



ADMINISTRATIVE REPORT

Report Date: May 9, 2017
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Meeting Date: May 16, 2017

TO: Vancouver City Council
FROM: Director of Finance
SUBJECT: 2017 Property Taxation - Taxation By-laws & Averaging Resolutions

RECOMMENDATION

- A. THAT Council adopt the 2017 rating by-laws that establish the municipal general purpose tax rate and the Metro Vancouver Regional District tax rate for each property class.
- B. THAT Council adopt the 2017 averaging resolutions that substitute the tax rates established by other taxing authorities to give effect to the targeted land assessment averaging program.

REPORT SUMMARY

The purpose of this report is to summarize for Council's information the municipal general purpose tax levy and taxes levied by other taxing authorities ("OTAs") for each property class, and seek Council adoption of the following:

- Rating by-laws that establish the municipal general purpose tax rate and the Metro Vancouver Regional District tax rate for each property class; and
- Averaging resolutions that substitute the tax rates established by OTAs to give effect to the targeted land assessment averaging program as required under the *Vancouver Charter*.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

Section 373 (1) of the *Vancouver Charter* requires that Council, after considering the distribution of the municipal general purpose tax levy among property classes under section

219 (2), adopts the rating by-law that establishes the municipal general purpose tax rate for each property class.

Section 374.4 (8) of the *Vancouver Charter* further requires that, if land assessment averaging is adopted for calculating municipal general purpose tax levy, the same be extended to calculating taxes levied by OTAs by averaging resolutions that substitute the tax rates established by those authorities to make the impact of land assessment averaging revenue-neutral.

It has been Council policy that the municipal general purpose tax rates for Class 1, 8 and 9 and for Class 5 and 6 be calculated on a blended basis, which means the property classes within these two groups are taxed at the same rate before application of land assessment averaging.

The *Local Government Act* and *Community Charter* require that the Metro Vancouver Regional District submit requisitions for regional district costs to the City and that Council approves a rating by-law that establishes the tax rate for each property class to raise the requisition in the current tax year.

In December 2016, Council approved the 2017 Operating Budget of \$1.32 billion of which \$716.8 million is to be funded from general purpose tax levy.

In March 2017, Council adopted the 2017 Land Assessment Averaging By-law #11759 that authorized the use of targeted 3-year land assessment averaging for the purpose of calculating property taxes for residential (Class 1), light industrial (Class 5), and business (Class 6) properties for the 2017 tax year.

In April 2017, Council approved a tax distribution of approximately 54.2% residential and 45.8% non-residential.

CITY MANAGER'S/GENERAL MANAGER'S COMMENTS

The City Manager recommends approval of the foregoing.

REPORT

Background/Context

The property tax notices issued by the City include municipal general purpose tax levy and utility fees, as well as taxes levied by other taxing authorities over which Council has no control. Below is a summary of the year-over-year increase in property tax levies for the City and other taxing authorities for the 2017 tax year.

While the City's overall increase in tax levy is driven by Council-directed tax increase and additional revenues from new construction and other non-market assessment changes, the significant increases in taxes levied by the OTAs reflect the differential growth in Vancouver's assessment base relative to other Metro Vancouver municipalities. As a result, Vancouver's

business and residents continue to shoulder a disproportionate share of OTA levies relative to Vancouver's share of population within the region.

	2016 Tax Levy	2017 Tax Levy	Change	
CoV General Purpose Tax Levy	\$683,500,609	\$718,157,487	5.1%	(see note)
Provincial School Tax	\$557,214,634	\$602,754,864	8.2%	
Translink	\$129,108,162	\$135,567,106	5.0%	
BC Assessment	\$20,858,167	\$22,329,564	7.1%	
Metro Vancouver	\$17,905,005	\$18,931,748	5.7%	
MFA	\$72,542	\$94,117	29.7%	
	\$1,408,659,118	\$1,497,834,887		

Note: The 5.07% year-over-year increase in CoV General Purpose Tax Levy includes 3.87% tax increase and 1.20% from new construction net of assessment appeals and other non-market assessment adjustments.

