduction to new growth in Class 05.

Preliminary new growth figures were provided to each municipality in late November, 2016 to facilitate each City's budget process. To ensure all municipalities capture the revenue from new growth, BC Assessment adds new growth to the assessment roll based on the state and condition of each development property as of mid-October 2016.

Revenue from new growth is estimated and included as a separate income source when preparing the 2017 operating budget. This new tax revenue reduces the tax increase required to balance the new operating budget.

2017 Tax Rate Calculation

Under the Community Charter, Council must review the City's property tax distribution prior to adopting the annual property tax rate bylaw. Council's objective, which is stated in the City's 5 Year Financial Plan, is for a property tax distribution that maintains the business to residential tax ratio in the middle in comparison to other municipalities in the comparator group and to ensure that the City remains competitive in attracting and retaining businesses.

Tax Ratio

Tax ratio is a direct comparison of the tax rates between all classes against the residential tax rate. Fluctuations in the market value for residential class will affect all resulting tax ratios since tax rates are adjusted annually to ensure that the City collects only what is needed to balance the budget. With higher residential market value in for 2017 residential tax rate was adjusted down

to \$1.57216 per \$1000 of assessment from the 2016 rate of \$2.05383 per \$1000 of assessment. Since residential tax rate is the denominator in the tax ratio calculation, if market values of other assessment classes increase less than the residential class, the resulting tax ratio will be higher.

Table 2 provides the 2016 tax rates and business to residential ratio ranking for comparative municipalities. Richmond's business to residential tax ratio of 3.24 was third lowest in comparison.

Table 2: Comparison of 2016 Business to Residential Ratios

Municipalities	Residential	Utilities	Major Industry	Light Industry	Business	Recreation Non-Profit	Farm	Business to Residential Tax Ratio
Coquitlam	2.7979	40.0000	28.8507	12.6873	12.4653	12.7909	16.2393	4.46
Vancouver	1.5617	30.8860	33.9014	6.6125	6.6125	1.5325	1.5325	4.23
Burnaby	2.0119	33.1548	44.9480	8.4653	8.4653	1.3088	8.4653	4.21
Richmond	2.0538	38.6477	13.5033	6.6637	6.6637	1.9528	12.8441	3.24
Delta	3.2376	39.9967	30.7470	9.7677	10.1982	7.7280	18.8458	3.15
Surrey	2.4420	34.5356	11.2388	6.2088	7.0059	2.4643	2.8315	2.87

Tax Distribution

Based on the 2017 Revised Roll, the 2017 calculated tax rates, assessment ratios, folio counts, tax distribution and tax ratios are as follows:

Table 3 – Breakdown of 2017 Assessments and Tax Distribution

	Tax Rates	Assessment Ratio	Folio Count	Tax Distribution	Business to Residential Tax Ratio
Class 01 - Residential	1.57216	81.95%	71,743	55.54%	1.00
Class 02 - Utilities	33.63390	0.03%	118	0.43%	21.39
Class 04 - Major Industry	12.57288	0.24%	30	1.30%	8.00
Class 05 - Light Industry	5.60635	2.93%	605	7.08%	3.57
Class 06 - Business	5.60635	14.62%	7,033	35.32%	3.57
Class 08 - Seasonal/Rec	1.71721	0.20%	468	0.16%	1.09
Class 09 - Farm	13.09827	0.03%	665	0.17%	8.33
Total	N/A	100.00%	80,662	100.00%	N/A

For comparison purposes, the 2016 assessment ratios and tax distributions is provided in Table 4.

Table 4 – Breakdown of 2016 Assessments and Tax Distribution

	Tax Rates	Assessment Ratio	Folio Count	Tax Distribution	Business to Residential Tax Ratio
Class 01 - Residential	2.05383	80.04%	69,998	54.94%	1.00
Class 02 - Utilities	38.64765	0.03%	118	0.43%	18.82
Class 04 - Major Industry	13.50329	0.21%	27	0.94%	6.57
Class 05 - Light Industry	6.66368	3.51%	610	7.80%	3.24
Class 06 - Business	6.66368	15.98%	7,072	35.59%	3.24
Class 08 - Seasonal/Rec	1.95275	0.19%	470	0.13%	0.95
Class 09 - Farm	12.84412	0.04%	682	0.17%	6.25
Total	N/A	100.00%	78,977	100.00%	N/A

