



# City of Richmond

## Report to Committee

**To:** Finance Committee

**Date:** March 31, 2016

**From:** Jerry Chong  
Director, Finance

**File:** 03-0925-01/2016-Vol  
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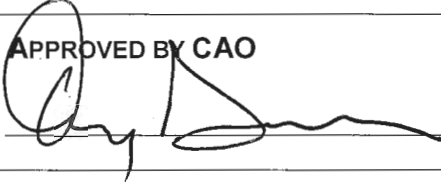
**Re:** Annual Property Tax Rates (2016) Bylaw No. 9535

### Staff Recommendation

That the Annual Property Tax Rates (2016) Bylaw No. 9535 be introduced and given first, second and third readings.

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

Att. 1

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

## 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 15<sup>th</sup>. 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:

*Maintain the City's strong financial position through effective budget processes, the efficient and effective use of financial resources, and the prudent leveraging of economic and financial opportunities to increase current and long-term financial sustainability.*

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 1<sup>st</sup>, 2015. Assessment totals are comprised of market values for existing properties and values for new properties (new growth).

Table 1 provides a comparison between 2015 and 2016 market value changes and 2016 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, 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 2015 - 2016**

	(1) 2015 Total Assessment	(2) 2016 Market Value of Same Properties	(3) 2016 Net Market Change	(4) 2016 New Growth	(5) 2016 Total Assessment	(6) % Net Market Change
Class 01 - Residential	47,402,471,266	52,287,252,870	4,884,781,604	1,140,057,600	53,427,310,470	10.30%
Class 02 - Utilities	21,195,129	22,569,508	1,374,379	-388,100	22,181,408	6.48%
Class 04 - Major Industry	137,264,500	136,907,700	-356,800	2,708,000	139,615,700	-0.26%
Class 05 - Light Industry	2,208,027,000	2,352,442,800	144,415,800	-13,571,400	2,338,871,400	6.54%
Class 06 - Business	9,770,811,614	10,366,744,553	595,932,939	302,438,000	10,669,182,553	6.10%
Class 08 - Seasonal/Rec	144,622,410	147,574,900	2,952,490	-21,145,000	126,429,900	2.04%
Class 09 - Farm	26,364,056	26,823,467	459,411	-173,328	26,650,139	1.74%
Total	59,710,755,975	65,340,315,798	5,629,559,823	1,409,925,772	66,750,241,570	9.43%

### Highlights:

- Compared to 2015, total market value increased by approximately \$5.63 billion (column 3) or 9.43% (column 6) in 2016.
- Breakdown of the market value change by assessment class shows that residential market values increased by \$4.885 billion or an average of 10.30%. This is a significant increase compared to 2015 where residential market values increased by \$2.132 billion or an average of 4.79% over 2014.
- Light Industry and Business classes both show healthy increases in market value with net market changes of 6.54% and 6.10%, respectively. Major Industry has a slight reduction in market value of 0.26% for 2016. This could be a result of corrections in the value between 2015 and 2016. In 2015, Major Industry had a market change of \$10.737 million or 8.54% over 2014.
- Total new growth (column 4) in 2016 is approximately \$1.41 billion, an increase of 48.63% from the \$949 million in new growth in 2015.
- Similar to previous years, the majority of new growth is in the residential class. In 2016, 80.86% of the total new growth is in the residential class as compared to 85.04% in 2015 and 94.34% in 2014.
- New growth in business class has increased slightly over the years. In 2016, business new growth was 21.45% in comparison to 12.50% in 2015 and 11.57% in 2014.

Preliminary new growth figures were provided to each municipality in late November, 2015 to facilitate each City's budget process. To ensure all municipalities maximize 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 2015.

Revenue from new growth is estimated and included as a separate income source when preparing the 2016 operating budget. This new tax revenue reduces the tax increase required to balance the new operating budget.

