



City of Richmond

Report to Committee

To: General Purposes Committee

To General Purposes - Dec 15, 2008

Date: November 28, 2008

From: Jerry Chong
Director, Finance

File: 03-925-09-01

Xr: 03-0925-05-01

Re: Provincial Announcement to Help Homeowners and the Impact to the City of Richmond and Taxpayers

Staff Recommendation

That this report regarding the Province's announcement to help homeowners and the impact to the City of Richmond be received for information.

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

FOR ORIGINATING DEPARTMENT USE ONLY		
CONCURRENCE OF GENERAL MANAGER		
REVIEWED BY TAG	YES ^{dw} <input checked="" type="checkbox"/> JAK	NO <input type="checkbox"/>
REVIEWED BY CAO	YES <input checked="" type="checkbox"/> [Signature]	NO <input type="checkbox"/>

Staff Report

Origin

On November 1, 2008 Premier Gordon Campbell announced several new measures to help BC homeowners and seniors during the current turbulent economic times. This report provides the latest available details and local impacts to the announcement.

Analysis

The measures introduced to help homeowners are:

1. 2009 property assessments will be set at the July 2007 level to create certainty for homeowners, business and local governments.
2. Temporary property tax deferment program.

The following is our evaluation of the changes as they pertain to Richmond:

Property Assessments Set at July 2007 Level

The initial proposal was to lock in assessment values to July 2007 levels for all properties in all classes. This created confusion as to which value will be taxed for 2009 purposes for properties that are currently under appeal (City Centre Brighthouse) or have recently settled at a lower assessment value.

Details to the locked in values were recently announced as follows:

- a) Where there are no substantial changes to the land and improvement, the assessment notice will provide the July 2007 and July 2008 assessment values and the lower of the two will be the amount that property taxes will be based upon. The notice will state the lower amount as the taxable assessment value.
- b) Where there have been changes to the use or condition of the property since July 2007, the taxable value on the assessment notice will show the value of the property as though the changes took place on July 2007. This adjusted July 2007 amount will be compared to the July 2008 value and the lower of the two will be stated as the taxable assessment value.
- c) Where July 2007 values were appealed and settled in 2008, the settled amounts will be the July 2007 value reported on the assessment notice. This will be compared with the July 2008 value and the lower of the two will be stated as the taxable assessment value.
- d) Where properties remain in appeals by the end of 2008, 2009 assessment notices will include unadjusted July 2007 and July 2008 values. Property owners should appeal their 2009 assessments in January to protect their rights should the prior year appeal be settled at a lower value.

Owners of properties in Richmond's City Centre Brighthouse 'hot spot' area will be affected by these changes. Many properties are currently under appeal and therefore the assessment value on the 2009 assessment notice may possibly be its highest level. Property owners must appeal their new assessments to ensure any settlements will apply in the new year.

Generally, there is a shift in tax burden to properties with higher percentage of assessment increases. Since 2009 assessments will be based on the lower of July 2007 and July 2008 values, properties in the north end of City Centre that were slated for a 15% increase in value will benefit with the lower value while those in the 'hot spot' area whose value remains constant will be disadvantaged. With property assessments set at the lower of the two years, there would be minimal tax burden shift and tenants of 'hot spot' properties will be facing another difficult year.

Residential property owners will also experience a minimal tax burden shift as a result of the assessments set at the lower of the two years. The City calculates mill rates based on the total assessment value per assessment class. With minimal change in last year's assessments, residential taxes should increase based on the increases of the municipality and the various taxing jurisdictions.

Temporary Property Tax Deferment Program

Proposed changes will enable residential property owners, suffering from financial hardship, to defer up to 2 years of property taxes, beginning 2009. This change enables property owners less than 55 years of age to defer the next two years' taxes at an interest rate of prime instead of prime minus 2% that the seniors (55+) are currently paying. Repayment of the loan is not necessary until a transfer of ownership takes place.

In order to qualify, the property owner must own a minimum of 15% equity in their home and claim financial hardship. The Property Taxation Branch recently announced that there will not be a test for financial hardship and as long as the applicant claims they are experiencing financial difficulty due to current economic conditions, their application will not be denied unless they do not have 15% equity in their home. All applications will be received by the municipalities and sent to the Province for their administration.

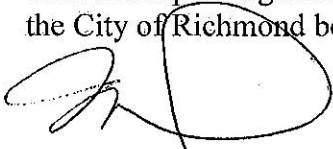
Tax deferment is not available to non-residential properties and therefore has no impact to that sector. The City will continue to receive property taxes from the Province for all qualified applicants.

Financial Impact

There is no financial impact as a result of the announcement.

Conclusion

That this report regarding the Province's announcement to help homeowners and the impact to the City of Richmond be received for information.



Ivy Wong
Manager, Revenue
(604-276-4046)