- When average assessment values increase from prior year, the City must adjust the tax rates lower in order to collect the same amount of taxes as the prior year. Once that adjustment is made, rates are then adjusted for the Council approved tax increase. The proposed 2017 residential tax rate is reduced by \$0.48167 for every \$1000 of assessment. This reduction is required to reflect the 34.49% increase in average market change and Council’s approved overall tax increase of 2.95% for 2017.
- The number of residential folios increased by 1,745 from 69,998 folios in 2016 to 71,743 folios in 2017. New growth in residential assessment value increased by \$1.14 billion in 2016. As a result, tax burden for the residential class increased from 54.94% in 2016 to 55.54% in 2017.
- With the increase in the number of residential properties, the residential class will bear an increase in the total tax burden of 0.6% from 54.94% in 2016 to 55.54% in 2017. Given that 88.94% of all properties (71,743 out of 80,662 folios) in the City are residential, representing 81.95% of the City’s total assessment value, the 2017 residential tax burden is reasonable and fair.
- All municipalities are concerned with maintaining competitiveness in attracting businesses to their community and retaining the existing business base. Richmond’s business to residential tax ratio originally increased from 3.24 in 2016 to over 3.78 in 2017, largely due to the increase in market values for residential properties and the subsequent decrease in the residential tax rate.

In order to ensure the City’s competitiveness, new growth beyond the budgeted revenue from all three industrial and business classes were used to reduce the business to residential tax ratio for Class 05 – Light Industry and Class 06 – Business. This resulted in a new business to residential tax ratio of 3.57. Given that residential market values have also increased significantly in the comparator group, it is expected that most business to residential tax ratios will also increase in 2017 for other municipalities and therefore Richmond is expected to retain the existing ranking.

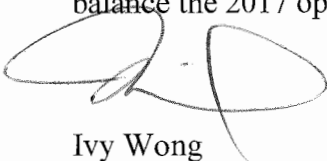
- Attachment 1 provides a comparison of the average assessment value, municipal taxes, and class burden for various assessment classes in the comparator group. In 2016, the City ranked 3rd highest in averaged residential assessment value at \$763,269 and had the 2nd lowest average municipal taxes of \$1,567.62 (not including taxes collected for other taxing agencies).
- Business class had the lowest average assessed value of \$1.5M and the lowest average taxes of \$10,053.17. Light Industry class had the 3rd highest average assessment value and the 3rd lowest average municipal taxes.
- Richmond's Major Industry class had the 2nd lowest average assessment value and average municipal taxes in comparison to others in the group. However, municipal taxes as a percentage of assessment value revealed that municipal tax for this class is approximately 1.35% of assessed values while other municipalities were charging as high as 4.49% of assessment.
- Attachment 2 provides the various 2016 tax rates for the comparator group. Richmond's tax rates were consistently in the middle or amongst the lowest in comparison to the group.
- Comparing recommended 2017 tax rates with Attachments 1 and 2, Richmond should be able to maintain the current competitive tax position relative to the comparator group.

Financial Impact

Property tax rates provided in Bylaw 9695 will generate the municipal taxes (subject to subsequent appeal settlements in 2017) necessary to balance the 2017 operating budget.

Conclusion

Richmond's property tax rates have consistently remained in the middle or amongst the lowest in the comparator group. The proposed rates in Bylaw 9695 will generate the necessary taxes to balance the 2017 operating budget and to maintain the current level of service.



Ivy Wong
Manager, Revenue
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IW:gjn

Attachment 1: 2016 Average Municipal Tax and Tax Burden Comparison
Attachment 2: Comparison of 2016 Tax Rates

2016 Average Municipal Tax and Tax Burden Comparison

Residential Comparison				
	Average Assessed Value	Average Municipal Tax	Municipal Taxes as a % of Assessment Value	% of Total Tax Burden
Vancouver	1,285,831.27	2,008.06	0.16%	53.16%
Burnaby	815,534.29	1,640.77	0.20%	49.17%
Richmond	763,269.10	1,567.62	0.21%	54.94%
Coquitlam	687,802.33	1,924.40	0.28%	64.65%
Delta	652,820.04	2,113.57	0.32%	53.88%
Surrey	585,313.76	1,429.31	0.24%	68.51%

