



City of Richmond

Report to Committee

To: General Purposes Committee

Date: April 1, 2010

From: Jerry Chong
Director, Finance

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01

Re: 2010 Annual Property Tax Rates Bylaw No. 8591

Staff Recommendation

1. That the recommended adjustment to redistribute Richmond's property taxes by class be approved and incorporated in setting the 2010 property tax rates.
2. That Annual Property Tax Rates Bylaw No. 8591 be introduced and given first, second and third readings.

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

Att.

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
			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 2009 were as follows:

Table 1

2009 Assessments and Tax Distribution				
	Assessment Ratio	Folio Ratio	Tax Distribution	Tax Class Multiple
Class 01 - Residential	78.08%	88.35%	49.95%	1.00
Class 02 - Utilities	0.04%	0.17%	0.40%	14.05
Class 04 - Major Industry	0.26%	0.03%	0.71%	4.28
Class 05 - Light Industry	2.93%	0.76%	7.73%	4.12
Class 06 - Business	18.37%	9.07%	40.91%	3.48
Class 08 - Seasonal/Rec	0.25%	0.60%	0.11%	0.68
Class 09 - Farm	0.07%	1.02%	0.19%	4.51

This table shows that 78.08% of the City's total assessment value was in residential properties and taxes from these properties make up 49.95% of the City's total taxes collected. In comparison, Richmond's light industry and business properties (Class 05 and 06) make up 21.3% of the City's total assessment value and are responsible for 48.64% of the City's taxes.

Based on the 2010 Revised Roll totals provided by BC Assessment, the new assessment value and property tax distribution per assessment class are as follows:

Table 2

2010 Assessments and Tax Distribution				
	Assessment Ratio	Folio Ratio	Tax Distribution	Tax Class Multiple
Class 01 - Residential	78.28%	88.40%	50.13%	1.00
Class 02 - Utilities	0.05%	0.15%	0.40%	13.43
Class 04 - Major Industry	0.26%	0.03%	0.69%	4.15
Class 05 - Light Industry	3.28%	0.80%	8.36%	3.98
Class 06 - Business	17.81%	9.00%	40.13%	3.52
Class 08 - Seasonal/Rec	0.26%	0.61%	0.10%	0.63
Class 09 - Farm	0.06%	1.01%	0.19%	4.59

In 2010, the total number of residential folios increased by 0.05% from 88.35% to 88.40%. For the same period, the total number of Class 05 and 06 properties decreased by 0.03%. Annual tax rates are adjusted to ensure that the City collects the same amount of taxes from each assessment class before growth as was brought in from the previous year even though assessed values may have varied. As a result of this recalculation, 2010 tax distribution and tax class multiples have changed accordingly (Table 2).

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. According to Table 2, Richmond property owners with Class 05 – Light Industry properties will pay 3.98 times that of residential properties for every \$1,000 of assessment while Class 06 – Business will pay 3.52 times. In past years, Richmond has made a conscious effort to ensure that the tax class multiple for Class 06 – Business remains below 3.5 times residential. This avoids the need to make large property tax shifts from business to residential class when the business tax rates reach unsustainable levels as have been experienced by some other municipalities in the region.

Tables 3 and 4 show the 2009 comparison of tax class multiples and tax rates between comparable municipalities in the Lower Mainland.

Table 3

Comparison of 2009 Tax Class Multiples						
	Richmond	Vancouver	Coquitlam	Surrey	Delta	Burnaby
Class 01 - Residential	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
Class 02 - Utilities	14.04745	18.44062	13.64908	13.70770	12.46301	13.06520
Class 04 - Major Industry	4.28077	14.17431	19.76568	5.22698	9.00000	17.88363
Class 05 - Light Industry	4.12094	4.84247	4.94391	3.11429	3.31659	4.00307
Class 06 - Business	3.48104	4.84247	4.97515	3.23490	3.31659	4.00307
Class 08 - Seasonal/Rec	0.67847	0.97744	4.45530	0.99763	1.55920	0.68274
Class 09 - Farm	4.51361	0.97744	5.33797	0.98180	4.70447	4.00307

Table 4

2009 Tax Rate Comparison						
	Richmond	Vancouver	Coquitlam	Surrey	Delta	Burnaby
Class 01 - Residential	2.36987	2.13692	2.84910	2.21601	3.31033	2.47840
Class 02 - Utilities	33.29064	39.40612	38.88760	30.37641	41.25663	32.38080
Class 04 - Major Industry	10.14487	30.28937	56.31440	11.58305	29.79293	44.32280
Class 05 - Light Industry	9.66610	10.34798	14.08570	6.90129	10.97900	9.92120
Class 06 - Business	8.24962	10.34798	14.17470	7.16858	10.97900	9.92120
Class 08 - Seasonal/Rec	1.60788	2.08871	12.69360	2.21075	5.16147	1.69210
Class 09 - Farm	10.69668	2.08871	15.20840	2.17567	15.57333	9.92120

