



ADMINISTRATIVE REPORT

Report Date: May 1, 2018
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Meeting Date: May 15, 2018

TO: Vancouver City Council
FROM: Director of Finance
SUBJECT: 2018 Property Taxation: Rating By-laws and Averaging Resolutions

RECOMMENDATION

- A. THAT Council adopt the 2018 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 2018 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 2017, Council approved the 2018 Operating Budget of \$1.4 billion of which \$752 million is to be funded from general purpose tax levy.

In March 2018, Council adopted the *2018 Land Assessment Averaging By-law* 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 2018 tax year.

In April 2018, Council approved a tax share of ~54.7% residential and ~45.3% 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 2018 tax year.

	2017 Tax Levy	2018 Tax Levy	Change	
CoV General Purpose Tax Levy	\$718,157,487	\$753,371,489	4.9%	(see note)
Provincial School Tax	\$602,754,864	\$619,325,596	2.7%	
TransLink	\$135,567,106	\$140,389,521	3.6%	
BC Assessment	\$22,329,564	\$22,838,476	2.3%	
Metro Vancouver	\$18,931,748	\$21,492,628	13.5%	
MFA	\$94,117	\$104,363	10.9%	
	\$1,497,834,887	\$1,557,522,073		

Note: The 4.90% year-over-year increase in CoV General Purpose Tax Levy includes 4.27% tax increase and 0.63% 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 2018 tax year, with 2017 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 2017, Council approved the 2018 Operating Budget of \$1.4 billion of which \$752 million is to be funded from general purpose tax levy. This represents a year-over-year increase in general purpose tax levy of \$35.2 million of which \$30.8 million represents the 2018 tax increase and \$4.4 million represents new tax revenue from new construction and other non-market changes, net of assessment appeal and other adjustments. The resulting tax share is ~54.7% residential and ~45.3% non-residential.

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

	2018 Unaveraged Rate	2018 Averaged Rate	2018 Tax Levy	2017 Tax Levy
Class 1 Residential	\$1.20875	\$1.24393	\$410,831,573	\$388,449,029
Class 2 Utilities	\$26.49568	\$26.49568	\$7,254,564	\$7,011,595
Class 3 Supportive Housing	\$0.00000	\$0.00000	\$0	\$0
Class 4 Major Industry	\$34.25325	\$34.25325	\$7,705,782	\$7,280,138
Class 5 Light Industry	\$4.61309	\$5.03019	\$7,948,006	\$7,271,381
Class 6 Business & Other	\$4.61309	\$5.03019	\$318,526,004	\$307,417,385
Class 8 Recreational & Non-profit	\$1.20875	\$1.20875	\$1,105,308	\$727,717
Class 9 Farm	\$1.20875	\$1.20875	\$252	\$243
			\$753,371,489	\$718,157,487

Note:

2018 General Purpose Tax Levy	\$753.4 million
- Municipal Tax Rate Cap Adjustments on Eligible Tenant-occupied Port Properties	\$1.4 million
= Council-approved Tax Levy	\$752.0 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.

1. Provincial School Tax

The provincial government has set tax rates that generate a tax levy of \$619.3 million in 2018, an increase of \$16.6 million (2.8%) from 2017. The tax share is ~49% residential and ~51% non-residential.

	2018 Unaveraged Rate	2018 Averaged Rate	2018 Tax Levy	2017 Tax Levy
Class 1 Residential	\$0.89540	\$0.92146	\$304,177,962	\$301,774,167
Class 2 Utilities	\$13.40000	\$13.40000	\$13,713,020	\$12,837,142
Class 3 Supportive Housing	\$0.10000	\$0.10000	\$0	\$0
Class 4 Major Industry	\$4.20000	\$4.20000	\$944,853	\$1,012,493
Class 5 Light Industry	\$4.20000	\$5.29083	\$8,359,835	\$7,727,284
Class 6 Business & Other	\$4.20000	\$4.56143	\$289,841,127	\$277,792,615
Class 8 Recreational & Non-profit	\$2.50000	\$2.50000	\$2,288,071	\$1,610,477
Class 9 Farm	\$7.00000	\$7.00000	\$729	\$685
			\$619,325,596	\$602,754,864

Note: Incorporating the industrial and farm land school tax credits totaling \$0.6 million, net 2018 requisition is \$618.7 million.

2. South Coast British Columbia Transportation Authority (TransLink)

TransLink has set tax rates that generate a tax levy of \$140.4 million in 2018, an increase of \$4.8 million (3.6%) from 2017. This levy includes a component called the Replacement Tax which was formerly the Parking Site Tax applicable to Classes 1, 2, 4, 5 & 6. The tax share is ~51% residential and ~49% non-residential.

