



City of Richmond

Report to Committee

To: Finance Committee

Date: July 2, 2015

From: Jerry Chong
Director, Finance

File: 03-1240-01/2015-Vol
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Re: **Assessment and Property Taxation**

Staff Recommendation

That the report on Assessment and Property Taxation be received for information.

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

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

Staff Report

Origin

At the June 8, 2015 Finance Committee, the following referral was assigned to staff:

- (1) That staff prepare an information package that clearly explains the roles of BC Assessment and the City, and how changes in assessment valuations impact individual property taxes; and*
- (2) That staff report back with a plan on how this information will be disseminated to property owners.*

The following report addresses this referral.

Analysis

BC Assessment

In 1974, BC Assessment was created by the BC government in response to the need for a fair, independent organization that valued property in the province. The organization standardized BC's assessment process and created roll values for all properties in BC in accordance with the Assessment Act.

BC Assessment's role is to provide accurate property and value information to:

- taxing authorities
- property owners
- municipal, provincial and federal government agencies
- realtors, appraisers, lawyers, bankers, title search companies
- other private and public agencies.

Appendix 1 provides some of the key dates in the annual property assessment cycle. Important dates for average property owners are:

Date	Event
Jan 31	Deadline to request an independent review of a property's assessment by the Property Assessment Review Panel (PARP)
Feb 1 – Mar 15	PARP reviews all applications received by January 31
Mar 15	Section 19(8) deadline for an assessment relief for residential properties where assessment value increased due to changes in zoning or use.
Apr 7	PARP decision notices are sent to all property owners who have requested an assessment review.
Apr 30	Owners not satisfied with PARP's decision must submit an appeal to the Property Assessment Appeal Board (PAAB) by this date and prepare for a Board hearing. During this period, both property owners and assessors at BC Assessment will be required to submit supporting documents

	supporting their claims.
Jul 1	Market value of properties is determined for the purpose of assessment rolls.
Dec 31	Assessment notices are sent to all property owners in BC.

These dates are important if property owners feel assessment values are incorrectly reported and would like the values corrected for the current year.

The following link is a clip produced by BC Assessment to provide an overview of assessment and taxes: <https://www.youtube.com/watch?v=ySzjib4I-gY>

Municipalities

Almost all municipalities in BC operate under the Local Government Act and are required to set tax rates based on assessment values provided by BC Assessment. For municipalities, the following are important dates in the annual property assessment cycle that impacts the City's revenue.

Date	Event
Mar 31	The Revised Roll, which incorporates all changes made through PARP decisions and corrections made by assessors, is provided to all municipalities. The Revised Roll provides total assessment figures for all properties within a municipality. This Roll is used in tax rate calculations.
April	Grant Rolls are provided to all municipalities to facilitate payment in-lieu of tax (PILT) calculations. This Roll provides assessment values for all Federal, Provincial and Crown owned properties.
May 15	Deadline for imposing property taxes by bylaw. This follows the adoption of the 5-Year Plan
Late May	City must send property tax notice to each owner on title. Included is an application for the Home Owner Grant as per the Home Owner Grant Act
Before Oct 31	A preview of projected roll totals (Preview Roll) is provided to municipalities for budgeting purposes.
Oct 31	Deadline for municipalities to pass bylaws granting permissive tax exemptions.
Dec 31	Completed Rolls and non-market change reports provided to municipalities. Completed Roll provides assessment totals before PARP decisions.

Assessment and Tax Rates

The City of Richmond generally begins the budget process for the upcoming year in July. The Preview Roll and estimated non-market change figures provide a very rough estimate of the tax increase required to balance the new budget. Non-market change figures provide estimated new revenue from new developments since last year's roll and as a result, reduces the level of tax increase needed. Both these reports are working documents and are subject to change until BC Assessment's input cut-off date in mid-December.

The Completed Roll and non-market change reports that are provided on December 31 are audited figures and are generally considered 95% accurate. Figures in these reports may change as a result of PARP decisions and corrections by BC Assessment. Municipalities generally use these figures to calculate the final tax increase necessary to balance the budget.

All municipalities use the Revised Roll figures provided on March 31 to calculate tax rates for each assessment class. When calculating tax rates, all municipalities use the total assessment value in each assessment class to derive the tax rate and tax burden for that class. Taxes for individual properties are calculated using the derived tax rate times the assessment value (assessment value/1000 x tax rate). A tax increase or a tax decrease for a specific property will depend on whether that property's assessment value changed greater or less than the average for that assessment class.

The following table provides a simplified example of how tax rates are calculated and how assessment changes affect property taxes:

Year 1	Property 1	Property 2	Property 3	Property 4	Property 5	Total	Average
Assessment	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$500,000	\$100,000
Tax rate	0.2500	0.2500	0.2500	0.2500	0.2500	N/A	N/A
Property tax	\$25	\$25	\$25	\$25	\$25	\$125	\$25
Year 2	Property 1	Property 2	Property 3	Property 4	Property 5	Total	Average
Assessment	\$150,000	\$115,000	\$105,000	\$100,000	\$90,000	\$560,000	\$112,000
% increase in assessment	50%	15%	5%	0%	-10%	N/A	12%
Tax rate	0.2232	0.2232	0.2232	0.2232	0.2232	N/A	N/A
Property Tax	\$33.48	\$25.67	\$23.44	\$22.32	\$20.09	\$125	\$25
Net tax change by property	+\$8.48 or +33.92%	+\$0.67 or +2.68%	-\$1.56 or -6.24%	-\$2.68 or -10.72%	-\$4.91 or -19.64%	0%	\$0

Assuming in year 1, the City has 5 properties and requires total tax revenue of \$125 in order to balance the budget. If all properties were valued equally at \$100,000, the tax rate will have to be set at 0.25 to collect \$25 from each household. In year 1, average assessed value for all City properties would be \$100,000 and average taxes would be \$25.

