



## ADMINISTRATIVE REPORT

Report Date: May 3, 2019  
Contact: Grace Cheng  
Contact No.: 604.871.6654  
RTS No.: 12832  
VanRIMS No.: 08-2000-20  
Meeting Date: May 14, 2019

TO: Vancouver City Council  
FROM: Director of Finance  
SUBJECT: 2019 Property Taxation: Rating By-laws and Averaging Resolutions

### **RECOMMENDATION**

- A. THAT Council adopt the 2019 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 2019 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**

s373(1) of the *Vancouver Charter* requires that Council, after considering the distribution of the municipal general purpose tax levy among property classes under s219(2), adopts the rating by-law that establishes the municipal general purpose tax rate for each property class.

s374.4(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. This requirement does not apply to the Additional School Tax on high-valued residential properties (0.2% on property values between \$3 million and \$4 million, and 0.4% over \$4 million) which is based on BC Assessment values before application of land assessment averaging.

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 2018, Council approved the 2019 Operating Budget of \$1.5 billion of which \$790.8 million is to be funded from general purpose tax levy.

In March 2019, Council adopted the *2019 Land Assessment Averaging By-law* that authorized the use of targeted 5-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 2019 tax year.

In April 2019, Council approved a 2% tax shift (\$15.8 million) from non-residential properties (Classes 2, 4, 5 and 6) to residential properties (Classes 1, 8 and 9) over three years, at a rate of 1% in 2019, 0.5% in 2020 and 0.5% in 2021. Incorporating a 1% tax shift in 2019 would achieve a tax share of ~55.9% residential and ~44.1% 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 OTAs 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 2019 tax year.

	2018 Tax Levy	2019 Tax Levy	Change
CoV General Purpose Tax Levy <sup>1</sup>	\$753,371,489	\$791,437,433	5.1%
Provincial School Tax	\$619,325,597	\$630,869,316	1.9%
Translink	\$140,389,522	\$147,027,464	4.7%
BC Assessment	\$22,838,476	\$22,552,998	(1.2%)
Metro Vancouver	\$21,492,628	\$21,933,929	2.1%
Municipal Finance Authority	\$104,361	\$110,433	5.8%
<b>Subtotal</b>	<b>\$1,557,522,073</b>	<b>\$1,613,931,573</b>	<b>3.6%</b>
Provincial Additional School Tax	-	100,676,098	n/a
<b>Overall</b>	<b>\$1,557,522,073</b>	<b>\$1,714,607,671</b>	<b>10.1%</b>

**Note:** The 5.05% year-over-year increase in CoV General Purpose Tax Levy includes 4.15% tax increase and 0.90% 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 taxable value) levied by the City and OTAs for each property class for the 2019 tax year, with 2018 comparative data. A table summarizing the total tax rate (per \$1,000 taxable value) and tax levy for each property class is available in Appendix A.

### I. Municipal General Purpose Tax Levy

In December 2018, Council approved the 2019 Operating Budget of \$1.5 billion of which \$790.8 million is to be funded from general purpose tax levy. This represents a year-over-year increase in general purpose tax levy of \$38 million of which \$31.5 million represents the 2019 tax increase and \$6.5 million represents new tax revenue from new construction and other non-market changes, net of assessment appeals and other adjustments. After incorporating a 1% tax shift from non-residential to residential property classes approved by Council in April 2019, the resulting tax share is ~55.9% residential and ~44.1% non-residential.

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

	2019 Unaveraged Rate	2019 Averaged Rate	2019 Tax Levy	2018 Tax Levy
Class 1 Residential	\$1.30876	\$1.33572	\$440,797,433	\$410,831,573
Class 2 Utilities	\$24.22751	\$24.22751	\$7,509,917	\$7,254,564
Class 3 Supportive Housing	\$0.00000	\$0.00000	\$0	\$0
Class 4 Major Industry	\$30.39510	\$30.39510	\$8,061,328	\$7,705,782
Class 5 Light Industry	\$3.98469	\$4.27116	\$8,572,394	\$7,948,006
Class 6 Business & Other	\$3.98469	\$4.27116	\$325,181,515	\$318,526,004
Class 8 Recreational & Non-profit	\$1.30876	\$1.30876	\$1,314,654	\$1,105,308
Class 9 Farm	\$1.30876	\$1.30876	\$193	\$252
			<b>\$791,437,433</b>	<b>\$753,371,489</b>

Note:

2019 General Purpose Tax Levy	\$791.4 million
- Municipal Tax Rate Cap Adjustments on Eligible Tenant-occupied Port Properties	\$0.6 million
= Council-approved Tax Levy	\$790.8 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. This requirement does not apply to the Additional School Tax on high-valued residential properties (0.2% on property values between \$3 million and \$4 million, and 0.4% over \$4 million) which is based on BC Assessment values before application of land assessment averaging.

### 1a. Provincial School Tax

The provincial government has set tax rates that generate a tax levy of \$630.9 million in 2019, an increase of \$11.6 million (1.9%) from 2018. The tax share is ~48% residential and ~52% non-residential.

