



City of Richmond

Report to Committee

To: Finance Committee

Date: March 27, 2015

From: Jerry Chong
Director, Finance

File: 03-0925-01/2015-Vol
01

Re: 2015 Annual Property Tax Rates Bylaw

Staff Recommendation

That the Annual Property Tax Rates (2015) Bylaw No. 9231 be introduced and given first, second and third readings.

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

Att.

REPORT CONCURRENCE	
CONCURRENCE OF GENERAL MANAGER 	
REVIEWED BY STAFF REPORT / AGENDA REVIEW SUBCOMMITTEE	INITIALS: DW
APPROVED BY CAO (Acting) 	

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.

Analysis

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

Table 1 provides a comparison between 2014 and 2015 market value changes and 2015 new growth. Market values changes reflect the market price of existing properties from year to year. New growth is the term used for new developments, properties shifting 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 2014- 2015

	(1) 2014 Total Assessment Value	(2) 2015 Total Assessment Value	(3) 2015 Market Value	(4) 2015 Net Market Change	(5) 2015 New Growth	(6) % Net Market Change
Class 01 - Residential	44,464,212,240	47,402,471,266	46,595,724,764	2,131,512,524	806,746,502	4.79%
Class 02 - Utilities	20,887,585	21,195,129	21,444,964	557,379	-249,835	2.67%
Class 04 - Major Industry	125,715,900	137,264,500	136,452,800	10,736,900	811,700	8.54%
Class 05 - Light Industry	2,100,088,500	2,208,027,000	2,218,946,200	118,857,700	-10,919,200	5.66%
Class 06 - Business	9,001,342,413	9,770,811,614	9,652,202,715	650,860,302	118,608,899	7.23%
Class 08 - Seasonal/Rec	97,337,700	144,622,410	110,887,810	13,550,110	33,734,600	13.92%
Class 09 - Farm	26,112,095	26,364,056	26,456,041	343,946	-91,985	1.32%
Total	55,835,696,433	59,710,755,975	58,762,115,294	2,926,418,861	948,640,681	5.24%

Areas to highlight are:

- Compared to 2014, total market value increased by \$2.926 billion (column 4) or 5.24% (column 6) in 2015.
- A breakdown of the market value change by assessment class shows that average residential market values increased by \$2.132 billion or 4.79%. This is a significant increase compared to 2014 where average residential market values dropped by 2.86% or \$1.276 billion.
- Major Industry, Light Industry and Business classes all show healthy increases in market value with net market changes of 8.54%, 5.66% and 7.23% respectively.
- The negative new growth of approximately \$11 million for Class 05 - Light Industry class (Column 5) is expected. Historically, tax rates for Class 05 have been generally slightly higher

than rates for class 06 – Business properties. From 2009 to 2012, the Province offered up to a 60% school tax credit to Class 05 properties. This encouraged many Class 06 property owners to appeal to BC Assessment for a reclassification. Starting 2013, the Province began phasing out the school tax credit and Class 05 property owners, feeling the higher tax pinch, appealed to BC Assessment for a reclassification back to Class 06. In 2014 the switch from Class 05 to Class 06 was over \$51 million.

- Total new growth (column 5) in 2015 is approximately \$948 million, a slight drop from the \$1.076 billion in new growth in 2014.
- Similar to previous years, the majority of new growth is in the residential class. In 2015, 85% of the total new growth is in the residential class as compared to 94% in 2014.

Preliminary new growth figures are provided to each municipality in late November of the prior year to facilitate each City’s budget process. Revenue from new growth is estimated and included as a separate income source when producing the 2015 operating budget. This new tax revenue annually reduces the tax increase required to balance the new operating budget.

2015 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 residential tax rates. Table 2 provides the 2014 tax rates and business to residential ratio ranking for comparative municipalities. Richmond’s business to residential tax ratio of 3.24 was 3rd lowest in comparison.