Strategic Analysis

The following sections present the property tax levies and tax rates (per \$1,000 assessed value) levied by the City and OTAs for each property class for the 2017 tax year, with 2016 comparative data. A table summarizing the total tax rate (per \$1,000 assessed value) and tax levy for each property class is available in Appendix A.

I. Municipal General Purpose Tax Levy

In December 2016, Council approved the 2017 Operating Budget of \$1.32 billion of which \$716.8 million is to be funded from general purpose tax levy. This represents a year-over-year increase in general purpose tax levy of \$34.7 million of which \$26.8 million represents the 2017 tax increase and \$7.9 million represents new tax revenue from new construction and other non-market changes, net of assessment appeal and other adjustments. The resulting tax levy distribution is approximately 54.2% residential and 45.8% non-residential.

Applying targeted land assessment averaging, the averaged tax rates required to generate the Council-approved general purpose tax levy are as follows.

	2017 Unaveraged Rate	2017 Averaged Rate	2017 Tax Levy	2016 Tax Levy
Class 1 Residential	\$1.22083	\$1.26095	\$388,449,029	\$367,215,792
Class 2 Utilities	\$28.38387	\$28.38387	\$7,011,595	\$6,909,722
Class 3 Supportive Housing	\$0.00000	\$0.00000	\$0	\$0
Class 4 Major Industry	\$34.51349	\$34.51349	\$7,280,138	\$6,787,160
Class 5 Light Industry	\$5.30814	\$5.79012	\$7,281,004	\$6,580,819
Class 6 Business & Other	\$5.30814	\$5.79012	\$307,407,762	\$295,352,867
Class 8 Recreational & Non-profit	\$1.22083	\$1.22083	\$727,717	\$653,962
Class 9 Farm	\$1.22083	\$1.22083	\$243	\$287
			\$718,157,487	\$683,500,609

Note:

2017 General Purpose Tax Levy	\$718.2 million
- Municipal Tax Rate Cap Adjustments on Eligible Tenant-occupied Port Properties	\$1.4 million
= Council-approved Tax Levy	\$716.8 million

II. Taxes Levied by Other Taxing Authorities

Adoption of targeted land assessment averaging for the purpose of calculating municipal general purpose tax levy for residential (Class 1), light industrial (Class 5), and business (Class 6) properties requires that the same be extended to calculating taxes levied by OTAs by averaging resolutions that substitute the tax rates established by those authorities to make the impact of averaging revenue-neutral.

The significant increases in taxes levied by the OTAs reflect the differential growth in Vancouver's assessment base relative to other Metro Vancouver municipalities. As a result, Vancouver's business and residents continue to shoulder a disproportionate share of OTA levies relative to Vancouver's share of population within the region.

1. Provincial School Tax

The provincial government has set tax rates that generate a tax levy of \$602.8 million in 2017, an increase of \$45.5 million (8.2%) from 2016. The tax levy distribution is 50% residential and 50% non-residential.

	2017 Unaveraged Rate	2017 Averaged Rate	2017 Tax Levy	2016 Tax Levy
Class 1 Residential	\$0.94890	\$0.98009	\$301,774,167	\$284,021,517
Class 2 Utilities	\$13.40000	\$13.40000	\$12,837,142	\$11,244,530
Class 3 Supportive Housing	\$0.10000	\$0.10000	\$0	\$0
Class 4 Major Industry	\$4.80000	\$4.80000	\$1,012,493	\$1,081,095
Class 5 Light Industry	\$4.80000	\$6.14502	\$7,727,284	\$5,772,917
Class 6 Business & Other	\$4.80000	\$5.21305	\$277,792,615	\$253,770,115
Class 8 Recreational & Non-profit	\$2.70000	\$2.70000	\$1,610,477	\$1,323,812
Class 9 Farm	\$6.90000	\$6.90000	\$685	\$647
			\$602,754,864	\$557,214,634

Note: Incorporating the industrial and farm land school tax credits totaling \$0.6 million, net 2017 requisition is \$602.2 million.