### 2016 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. When residential market value increases, residential tax rate will be lowered accordingly. 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 2015 tax rates and business to residential ratio ranking for comparative municipalities. Richmond's business to residential tax ratio of 3.17 was third lowest in comparison.

**Table 2: Comparison of 2015 Business to Residential Ratios**

Municipalities	Residential	Utilities	Major Industry	Light Industry	Business	Recreation Non-Profit	Farm	Business to Residential Ratio
Coquitlam	3.1482	40.0000	28.8769	13.5251	13.3452	15.1115	17.9866	4.24
Vancouver	1.7700	33.6080	33.6847	7.3459	7.3459	1.7534	1.7534	4.15
Burnaby	2.2938	33.3867	45.2449	9.1244	9.1244	1.4953	9.1244	3.98
Richmond	2.1872	39.9125	12.8749	6.9429	6.9429	1.9325	12.6738	3.17
Delta	3.5156	39.9900	32.8006	10.2374	10.4442	7.7670	18.3686	2.97
Surrey	2.4907	33.8005	11.2017	6.0937	7.0247	2.4563	2.7237	2.82

### Tax Distribution

Based on the 2016 Revised Roll, the 2016 calculated tax rates, assessment ratios, folio counts, tax distribution and tax ratios are as follows:

**Table 3 – Breakdown of 2016 Assessments and Tax Distribution**

	Tax Rates	Assessment Ratio	Folio Count	Tax Distribution	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

For comparison purposes, the 2015 assessment ratios and tax distributions is provided in Table 4.

**Table 4 – Breakdown of 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

- The proposed 2016 residential tax rate is reduced by \$0.1334 for every \$1000 of assessment. This reduction is required to reflect the 10.30% increase in average market change and Council's approved overall tax increase of 3.11% for 2016. 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 1,806 from 68,192 folios in 2015 to 69,998 folios in 2016. New growth in residential assessment value increased by \$1.14 billion in 2016. As a result, tax burden for the residential class increased slightly from 54.55% in 2015 to 54.94% in 2016.
- With the increase in the number of residential properties, the residential class will bear a slight increase in the total tax burden of 0.39% from 54.55% in 2015 to 54.94% in 2016. Given that 88.63% of all properties (69,998 out of 78,977 folios) in the City are residential, representing 80.04% of the City's total assessment value, the 2016 residential tax burden is fair.
- All municipalities are concerned with maintaining competitiveness in attracting businesses to their community and retaining the existing business base. The comparator municipality with the highest business to residential tax ratio in 2015 will continue to shift 1% taxes from their business to residential class in an effort to remain competitive. Richmond's business to residential tax ratio has increased slightly from 3.17 in 2015 to 3.24 in 2016, largely due to the rate of increase in market values for residential properties in comparison to properties in other assessment classes. When residential values increase, the tax rate for that class is decreased, making the tax ratio with other classes larger. 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 2016 and therefore Richmond is expected to retain the existing ranking.

- Appendix 1 (attached) provides the various 2015 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 2016 rates with Appendix 1, Richmond should be able to maintain the current favourable tax position relative to the comparator group.

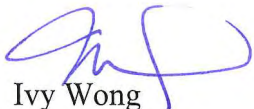
### **Financial Impact**

When assessment values increase in a particular year, tax rates are adjusted downwards to ensure that the City collects only what is necessary to balance the budget. A video explaining the relationship between assessment and taxes can be found on the City's website at: <http://www.richmond.ca/cityhall/finance/rates/propertyassessments.htm>.

Property tax rates provided in Bylaw 9535 will generate approximately \$198 million in municipal taxes (subject to subsequent appeal settlements in 2016) necessary to balance the 2016 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 9535 will generate the necessary taxes to balance the 2016 operating budget and to maintain the current level of service.