Major Industry				
	Average Assessed Value	Average Municipal Tax	Municipal Taxes as a % of Assessment Value	% of Total Tax Burden
Vancouver	12,512,675.00	424,197.45	3.39%	0.07%
Delta	11,168,403.85	343,394.91	3.07%	1.12%
Burnaby	9,863,256.25	443,333.64	4.49%	0.22%
Richmond	5,170,951.85	69,824.86	1.35%	0.21%
Surrey	4,421,138.46	49,688.42	1.12%	0.12%
Coquitlam	N/A	N/A	N/A	N/A

Light Industry				
	Average Assessed Value	Average Municipal Tax	Municipal Taxes as a % of Assessment Value	% of Total Tax Burden
Delta	4,405,730.83	43,033.86	0.98%	7.01%
Burnaby	4,004,271.53	33,897.36	0.85%	2.29%
Richmond	3,834,215.41	25,549.98	0.67%	3.50%
Vancouver	2,457,606.21	16,251.02	0.66%	0.37%
Coquitlam	2,330,831.67	29,571.96	1.27%	1.22%
Surrey	2,310,651.99	14,346.42	0.62%	2.03%

Business				
	Average Assessed Value	Average Municipal Tax	Municipal Taxes as a % of Assessment Value	% of Total Tax Burden
Vancouver	3,257,841.30	21,542.61	0.66%	16.23%
Burnaby	3,026,282.01	25,618.39	0.85%	15.64%
Coquitlam	2,624,543.07	32,715.72	1.25%	9.39%
Delta	1,630,816.44	16,631.39	1.02%	10.98%
Surrey	1,526,022.23	10,691.10	0.70%	11.43%
Richmond	1,508,651.38	10,053.17	0.67%	15.98%

Comparison of 2016 Tax Rates By Assessment Class

2016 Tax Rate Comparison: Sorted By Class 01 - Residential

Municipalities	Residential	Utilities	Major Industry	Light Industry	Business	Recreation Non-Profit	Farm
Delta	3.2376	39.9967	30.7470	9.7677	10.1982	7.7280	18.8458
Coquitlam	2.7979	40.0000	28.8507	12.6873	12.4653	12.7909	16.2393
Surrey	2.4420	34.5356	11.2388	6.2088	7.0059	2.4643	2.8315
Richmond	2.0538	38.6477	13.5033	6.6637	6.6637	1.9528	12.8441
Burnaby	2.0119	33.1548	44.9480	8.4653	8.4653	1.3088	8.4653
Vancouver	1.5617	30.8860	33.9014	6.6125	6.6125	1.5325	1.5325

2016 Tax Rate Comparison: Sorted By Class 02 - Utilities

Municipalities	Residential	Utilities	Major Industry	Light Industry	Business	Recreation Non-Profit	Farm
Coquitlam	2.7979	40.0000	28.8507	12.6873	12.4653	12.7909	16.2393
Delta	3.2376	39.9967	30.7470	9.7677	10.1982	7.7280	18.8458
Richmond	2.0538	38.6477	13.5033	6.6637	6.6637	1.9528	12.8441
Surrey	2.4420	34.5356	11.2388	6.2088	7.0059	2.4643	2.8315
Burnaby	2.0119	33.1548	44.9480	8.4653	8.4653	1.3088	8.4653
Vancouver	1.5617	30.8860	33.9014	6.6125	6.6125	1.5325	1.5325

2016 Tax Rate Comparison: Sorted By Class 04 - Major Industry

Municipalities	Residential	Utilities	Major Industry	Light Industry	Business	Recreation Non-Profit	Farm
Burnaby	2.0119	33.1548	44.9480	8.4653	8.4653	1.3088	8.4653
Vancouver	1.5617	30.8860	33.9014	6.6125	6.6125	1.5325	1.5325
Delta	3.2376	39.9967	30.7470	9.7677	10.1982	7.7280	18.8458
Coquitlam	2.7979	40.0000	28.8507	12.6873	12.4653	12.7909	16.2393
Richmond	2.0538	38.6477	13.5033	6.6637	6.6637	1.9528	12.8441
Surrey	2.4420	34.5356	11.2388	6.2088	7.0059	2.4643	2.8315

2016 Tax Rate Comparison: Sorted By Class 05 - Light Industry

Municipalities	Residential	Utilities	Major Industry	Light Industry	Business	Recreation Non-Profit	Farm
Coquitlam	2.7979	40.0000	28.8507	12.6873	12.4653	12.7909	16.2393
Delta	3.2376	39.9967	30.7470	9.7677	10.1982	7.7280	18.8458
Burnaby	2.0119	33.1548	44.9480	8.4653	8.4653	1.3088	8.4653
Richmond	2.0538	38.6477	13.5033	6.6637	6.6637	1.9528	12.8441
Vancouver	1.5617	30.8860	33.9014	6.6125	6.6125	1.5325	1.5325
Surrey	2.4420	34.5356	11.2388	6.2088	7.0059	2.4643	2.8315