Table 2: Comparison of 2014 Business to Residential Ratios

Municipalities	Residential	Utilities	Major Industry	Light Industry	Business	Recreation Non-Profit	Farm	Business to Residential Ratio
Coquitlam	3.2021	39.9998	28.8552	13.8101	13.8127	15.2557	17.7553	4.31
Vancouver	1.8473	35.2138	33.7746	7.8843	7.8843	1.8455	1.8455	4.27
Burnaby	2.3443	34.8741	47.1073	9.3570	9.3570	1.5487	9.3570	3.99
Richmond	2.2496	39.9125	13.7153	7.2868	7.2868	2.1607	12.6025	3.24
Delta	3.4387	39.9989	34.0432	10.4639	10.4708	7.3794	17.9741	3.04
Surrey	2.4709	32.6730	11.5627	6.2112	7.0168	2.4106	2.6712	2.84

Tax Distribution

Based on the 2015 Revised Roll, the 2015 calculated tax rates, assessment ratios, folio counts, tax distribution and tax ratios are as follows:

Table 3 – Breakdown of 2015 Assessments and Tax Distribution

2015 Assessments and Tax Distribution					
	Tax Rates	Assessment Ratio	Folio Count	Tax Distribution	Tax Ratio
Class 01 - Residential	2.18723	79.39%	68,192	54.55%	1.00
Class 02 - Utilities	39.91245	0.04%	114	0.44%	18.25
Class 04 - Major Industry	12.87490	0.23%	27	0.93%	5.89
Class 05 - Light Industry	6.94287	3.70%	613	8.06%	3.17
Class 06 - Business	6.94287	16.36%	7,037	35.69%	3.17
Class 08 - Seasonal/Rec	1.93251	0.24%	453	0.15%	0.88
Class 09 - Farm	12.67378	0.04%	678	0.18%	5.79
Total	N/A	100.00%	77,114	100.00%	N/A

For comparison purposes, the 2014 assessment ratios and tax distributions is provided in Table 4.

Table 4 – Breakdown of 2014 Assessments and Tax Distribution

2014 Assessments and Tax Distribution					
	Tax Rates	Assessment Ratio	Folio Count	Tax Distribution	Tax Ratio
Class 01 - Residential	2.249560	79.63%	67,186	54.36%	1.00
Class 02 - Utilities	39.912450	0.04%	119	0.45%	17.74
Class 04 - Major Industry	13.715270	0.23%	27	0.94%	6.10
Class 05 - Light Industry	7.286820	3.76%	620	8.32%	3.24
Class 06 - Business	7.286820	16.12%	6,793	35.64%	3.24
Class 08 - Seasonal/Rec	2.160690	0.17%	445	0.11%	0.96
Class 09 - Farm	12.602530	0.05%	679	0.18%	5.60
Total	N/A	100.00%	75,869	100.00%	N/A

- The proposed 2015 residential tax rate is reduced by \$0.06233 for every \$1000 of assessment. This reduction is required to reflect the 4.79% increase in average assessment value and Council’s approved overall tax increase for 2015. When average assessment values increase from prior year, the City must adjust the prior year’s tax rates lower in order to collect the same amount of taxes for the current year. Once that adjustment is made, rates are then adjusted for the Council approved tax increase.
- The number of residential folios increased by 1,006 from 67,186 folios in 2014 to 68,192 folios in 2015. The net growth in residential folios in 2015 falls short of the 2014 high of

1,601 residential folios. Consequently, new growth in residential value increased by \$806 million in 2015, in comparison to the 2014 new growth value of \$1.076 billion.

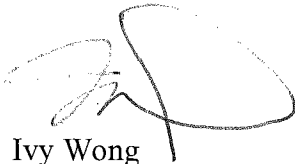
- Recognizing the fact that City services provided to both Class 05 and Class 06 properties are similar and to reduce the incentive for property owner to appeal for class changes between the two, tax rates are purposely adjusted to be the same rate by shifting approximately \$185,000 in taxes from class 5 to class 6. This change will put the City in line with other comparator municipalities who also set the same rates for class 5 and class 6.
- Total tax burden for class 6 - Business increased by 0.05% to 35.69% in 2015. Aside from the \$185,000 tax shift from class 5 to class 6, there was also an increase of new growth value of \$118 million. Market values of existing business folios increased by 7.23% or approximately \$651 million. Similar to residential rates, both Light Industry and Business/Other tax rates decreased by \$0.34395 for every \$1000 in assessment to reflect the increase in market value.
- All municipalities are concerned with maintaining competitiveness in attracting businesses to their community. In 2015, the municipality with the highest business to residential tax ratio will be shifting 1% taxes from their business to residential class in an effort to remain competitive. Richmond has been successful in reducing the the business to residential tax ratio from 3.59 in 2013 to 3.17 in 2015.
- Appendix 1 (attached) provides the various 2014 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 2015 rates with Appendix 1, Richmond should be able to maintain the favourable tax position relative to the comparator group.