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Manager, Revenue  
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IW:gjn

Att. 1: Appendix 1

## 2015 Tax Rate Comparison: Sorted By Class 01 - Residential

Municipalities	Residential	Utilities	Major Industry	Light Industry	Business	Recreation Non-Profit	Farm
Delta	3.5156	39.9900	32.8006	10.2374	10.4442	7.7670	18.3686
Coquitlam	3.1482	40.0000	28.8769	13.5251	13.3452	15.1115	17.9866
Surrey	2.4907	33.8005	11.2017	6.0937	7.0247	2.4563	2.7237
Burnaby	2.2938	33.3867	45.2449	9.1244	9.1244	1.4953	9.1244
Richmond	2.1872	39.9125	12.8749	6.9429	6.9429	1.9325	12.6738
Vancouver	1.7700	33.6080	33.6847	7.3459	7.3459	1.7534	1.7534

## 2015 Tax Rate Comparison: Sorted By Class 02 - Utilities

Municipalities	Residential	Utilities	Major Industry	Light Industry	Business	Recreation Non-Profit	Farm
Coquitlam	3.1482	40.0000	28.8769	13.5251	13.3452	15.1115	17.9866
Delta	3.5156	39.9900	32.8006	10.2374	10.4442	7.7670	18.3686
Richmond	2.1872	39.9125	12.8749	6.9429	6.9429	1.9325	12.6738
Surrey	2.4907	33.8005	11.2017	6.0937	7.0247	2.4563	2.7237
Vancouver	1.7700	33.6080	33.6847	7.3459	7.3459	1.7534	1.7534
Burnaby	2.2938	33.3867	45.2449	9.1244	9.1244	1.4953	9.1244

## 2015 Tax Rate Comparison: Sorted By Class 04 - Major Industry

Municipalities	Residential	Utilities	Major Industry	Light Industry	Business	Recreation Non-Profit	Farm
Burnaby	2.2938	33.3867	45.2449	9.1244	9.1244	1.4953	9.1244
Vancouver	1.7700	33.6080	33.6847	7.3459	7.3459	1.7534	1.7534
Delta	3.5156	39.9900	32.8006	10.2374	10.4442	7.7670	18.3686
Coquitlam	3.1482	40.0000	28.8769	13.5251	13.3452	15.1115	17.9866
Richmond	2.1872	39.9125	12.8749	6.9429	6.9429	1.9325	12.6738
Surrey	2.4907	33.8005	11.2017	6.0937	7.0247	2.4563	2.7237



## 2015 Tax Rate Comparison: Sorted By Class 05 - Light Industry

Municipalities	Residential	Utilities	Major Industry	Light Industry	Business	Recreation Non-Profit	Farm
Coquitlam	3.1482	40.0000	28.8769	13.5251	13.3452	15.1115	17.9866
Delta	3.5156	39.9900	32.8006	10.2374	10.4442	7.7670	18.3686
Burnaby	2.2938	33.3867	45.2449	9.1244	9.1244	1.4953	9.1244
Vancouver	1.7700	33.6080	33.6847	7.3459	7.3459	1.7534	1.7534
Richmond	2.1872	39.9125	12.8749	6.9429	6.9429	1.9325	12.6738
Surrey	2.4907	33.8005	11.2017	6.0937	7.0247	2.4563	2.7237

## 2015 Tax Rate Comparison: Sorted By Class 06 - Business/Other

Municipalities	Residential	Utilities	Major Industry	Light Industry	Business	Recreation Non-Profit	Farm
Coquitlam	3.1482	40.0000	28.8769	13.5251	13.3452	15.1115	17.9866
Delta	3.5156	39.9900	32.8006	10.2374	10.4442	7.7670	18.3686
Burnaby	2.2938	33.3867	45.2449	9.1244	9.1244	1.4953	9.1244
Vancouver	1.7700	33.6080	33.6847	7.3459	7.3459	1.7534	1.7534
Surrey	2.4907	33.8005	11.2017	6.0937	7.0247	2.4563	2.7237
Richmond	2.1872	39.9125	12.8749	6.9429	6.9429	1.9325	12.6738