	2018 Unaveraged Rate	2018 Averaged Rate	2018 Tax Levy	2017 Tax Levy
Class 1 Residential	\$0.21150	\$0.21766	\$71,845,712	\$69,740,187
Class 2 Utilities	\$2.45570	\$2.45570	\$1,052,968	\$1,015,678
Class 3 Supportive Housing	\$0.00000	\$0.00000	\$0	\$0
Class 4 Major Industry	\$1.69930	\$1.69930	\$382,283	\$395,632
Class 5 Light Industry	\$1.16200	\$1.46380	\$2,312,888	\$2,163,962
Class 6 Business & Other	\$0.93960	\$1.02059	\$64,626,222	\$62,126,641
Class 8 Recreational & Non-profit	\$0.18580	\$0.18580	\$169,413	\$124,971
Class 9 Farm	\$0.34580	\$0.34580	\$36	\$35
			\$140,389,521	\$135,567,106

3. British Columbia Assessment Authority (BC Assessment)

BC Assessment has set tax rates that generate a tax levy of \$22.8 million in 2018, an increase of \$0.5 million (2.3%) from 2017. The tax share is ~60% residential and ~40% non-residential.

	2018 Unaveraged Rate	2018 Averaged Rate	2018 Tax Levy	2017 Tax Levy
Class 1 Residential	\$0.04030	\$0.04147	\$13,689,750	\$13,738,149
Class 2 Utilities	\$0.50370	\$0.50370	\$215,979	\$202,429
Class 3 Supportive Housing	\$0.00000	\$0.00000	\$0	\$0
Class 4 Major Industry	\$0.50370	\$0.50370	\$113,315	\$105,067
Class 5 Light Industry	\$0.12410	\$0.15633	\$247,013	\$224,252
Class 6 Business & Other	\$0.12410	\$0.13480	\$8,535,669	\$8,034,015
Class 8 Recreational & Non-profit	\$0.04030	\$0.04030	\$36,746	\$25,647
Class 9 Farm	\$0.04030	\$0.04030	\$4	\$4
			\$22,838,476	\$22,329,564

4. Metro Vancouver Regional District

The Metro Vancouver tax levy is \$21.5 million in 2018, an increase of \$2.6 million (13.5%) from 2017. The majority of the increase is for regional park (\$1.8 million) and affordable housing (\$0.7 million). The tax share is ~67% residential and ~33% non-residential.

	2018 Averaged Rate	2018 Tax Levy	2017 Tax Levy
Class 1 Residential	\$0.04353	\$14,367,699	\$13,104,586
Class 2 Utilities	\$0.15234	\$65,323	\$60,540
Class 3 Supportive Housing	\$0.04353	\$0	\$0
Class 4 Major Industry	\$0.14799	\$33,293	\$30,524
Class 5 Light Industry	\$0.14799	\$233,835	\$181,499
Class 6 Business & Other	\$0.10664	\$6,752,785	\$5,529,327
Class 8 Recreational & Non-profit	\$0.04353	\$39,688	\$25,268
Class 9 Farm	\$0.04353	\$5	\$4
		\$21,492,628	\$18,931,748

5. Municipal Finance Authority (MFA)

The MFA has set tax rates that generate a tax levy of \$104,363 in 2018, an increase of \$10,246 (10.9%) from 2017. The tax share is ~65% residential and ~35% non-residential. Although the City does not use the services provided by the MFA, our tax base shares some of their overhead costs.

	2018 Unaveraged Rate	2018 Averaged Rate	2018 Tax Levy	2017 Tax Levy
Class 1 Residential	\$0.00020	\$0.00021	\$67,939	\$63,603
Class 2 Utilities	\$0.00070	\$0.00070	\$300	\$284
Class 3 Supportive Housing	\$0.00020	\$0.00020	\$0	\$0
Class 4 Major Industry	\$0.00070	\$0.00070	\$157	\$148
Class 5 Light Industry	\$0.00070	\$0.00088	\$1,393	\$1,127
Class 6 Business & Other	\$0.00050	\$0.00054	\$34,390	\$28,837
Class 8 Recreational & Non-profit	\$0.00020	\$0.00020	\$182	\$119
Class 9 Farm	\$0.00020	\$0.00020	\$0	\$0
			\$104,363	\$94,117

III. Sample Residential Tax Notices

Sample tax notices for the median strata and median single family property assessed at \$678,000 and \$1,799,000 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 4, 2018.

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***Financial***

In December 2017, Council approved the 2018 Operating Budget of \$1.4 billion of which \$752 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 \$811 million.