Financial Impact

Property tax rates provided in Bylaw 9231 will generate the approximate \$189.8 million in municipal taxes (subject to subsequent appeal settlements in 2015) necessary to balance the 2015 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 9231 will generate the necessary taxes to balance the 2015 operating budget and to maintain the current level of service.



Ivy Wong
Manager, Revenue
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IW:gjn

Att. 1: 2014 Tax Rate Comparison

2014 Tax Rate Comparison - Sorted by Class 01 - Residential

Municipalities	Class 01 - Residential	Class 02 - Utilities	Class 04 - Major Industry	Class 05 - Light Industry	Class 06 - Business	Class 08 - Recreation Non-Profit	Class 09 - Farm
Delta	3.4387	39.9989	34.0432	10.4639	10.4708	7.3794	17.9741
Coquitlam	3.2021	39.9998	28.8552	13.8101	13.8127	15.2557	17.7553
Surrey	2.4709	32.6730	11.5627	6.2112	7.0168	2.4106	2.6712
Burnaby	2.3443	34.8741	47.1073	9.3570	9.3570	1.5487	9.3570
Richmond	2.2496	39.9125	13.7153	7.2868	7.2868	2.1607	12.6025
Vancouver	1.8473	35.2138	33.7746	7.8843	7.8843	1.8455	1.8455

2014 Tax Rate Comparison - Sorted by Class 02 - Utilities

Municipalities	Class 01 - Residential	Class 02 - Utilities	Class 04 - Major Industry	Class 05 - Light Industry	Class 06 - Business	Class 08 - Recreation Non-Profit	Class 09 - Farm
Coquitlam	3.2021	39.9998	28.8552	13.8101	13.8127	15.2557	17.7553
Delta	3.4387	39.9989	34.0432	10.4639	10.4708	7.3794	17.9741
Richmond	2.2496	39.9125	13.7153	7.2868	7.2868	2.1607	12.6025
Vancouver	1.8473	35.2138	33.7746	7.8843	7.8843	1.8455	1.8455
Burnaby	2.3443	34.8741	47.1073	9.3570	9.3570	1.5487	9.3570
Surrey	2.4709	32.6730	11.5627	6.2112	7.0168	2.4106	2.6712

2014 Tax Rate Comparison - Sorted by Class 04 - Major Industry

Municipalities	Class 01 - Residential	Class 02 - Utilities	Class 04 - Major Industry	Class 05 - Light Industry	Class 06 - Business	Class 08 - Recreation Non-Profit	Class 09 - Farm
Burnaby	2.3443	34.8741	47.1073	9.3570	9.3570	1.5487	9.3570
Delta	3.4387	39.9989	34.0432	10.4639	10.4708	7.3794	17.9741
Vancouver	1.8473	35.2138	33.7746	7.8843	7.8843	1.8455	1.8455
Coquitlam	3.2021	39.9998	28.8552	13.8101	13.8127	15.2557	17.7553
Richmond	2.2496	39.9125	13.7153	7.2868	7.2868	2.1607	12.6025
Surrey	2.4709	32.6730	11.5627	6.2112	7.0168	2.4106	2.6712

2014 Tax Rate Comparison - Sorted by Class 05 - Light Industry

Municipalities	Class 01 - Residential	Class 02 - Utilities	Class 04 - Major Industry	Class 05 - Light Industry	Class 06 - Business	Class 08 - Recreation Non-Profit	Class 09 - Farm
Coquitlam	3.2021	39.9998	28.8552	13.8101	13.8127	15.2557	17.7553
Delta	3.4387	39.9989	34.0432	10.4639	10.4708	7.3794	17.9741
Burnaby	2.3443	34.8741	47.1073	9.3570	9.3570	1.5487	9.3570
Vancouver	1.8473	35.2138	33.7746	7.8843	7.8843	1.8455	1.8455
Richmond	2.2496	39.9125	13.7153	7.2868	7.2868	2.1607	12.6025
Surrey	2.4709	32.6730	11.5627	6.2112	7.0168	2.4106	2.6712