2. South Coast British Columbia Transportation Authority (TransLink)

TransLink has set tax rates that generate a tax levy of \$135.6 million in 2017, an increase of \$6.5 million (5.0%) from 2016. This levy includes a component called the Replacement Tax which was formerly the Parking Site Tax applicable to Classes 1, 2, 4, 5 and 6. The tax levy distribution is 52% residential and 48% non-residential.

	2017 Unaveraged Rate	2017 Averaged Rate	2017 Tax Levy	2016 Tax Levy
Class 1 Residential	\$0.21930	\$0.22651	\$69,740,187	\$67,871,436
Class 2 Utilities	\$2.49920	\$2.49920	\$1,015,678	\$979,571
Class 3 Supportive Housing	\$0.00000	\$0.00000	\$0	\$0
Class 4 Major Industry	\$1.87560	\$1.87560	\$395,632	\$385,090
Class 5 Light Industry	\$1.34420	\$1.72086	\$2,163,962	\$1,626,145
Class 6 Business & Other	\$1.07720	\$1.17018	\$62,126,641	\$58,136,179
Class 8 Recreational & Non-profit	\$0.21050	\$0.21050	\$124,971	\$109,705
Class 9 Farm	\$0.35310	\$0.35310	\$35	\$34
			\$135,567,106	\$129,108,162

3. British Columbia Assessment Authority (BC Assessment)

BC Assessment has set tax rates that generate a tax levy of \$22.3 million in 2017, an increase of \$1.5 million (7.1%) from 2016. The tax levy distribution is 62% residential and 38% non-residential.

	2017 Unaveraged Rate	2017 Averaged Rate	2017 Tax Levy	2016 Tax Levy
Class 1 Residential	\$0.04320	\$0.04462	\$13,738,149	\$13,004,301
Class 2 Utilities	\$0.49810	\$0.49810	\$202,429	\$190,069
Class 3 Supportive Housing	\$0.00000	\$0.00000	\$0	\$0
Class 4 Major Industry	\$0.49810	\$0.49810	\$105,067	\$100,001
Class 5 Light Industry	\$0.13930	\$0.17833	\$224,252	\$168,377
Class 6 Business & Other	\$0.13930	\$0.15132	\$8,034,015	\$7,372,342
Class 8 Recreational & Non-profit	\$0.04320	\$0.04320	\$25,647	\$23,071
Class 9 Farm	\$0.04320	\$0.04320	\$4	\$5
			\$22,329,564	\$20,858,167

4. Metro Vancouver Regional District

The Metro Vancouver tax levy is \$18.9 million in 2017, an increase of \$1.0 million (5.7%) from 2016. The tax levy distribution is 69% residential and 31% non-residential.

	2017 Averaged Rate	2017 Tax Levy	2016 Tax Levy
Class 1 Residential	\$0.04255	\$13,099,475	\$12,013,421
Class 2 Utilities	\$0.14891	\$60,517	\$68,082
Class 3 Supportive Housing	\$0.04255	\$0	\$0
Class 4 Major Industry	\$0.14465	\$30,513	\$34,796
Class 5 Light Industry	\$0.14465	\$181,901	\$172,972
Class 6 Business & Other	\$0.10424	\$5,534,079	\$5,594,009
Class 8 Recreational & Non-profit	\$0.04255	\$25,259	\$21,720
Class 9 Farm	\$0.04255	\$4	\$5
		\$18,931,748	\$17,905,005

5. Municipal Finance Authority (MFA)

The MFA has set tax rates that generate a tax levy of \$94,117 in 2017, an increase of \$21,575 (29.7%) from 2016. The tax levy distribution is 68% residential and 32% non-residential. Although the City does not use the services provided by the MFA, our tax base shares some of their overhead costs.