On average, Richmond’s tax rates and tax rate multiples are competitive with comparable municipalities in the region except for the following:

- The 2009 tax rate for Richmond’s Class 04 – Major Industry was the lowest in the comparator group at \$10.14487 per \$1,000 of assessment value. An adjustment should be made to the tax rate for this class to ensure that these properties are responsible for a fair distribution of City taxes.
- There is a larger than average disparity in the tax rates between Class 05 – Light Industry and Class 06 - Business. Given that City services provided to both classes are relatively similar and properties often switch between the two classes, adjustments should be made to narrow the disparity between the tax rates.
- There is a slight upward trend in the tax class multiple for Class 06 – Business. With a reduction in the total number of business properties, property tax allocation for this class should be reduced accordingly to retain businesses in Richmond.
- Currently 88.40% of the properties (Table 2) in Richmond are residential and are responsible for only 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.

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

Table 5

	Calculated 2010 Rates & Ratios			Recommended 2010 Rates & Ratios		
	Calculated 2010 Tax Rate	2010 Tax Class Multiple	% of Total Taxes	Adjusted Tax Rate	Adjusted Tax Class Multiple	% of Total Taxes
Class 01 - Residential	2.39809	1.00	50.13%	2.41731	1.00	50.53%
Class 02 - Utilities	32.20524	13.43	0.40%	34.61594	14.32	0.43%
Class 04 - Major Industry	9.96318	4.15	0.69%	10.15272	4.20	0.70%
Class 05 - Light Industry	9.5402	3.98	8.36%	9.42752	3.90	8.26%
Class 06 - Business	8.43889	3.52	40.13%	8.36391	3.46	39.78%
Class 08 - Seasonal/Rec	1.51453	0.63	0.10%	1.64377	0.68	0.11%
Class 09 - Farm	11.01011	4.59	0.19%	11.09547	4.59	0.19%

Financial Impact

Council approved a 3.45% tax increase for 2010. The recommended tax rates will ensure that the City will collect the property taxes needed to balance the budget.

The recommended adjustment to the property taxes is relatively minimal to ensure a gradual impact to the affected assessment classes. In 2010, the average residential assessed value

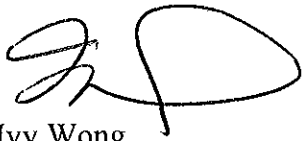
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increased to \$517,934 from 2009's value of \$509,186. The 3.45% tax increase and adjustment results in a \$45.30 tax increase to the average home owner.

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 2010 Annual Property Tax Rates Bylaw 8591.



Ivy Wong
Manager, Revenue
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IW:gjn



ANNUAL PROPERTY TAX RATES BYLAW NO. 8591

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 "Agricultural Zone" in Section 14 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 2, 2010 as stated in section 234 of the *Community Charter*.

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 current Zoning Bylaw of the **City**.

PART SIX: PREVIOUS BYLAW REPEAL

6.1 Annual Property Tax Rates Bylaw No. 8487 (2009) is repealed.

PART SEVEN: BYLAW CITATION

7.1 This bylaw is cited as “Annual Property Tax Rates Bylaw No. 8591”.

FIRST READING

SECOND READING

THIRD READING

ADOPTED



MAYOR

CORPORATE OFFICER

SCHEDULE A to BYLAW NO. 8591

PROPERTY CLASS	COLUMN A GENERAL PURPOSES	COLUMN B POLICING SERVICES	COLUMN C FIRE & RESCUE	COLUMN D STORM DRAINAGE	TOTAL
1. Residential	<i>1.39573</i>	0.53694	0.42853	0.05611	<i>2.41731</i>
2. Utilities	<i>19.98684</i>	7.68893	6.13652	0.80365	<i>34.61594</i>
4. Major Industry	<i>5.86206</i>	2.25513	1.79982	0.23571	<i>10.15272</i>
5. Light Industry	<i>5.44335</i>	2.09405	1.67126	0.21886	<i>9.42752</i>
6. Business / other	<i>4.82922</i>	1.85780	1.48271	0.19418	<i>8.36391</i>
8. Recreation / non profit	<i>0.94910</i>	0.36512	0.29140	0.03815	<i>1.64377</i>
9. Farm	<i>6.40640</i>	2.46454	1.96694	0.25759	<i>11.09547</i>

SCHEDULE B to BYLAW NO. 8591

PROPERTY CLASS	REGIONAL DISTRICT
1. Residential	0.06470
2. Utilities	0.22645
4. Major Industry	0.21998
5. Light Industry	0.21998
6. Business/other	0.15851
8. Rec/non profit	0.06470
9. Farm	0.06470

SCHEDULE C to BYLAW NO. 8591

AREA	RATES
A, B, & C	Sewer Debt Levy (land only) 0.11802