2014 Tax Rate Comparison - Sorted by Class 06 - Business

Municipalities	Class 01 - Residential	Class 02 - Utilities	Class 04 - Major Industry	Class 05 - Light Industry	Class 06 - Business	Class 08 - Recreation Non-Profit	Class 09 - Farm
Coquitlam	3.2021	39.9998	28.8552	13.8101	13.8127	15.2557	17.7553
Delta	3.4387	39.9989	34.0432	10.4639	10.4708	7.3794	17.9741
Burnaby	2.3443	34.8741	47.1073	9.3570	9.3570	1.5487	9.3570
Vancouver	1.8473	35.2138	33.7746	7.8843	7.8843	1.8455	1.8455
Richmond	2.2496	39.9125	13.7153	7.2868	7.2868	2.1607	12.6025
Surrey	2.4709	32.6730	11.5627	6.2112	7.0168	2.4106	2.6712

2014 Tax Rate Comparison - Sorted by Class 08 - Recreation Non-Profit

Municipalities	Class 01 - Residential	Class 02 - Utilities	Class 04 - Major Industry	Class 05 - Light Industry	Class 06 - Business	Class 08 - Recreation Non-Profit	Class 09 - Farm
Coquitlam	3.2021	39.9998	28.8552	13.8101	13.8127	15.2557	17.7553
Delta	3.4387	39.9989	34.0432	10.4639	10.4708	7.3794	17.9741
Surrey	2.4709	32.6730	11.5627	6.2112	7.0168	2.4106	2.6712
Richmond	2.2496	39.9125	13.7153	7.2868	7.2868	2.1607	12.6025
Vancouver	1.8473	35.2138	33.7746	7.8843	7.8843	1.8455	1.8455
Burnaby	2.3443	34.8741	47.1073	9.3570	9.3570	1.5487	9.3570

2014 Tax Rate Comparison - Sorted by Class 09 - Farm

Municipalities	Class 01 - Residential	Class 02 - Utilities	Class 04 - Major Industry	Class 05 - Light Industry	Class 06 - Business	Class 08 - Recreation Non-Profit	Class 09 - Farm
Delta	3.4387	39.9989	34.0432	10.4639	10.4708	7.3794	17.9741
Coquitlam	3.2021	39.9998	28.8552	13.8101	13.8127	15.2557	17.7553
Richmond	2.2496	39.9125	13.7153	7.2868	7.2868	2.1607	12.6025
Burnaby	2.3443	34.8741	47.1073	9.3570	9.3570	1.5487	9.3570
Surrey	2.4709	32.6730	11.5627	6.2112	7.0168	2.4106	2.6712
Vancouver	1.8473	35.2138	33.7746	7.8843	7.8843	1.8455	1.8455



Annual Property Tax Rates (2015) Bylaw No. 9231

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.

1. 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 2, 2015.

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 (2014) Bylaw No. 9131 is repealed.

PART SEVEN: BYLAW CITATION

7.1 This Bylaw is cited as “Annual Property Tax Rates (2015) Bylaw No. 9231”.

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. 9231

PROPERTY CLASS	COLUMN A GENERAL PURPOSES	COLUMN B POLICING SERVICES	COLUMN C FIRE & RESCUE	COLUMN D STORM DRAINAGE	TOTAL
1. Residential	1.31195	0.47752	0.35203	0.04573	2.18723
2. Utilities	23.94041	8.71367	6.42389	0.83448	39.91245
4. Major Industry	7.72266	2.81084	2.07221	0.26919	12.87490
5. Light Industry	4.16449	1.51577	1.11745	0.14516	6.94287
6. Business / other	4.16449	1.51577	1.11745	0.14516	6.94287
8. Recreation / non profit	1.15916	0.42191	0.31104	0.04040	1.93251
9. Farm	7.60203	2.76694	2.03984	0.26497	12.67378

SCHEDULE B to BYLAW NO. 9231

PROPERTY CLASS	REGIONAL DISTRICT
1. Residential	0.05392
2. Utilities	0.18870
4. Major Industry	0.18331
5. Light Industry	0.18331
6. Business/other	0.13209
8. Rec/non profit	0.05392
9. Farm	0.05392

SCHEDULE C to BYLAW NO. 9231

AREA	RATES
A, B, & C	Sewer Debt Levy (land only) 0.00438