	2017 Unaveraged Rate	2017 Averaged Rate	2017 Tax Levy	2016 Tax Levy
Class 1 Residential	\$0.00020	\$0.00021	\$63,603	\$47,898
Class 2 Utilities	\$0.00070	\$0.00070	\$284	\$266
Class 3 Supportive Housing	\$0.00020	\$0.00020	\$0	\$0
Class 4 Major Industry	\$0.00070	\$0.00070	\$148	\$140
Class 5 Light Industry	\$0.00070	\$0.00090	\$1,127	\$748
Class 6 Business & Other	\$0.00050	\$0.00054	\$28,837	\$23,404
Class 8 Recreational & Non-profit	\$0.00020	\$0.00020	\$119	\$85
Class 9 Farm	\$0.00020	\$0.00020	\$0	\$0
			\$94,117	\$72,542

III. Sample Residential Tax Notices

Sample tax notices for the median strata and median single family property assessed at \$603,000 and \$1,757,000 respectively are included as Appendix B.

IV. Next Steps

Adoption of the rating by-laws and averaging resolutions will give effect to the property tax rates levied by the City and OTAs for each property class and allow billing to proceed. Taxpayers can expect tax notices to arrive in the first week of June. Property taxes are due by July 5, 2017.

As part of the Digital Strategy, the City is gradually advancing its various online service options to improve customer service, increase options for citizens and businesses, and achieve long-term cost savings. Taxpayers have two billing options and several payment options:

Billing -

- the standard billing format is a printed notice delivered by post mail in late May
- taxpayers may also register to receive an electronic notice by e-mail (see vancouver.ca for details)

Payments may be made -

- at any chartered bank and most trust companies and credit unions
- through electronic banking arrangements with most financial institutions
- by dropping a cheque in the mail slot or drop box at City Hall
- in person at City Hall during regular business hours
- by post mail

Commencing mid-May, home owner grant applications can be submitted online at vancouver.ca/ehog, which require the personal access code included on the property tax notice. Owners may also complete paper applications accompanying their tax notices.

Implications/Related Issues/Risk (if applicable)

*Financial **

In December 2016, Council approved the 2017 Operating Budget of \$1.32 billion, of which \$716.8 million is to be funded from general purpose tax levy.

In addition to the municipal general purpose tax levy and utility fees, the property tax notice issued by the City also includes taxes levied by other taxing authorities totalling \$779.7 million.

The final tax rates have been adjusted to give effect to the 2017 Land Assessment Averaging By-law #11759 adopted in March 2017, and to reflect a tax distribution of approximately 54.2% residential and 45.8% non-residential approved by Council in April 2017.

CONCLUSION

Adoption of the rating by-laws and averaging resolutions will give effect to the property tax rates levied by the City and other taxing authorities for each property class and allow billing to proceed.

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2017 PROPERTY TAX RATES AND TAX LEVIES

	Residential	Utilities	Supportive Housing	Major Industry	Light Industry	Business & Other	Recreational & Non-profit	Farm
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6	Class 8	Class 9
General Purpose Tax Levy	\$1.26095	\$28.38387	\$0.00000	\$34.51349	\$5.79012	\$5.79012	\$1.22083	\$1.22083
Provincial School Tax	\$0.98009	\$13.40000	\$0.10000	\$4.80000	\$6.14502	\$5.21305	\$2.70000	\$6.90000
Translink	\$0.22651	\$2.49920	\$0.00000	\$1.87560	\$1.72086	\$1.17018	\$0.21050	\$0.35310
BC Assessment	\$0.04462	\$0.49810	\$0.00000	\$0.49810	\$0.17833	\$0.15132	\$0.04320	\$0.04320
Metro Vancouver	\$0.04255	\$0.14891	\$0.04255	\$0.14465	\$0.14465	\$0.10424	\$0.04255	\$0.04255
Municipal Finance Authority	\$0.00021	\$0.00070	\$0.00020	\$0.00070	\$0.00090	\$0.00054	\$0.00020	\$0.00020
Total	\$2.55493	\$44.93078	\$0.14275	\$41.83254	\$13.97988	\$12.42945	\$4.21728	\$8.55988