Assuming in year 2, the City adopts a budget with a 0% tax increase and BC Assessment has provided the City with a new assessment roll where assessment changes were +50%, +15%, +5%, 0% and -10%. With this scenario, the total assessment value used to calculate the tax rate is \$560,000 and the average assessment value is \$112,000. The resulting average assessment increase is 12% in year 2.

In order to balance the budget and bring in a total of \$125, the tax rate must be adjusted to 0.2232 for every \$1000 of assessment. With this rate, the City brings in exactly \$125 or a 0% increase in taxes. However, due to the changes in assessment value, each property owner will not pay the same amount in taxes. The owner of Property 1 will need to pay an additional \$8.48 in taxes or a net tax increase of 33.92% because the property's assessment increase of 50% is significantly greater than the average increase of 12%. Conversely, the owner of Property 5, has a tax savings of \$4.91 or a 19.64% reduction in taxes because the property's assessment change is significantly less than the

average. According to the Community Charter, the City must calculate one tax rate for the entire class and how a property's assessment changes in relation to the average significantly impacts the resulting taxes.

Dissemination of Information

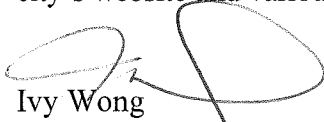
Staff will summarize the information on the City's website and will continue to include a tax insert with each invoice sent to property owners. In addition, staff will coordinate newspaper advertisements and multimedia messages with assessment notice mail out in January to advise property owners of the relationship between assessment and property taxation.

Financial Impact

None

Conclusion

Staff will continue to find ways of improving communication regarding taxation by utilizing the city's website and various multimedia channels.



Ivy Wong
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Some of the key dates in the annual property assessment cycle for BC Assessment are as follows:

January 31 — Property Assessment Review Panel (PARP) Deadline

All persons wishing to request an independent review before a PARP must file their written notice of complaint with the assessor by this date.

February 1 - March 15 — Property Assessment Review Panels (PARPs)

PARPs sit at various times throughout this period to review assessments and to hear and decide upon requests for reviews brought before them.

March 15 — Section 19(8) Application for Assessment Relief

Residential properties that have been owned and occupied continuously for 10 years by the present owner can be valued on the basis of their present residential use, although they may have a higher alternative use. Examples would be single-family dwellings on land that is subdividable or zoned for apartment or commercial use. Eligible owners must apply annually. All applications must be received by this date.

March 31 — Revised Roll Production

The revised roll, which incorporates the changes made through PARP decisions and assessor changes made by consent, is produced by this date.

April — Grant Rolls

Grant rolls are produced and forwarded to collectors to enable them to prepare billings to certain Crown organizations that pay a payment or grant-in-lieu of taxes.

April 7 — PARP Decision Notices

PARP decision notices must be sent out before this date.

Mid-April — Revised Roll

The revised roll (including PARP decisions, roll totals, and indices) is provided to collectors.

April 30 — Property Assessment Appeal Board (PAAB) Deadline

A person must file an appeal to PAAB by this date. PAAB must promptly notify the assessor, affected municipalities and other parties about all appeals.

July 1 — Valuation Date

The date actual (market) value of properties is determined for the purpose of assessment rolls.

October 31 - Permissive Exemptions

Deadline for municipalities and regional districts to pass bylaws granting permissive tax exemptions for certain properties. The bylaws authorizing exemption are considered by the council or boards annually.

October 31 — Farms

Deadline for owners of farmed property to provide the assessor with farm applications and farm leases. Owners are encouraged to apply by mid-year to give BC Assessment staff time to conduct a field inspection or request additional information. Property already classed as farm land must continue to meet the regulated requirements in order to qualify for farm classification in the following year.

July 2, 2015

October 31 — Physical Condition and Permitted Use

The roll reflects the physical condition and permitted use (zoning) of property as of this date, except where substantial damage or destruction of the buildings occurs between October 31 and December 31.

Mid-December — Input Cutoff Date

All data collected by the area office must be processed by this date to ensure it is included in the assessment roll.

December 31 — Assessment Rolls and Notices

Completed assessment rolls and totals produced. Assessment notices mailed to property owners/agents. Assessment rolls and value totals are delivered to tax authority collectors as soon as possible after this date.

Throughout the year — PAAB Hearings

PAAB hearings can take place at any time during the year. Assessed owners have 21 days from receipt of a PAAB decision to appeal that decision to the Supreme Court of British Columbia. Appeals to the Supreme Court are permissible on a point of law only.

Throughout the year — Supplementary Rolls and Notices

Supplementary assessments are processed several times throughout the year. Notices are mailed each time to owners and rolls and adjusted totals are provided to affected collectors.

Note: The supplementary process provides the assessor with the means of correcting errors and omissions in the roll. The same appeal provisions that apply to the completed roll also apply to the supplementary roll (except that appeals are made through the following year's appeal process).