2016 Tax Rate Comparison: Sorted By Class 06 - Business/Other

Municipalities	Residential	Utilities	Major Industry	Light Industry	Business	Recreation Non-Profit	Farm
Coquitlam	2.7979	40.0000	28.8507	12.6873	12.4653	12.7909	16.2393
Delta	3.2376	39.9967	30.7470	9.7677	10.1982	7.7280	18.8458
Burnaby	2.0119	33.1548	44.9480	8.4653	8.4653	1.3088	8.4653
Surrey	2.4420	34.5356	11.2388	6.2088	7.0059	2.4643	2.8315
Richmond	2.0538	38.6477	13.5033	6.6637	6.6637	1.9528	12.8441
Vancouver	1.5617	30.8860	33.9014	6.6125	6.6125	1.5325	1.5325

2016 Tax Rate Comparison: Sorted By Class 08 - Recreation/Non Profit

Municipalities	Residential	Utilities	Major Industry	Light Industry	Business	Recreation Non-Profit	Farm
Coquitlam	2.7979	40.0000	28.8507	12.6873	12.4653	12.7909	16.2393
Delta	3.2376	39.9967	30.7470	9.7677	10.1982	7.7280	18.8458
Surrey	2.4420	34.5356	11.2388	6.2088	7.0059	2.4643	2.8315
Richmond	2.0538	38.6477	13.5033	6.6637	6.6637	1.9528	12.8441
Vancouver	1.5617	30.8860	33.9014	6.6125	6.6125	1.5325	1.5325
Burnaby	2.0119	33.1548	44.9480	8.4653	8.4653	1.3088	8.4653

2016 Tax Rate Comparison: Sorted By Class 09 - Farm

Municipalities	Residential	Utilities	Major Industry	Light Industry	Business	Recreation Non-Profit	Farm
Delta	3.2376	39.9967	30.7470	9.7677	10.1982	7.7280	18.8458
Coquitlam	2.7979	40.0000	28.8507	12.6873	12.4653	12.7909	16.2393
Richmond	2.0538	38.6477	13.5033	6.6637	6.6637	1.9528	12.8441
Burnaby	2.0119	33.1548	44.9480	8.4653	8.4653	1.3088	8.4653
Surrey	2.4420	34.5356	11.2388	6.2088	7.0059	2.4643	2.8315
Delta	3.5156	39.9900	32.8006	10.2374	10.4442	7.7670	18.3686



Annual Property Tax Rates (2017) Bylaw No. 9695

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 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, 2017.

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 (2016) Bylaw No. 9535 is repealed.

PART SEVEN: BYLAW CITATION

7.1 This Bylaw is cited as “Annual Property Tax Rates (2017) Bylaw No. 9695”.

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

SCHEDULE A to BYLAW NO. 9695

PROPERTY CLASS	COLUMN A GENERAL PURPOSES	COLUMN B POLICING SERVICES	COLUMN C FIRE & RESCUE	COLUMN D STORM DRAINAGE	TOTAL
1. Residential	0.92630	0.34947	0.26307	0.03332	1.57216
2. Utilities	19.81675	7.47639	5.62806	0.71270	33.63390
4. Major Industry	7.40781	2.79479	2.10386	0.26642	12.57288
5. Light Industry	3.30320	1.24622	0.93813	0.11880	5.60635
6. Business / other	3.30320	1.24622	0.93813	0.11880	5.60635
8. Recreation / non profit	1.01176	0.38171	0.28735	0.03639	1.71721
9. Farm	7.71737	2.91158	2.19177	0.27755	13.09827

SCHEDULE B to BYLAW NO. 9695

PROPERTY CLASS	REGIONAL DISTRICT
1. Residential	0.04145
2. Utilities	0.14506
4. Major Industry	0.14091
5. Light Industry	0.14091
6. Business/other	0.10154
8. Rec/non profit	0.04145
9. Farm	0.04145

SCHEDULE C to BYLAW NO. 9695

AREA	RATES
A, B, & C	Sewer Debt Levy (land only) 0.00631