	Residential	Utilities	Supportive Housing	Major Industry	Light Industry	Business & Other	Recreational & Non-profit	Farm	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6	Class 8	Class 9	
General Purpose Tax Levy	\$388,449,029	\$7,011,595	\$0	\$7,280,138	\$7,281,004	\$307,407,762	\$727,717	\$243	718,157,487
Provincial School Tax	\$301,774,167	\$12,837,142	\$0	\$1,012,493	\$7,727,284	\$277,792,615	\$1,610,477	\$685	602,754,864
Translink	\$69,740,187	\$1,015,678	\$0	\$395,632	\$2,163,962	\$62,126,641	\$124,971	\$35	135,567,106
BC Assessment	\$13,738,149	\$202,429	\$0	\$105,067	\$224,252	\$8,034,015	\$25,647	\$4	22,329,564
Metro Vancouver	\$13,099,475	\$60,517	\$0	\$30,513	\$181,901	\$5,534,079	\$25,259	\$4	18,931,748
Municipal Finance Authority	\$63,603	\$284	\$0	\$148	\$1,127	\$28,837	\$119	\$0	94,117
Total	\$786,864,610	\$21,127,645	\$0	\$8,823,990	\$17,579,531	\$660,923,949	\$2,514,190	\$972	\$1,497,834,887

Tax Distribution:

CoV General Purpose Tax L	54.1%	1.0%	0.0%	1.0%	1.0%	42.8%	0.1%	0.0%	100.0%
All-in Tax Levy	52.5%	1.4%	0.0%	0.6%	1.2%	44.1%	0.2%	0.0%	100.0%

Notes:

- 1) 2017 General Purpose Tax Levy \$718.2 million - Municipal Tax Rate Cap Adjustments on Eligible Tenant-occupied Port Properties \$1.4 million = Council-approved Tax Levy \$716.8 million
- 2) Provincial School Tax: Incorporating the industrial and farm land school tax credits totaling \$0.6 million, net 2017 requisition is \$602.2 million

	STRATA		SINGLE FAMILY	
	\$	%	\$	%
MEDIAN ASSESSMENT	603,000		1,757,000	
GENERAL PURPOSE TAX LEVY	760	77%	2,215	38%
UTILITY FEES				
Sewer Fees	-	-	384	7%
Solid Waste Fees	19	2%	271	5%
Water Fees	-	-	616	11%
TOTAL UTILITY FEES	19	2%	1,271	22%
TOTAL CITY CHARGES	779	79%	3,486	61%
PROVINCIAL SCHOOL TAX	591		1,722	
LESS: HOME OWNER'S GRANT	(570)		-	
NET PROVINCIAL SCHOOL TAX	21	2%	1,722	30%
TRANSLINK	137	14%	398	7%
BC ASSESSMENT	27	3%	78	1%
METRO VANCOUVER	26	3%	75	1%
MUNICIPAL FINANCE AUTHORITY	0	0%	0	0%
TOTAL OTHER TAXING AUTHORITIES	210	21%	2,274	39%
TOTAL CHARGES ON TAX BILL	990	100%	5,760	100%

Notes:

- 1) Water and Sewer fees for most strata properties are charged to the strata corporation not through individual property owners.
- 2) Solid waste fees include street cleaning charges levied to all dwelling units; garbage and green services are not typically provided to strata properties
- 3) Home Owner Grant (<http://www.gov.bc.ca/homeownergrant>)
 - Basic grant (\$570) will be reduced by \$5 for each \$1,000 of assessed value over \$1,600,000 and is eliminated on homes assessed at \$1,714,000 or more
 - Additional grant (\$275) may apply and is eliminated on homes assessed at \$1,769,000 or more
- 4) Local improvements and other non-tax charges may apply
- 5) Assume no taxes in arrears and no prepayment of taxes
- 6) Approximately 55% of sewer and 65% of water expenses are flow through charges from Metro Vancouver
- 7) Council has no control over property tax requisitions by other taxing authorities - Provincial School, TransLink, BC Assessment, Metro Vancouver, and Municipal Finance Authority