The final tax rates have been adjusted to give effect to the 2018 Land Assessment Averaging By-law #12066 enacted in March 2018, and to reflect a tax share of ~54.7% residential and ~45.3% non-residential approved by Council in April 2018.

CONCLUSION

Enacting the rating by-laws and adopting the 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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2018 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	\$1.24393	\$26.49568	\$0.00000	\$34.25325	\$5.03019	\$5.03019	\$1.20875	\$1.20875
Provincial School Tax	\$0.92146	\$13.40000	\$0.10000	\$4.20000	\$5.29083	\$4.56143	\$2.50000	\$7.00000
Translink	\$0.21766	\$2.45570	\$0.00000	\$1.69930	\$1.46380	\$1.02059	\$0.18580	\$0.34580
BC Assessment	\$0.04147	\$0.50370	\$0.00000	\$0.50370	\$0.15633	\$0.13480	\$0.04030	\$0.04030
Metro Vancouver	\$0.04353	\$0.15234	\$0.04353	\$0.14799	\$0.14799	\$0.10664	\$0.04353	\$0.04353
Municipal Finance Authority	\$0.00021	\$0.00070	\$0.00020	\$0.00070	\$0.00088	\$0.00054	\$0.00020	\$0.00020
Total	\$2.46826	\$43.00812	\$0.14373	\$40.80494	\$12.09002	\$10.85419	\$3.97858	\$8.63858

	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	\$410,831,573	\$7,254,564	\$0	\$7,705,782	\$7,948,006	\$318,526,004	\$1,105,308	\$252	753,371,489
Provincial School Tax	\$304,177,962	\$13,713,020	\$0	\$944,853	\$8,359,835	\$289,841,127	\$2,288,071	\$729	619,325,596
Translink	\$71,845,712	\$1,052,968	\$0	\$382,283	\$2,312,888	\$64,626,222	\$169,413	\$36	140,389,521
BC Assessment	\$13,689,750	\$215,979	\$0	\$113,315	\$247,013	\$8,535,669	\$36,746	\$4	22,838,476
Metro Vancouver	\$14,367,699	\$65,323	\$0	\$33,293	\$233,835	\$6,752,785	\$39,688	\$5	21,492,628
Municipal Finance Authority	\$67,939	\$300	\$0	\$157	\$1,393	\$34,390	\$182	\$0	104,363
Total	\$814,980,636	\$22,302,154	\$0	\$9,179,684	\$19,102,971	\$688,316,196	\$3,639,408	\$1,025	\$1,557,522,073

Tax Distribution:

CoV General Purpose Tax Levy	54.5%	1.0%	0.0%	1.0%	1.1%	42.3%	0.1%	0.0%	100.0%
All-in Tax Levy	52.3%	1.4%	0.0%	0.6%	1.2%	44.2%	0.2%	0.0%	100.0%

Notes:

- 1) 2018 General Purpose Tax Levy \$753.4 million – Municipal Tax Rate Cap Adjustments on Eligible Tenant-occupied Port Properties \$1.4 million = Council-approved Tax Levy \$752 million
- 2) Provincial School Tax: Incorporating the industrial and farm land school tax credits totaling \$0.6 million, net 2018 requisition is \$618.7 million

	STRATA		SINGLE FAMILY	
	\$	%	\$	%
MEDIAN ASSESSMENT	678,000		1,799,000	
GENERAL PURPOSE TAX LEVY	843	75%	2,238	39%
UTILITY FEES				
Sewer fees	-	0%	424	7%
Solid waste fees	19	2%	294	5%
Water fees	-	0%	653	11%
TOTAL UTILITY FEES	19	2%	1,371	24%
TOTAL CITY CHARGES	862	77%	3,609	62%
PROVINCIAL SCHOOL TAX	625		1,658	
LESS: HOME OWNER'S GRANT	(570)		-	
NET PROVINCIAL SCHOOL TAX	55	5%	1,658	29%
TRANSLINK	148	13%	392	7%
BC ASSESSMENT	28	2%	75	1%
METRO VANCOUVER	30	3%	78	1%
MUNICIPAL FINANCE AUTHORITY	-	0%	-	0%
TOTAL OTHER TAXING AUTHORITIES	261	23%	2,203	38%
TOTAL CHARGES ON TAX NOTICE	1,123	100%	5,812	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 \$1,650,000 and is eliminated on homes assessed at \$1,764,000 or more
 - Additional grant (\$275) may apply and is eliminated on homes assessed at \$1,819,000 or more
- 4) Local improvements and other non-tax charges may apply
- 5) Assume no taxes in arrears and no prepayment of taxes
- 6) ~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