## 2015 Tax Rate Comparison: Sorted By Class 08 - Recreation/Non Profit

Municipalities	Residential	Utilities	Major Industry	Light Industry	Business	Recreation Non-Profit	Farm
Coquitlam	3.1482	40.0000	28.8769	13.5251	13.3452	15.1115	17.9866
Delta	3.5156	39.9900	32.8006	10.2374	10.4442	7.7670	18.3686
Surrey	2.4907	33.8005	11.2017	6.0937	7.0247	2.4563	2.7237
Richmond	2.1872	39.9125	12.8749	6.9429	6.9429	1.9325	12.6738
Vancouver	1.7700	33.6080	33.6847	7.3459	7.3459	1.7534	1.7534
Burnaby	2.2938	33.3867	45.2449	9.1244	9.1244	1.4953	9.1244

## 2015 Tax Rate Comparison: Sorted By Class 09 - Farm

Municipalities	Residential	Utilities	Major Industry	Light Industry	Business	Recreation Non-Profit	Farm
Vancouver	1.7700	33.6080	33.6847	7.3459	7.3459	1.7534	1.7534
Surrey	2.4907	33.8005	11.2017	6.0937	7.0247	2.4563	2.7237
Burnaby	2.2938	33.3867	45.2449	9.1244	9.1244	1.4953	9.1244
Richmond	2.1872	39.9125	12.8749	6.9429	6.9429	1.9325	12.6738
Coquitlam	3.1482	40.0000	28.8769	13.5251	13.3452	15.1115	17.9866
Delta	3.5156	39.9900	32.8006	10.2374	10.4442	7.7670	18.3686





## Annual Property Tax Rates (2016) Bylaw No. 9535

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.

### 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 4, 2016.

#### **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 (2015) Bylaw No. 9231 is repealed.

**PART SEVEN: BYLAW CITATION**

7.1 This Bylaw is cited as “Annual Property Tax Rates (2016) Bylaw No. 9535”.

FIRST READING

SECOND READING

THIRD READING

ADOPTED

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CITY OF RICHMOND
APPROVED for content by originating dept. <i>JC</i>
APPROVED for legality by Solicitor <i>JH</i>

\_\_\_\_\_  
MAYOR

\_\_\_\_\_  
CORPORATE OFFICER

**SCHEDULE A to BYLAW NO.9535**

<b>PROPERTY CLASS</b>	<b>COLUMN A GENERAL PURPOSES</b>	<b>COLUMN B POLICING SERVICES</b>	<b>COLUMN C FIRE &amp; RESCUE</b>	<b>COLUMN D STORM DRAINAGE</b>	<b>TOTAL</b>
1. Residential	1.22993	0.45350	0.32762	0.04278	2.05383
2. Utilities	23.14410	8.53355	6.16498	0.80502	38.64765
4. Major Industry	8.08643	2.98158	2.15401	0.28127	13.50329
5. Light Industry	3.99054	1.47137	1.06298	0.13879	6.66368
6. Business / other	3.99054	1.47137	1.06298	0.13879	6.66368
8. Recreation / non profit	1.16940	0.43117	0.31150	0.04068	1.95275
9. Farm	7.69168	2.83603	2.04887	0.26754	12.84412

**SCHEDULE B to BYLAW NO. 9535**

<b>PROPERTY CLASS</b>	<b>REGIONAL DISTRICT</b>
1. Residential	0.05073
2. Utilities	0.17756
4. Major Industry	0.17249
5. Light Industry	0.17249
6. Business/other	0.12429
8. Rec/non profit	0.05073
9. Farm	0.05073

**SCHEDULE C to BYLAW NO. 9535**

<b>AREA</b>	<b>RATES</b>
A, B, & C	Sewer Debt Levy (land only) 0.00752