	2019 Unaveraged Rate	2019 Averaged Rate	2019 Tax Levy	2018 Tax Levy
Class 1 Residential	\$0.89920	<b>\$0.91773</b>	<b>\$302,688,421</b>	\$304,177,962
Class 2 Utilities	\$13.20000	<b>\$13.20000</b>	<b>\$13,980,571</b>	\$13,713,020
Class 3 Supportive Housing	\$0.10000	<b>\$0.10000</b>	<b>\$0</b>	\$0
Class 4 Major Industry	\$3.70000	<b>\$3.70000</b>	<b>\$981,307</b>	\$944,853
Class 5 Light Industry	\$3.70000	<b>\$4.74286</b>	<b>\$9,519,125</b>	\$8,359,835
Class 6 Business & Other	\$3.70000	<b>\$3.94555</b>	<b>\$301,394,457</b>	\$289,841,127
Class 8 Recreational & Non-profit	\$2.30000	<b>\$2.30000</b>	<b>\$2,304,912</b>	\$2,288,071
Class 9 Farm	\$7.10000	<b>\$7.10000</b>	<b>\$523</b>	\$729
			<b>\$630,869,316</b>	\$619,325,597

Note: Incorporating the industrial and farm land school tax credits totaling \$0.6 million, net 2019 requisition is \$630.3 million.

### 1b. Additional School Tax

Starting in 2019, the Additional School Tax applies to most high-valued residential properties in the province, including detached homes, stratified condominium or townhouse units and most vacant land. The Additional School Tax does not apply to non-stratified rental buildings with four or more housing units.

The tax rate is 0.2% on property values between \$3 million and \$4 million, and 0.4% over \$4 million, and is based on BC Assessment values before application of land assessment averaging.

	2019 Tax Levy
Properties Valued \$3 - \$4m	\$8,645,751
Properties Valued Over \$4m	\$92,030,347
Overall	<b>\$100,676,098</b>

## 2. South Coast British Columbia Transportation Authority (TransLink)

TransLink has set tax rates that generate a tax levy of \$147.0 million in 2019, an increase of \$6.6 million (4.7%) from 2018. The tax share is ~51% residential and ~49% non-residential.

	2019 Unaveraged Rate	2019 Averaged Rate	2019 Tax Levy	2018 Tax Levy
Class 1 Residential	\$0.22160	\$0.22617	\$74,591,753	\$71,845,712
Class 2 Utilities	\$2.30930	\$2.30930	\$1,096,058	\$1,052,968
Class 3 Supportive Housing	\$0.00000	\$0.00000	\$0	\$0
Class 4 Major Industry	\$1.56130	\$1.56130	\$414,085	\$382,283
Class 5 Light Industry	\$1.02480	\$1.31365	\$2,636,540	\$2,312,888
Class 6 Business & Other	\$0.83900	\$0.89467	\$68,115,232	\$64,626,222
Class 8 Recreational & Non-profit	\$0.17340	\$0.17340	\$173,770	\$169,413
Class 9 Farm	\$0.35100	\$0.35100	\$26	\$36
			<b>\$147,027,464</b>	<b>\$140,389,522</b>

## 3. British Columbia Assessment Authority

BC Assessment has set tax rates that generate a tax levy of \$22.6 million in 2019, a decrease of \$0.3 million (1.2%) from 2018. The tax share is ~58% residential and ~42% non-residential.

	2019 Unaveraged Rate	2019 Averaged Rate	2019 Tax Levy	2018 Tax Levy
Class 1 Residential	\$0.03890	\$0.03970	\$13,093,949	\$13,689,750
Class 2 Utilities	\$0.48300	\$0.48300	\$229,245	\$215,979
Class 3 Supportive Housing	\$0.00000	\$0.00000	\$0	\$0
Class 4 Major Industry	\$0.48300	\$0.48300	\$128,100	\$113,315
Class 5 Light Industry	\$0.10820	\$0.13870	\$278,370	\$247,013
Class 6 Business & Other	\$0.10820	\$0.11538	\$8,784,348	\$8,535,669
Class 8 Recreational & Non-profit	\$0.03890	\$0.03890	\$38,983	\$36,746
Class 9 Farm	\$0.03890	\$0.03890	\$3	\$4
			<b>\$22,552,998</b>	<b>\$22,838,476</b>

## 4. Metro Vancouver Regional District

The Metro Vancouver tax levy is \$21.9 million in 2019, an increase of \$0.4 million (2.1%) from 2018. The tax share is ~63% residential and ~37% non-residential.

	2019 Averaged Rate	2019 Tax Levy	2018 Tax Levy
Class 1 Residential	\$0.04164	\$13,733,881	\$14,367,699
Class 2 Utilities	\$0.14575	\$69,176	\$65,323
Class 3 Supportive Housing	\$0.04164	\$0	\$0
Class 4 Major Industry	\$0.14158	\$37,550	\$33,293
Class 5 Light Industry	\$0.14158	\$284,163	\$233,835
Class 6 Business & Other	\$0.10202	\$7,767,425	\$6,752,785
Class 8 Recreational & Non-profit	\$0.04164	\$41,731	\$39,688
Class 9 Farm	\$0.04164	\$3	\$5
		<b>\$21,933,929</b>	<b>\$21,492,628</b>

## 5. Municipal Finance Authority of British Columbia (MFA)

MFA has set tax rates that generate a tax levy of \$110,433 in 2019, an increase of \$6,070 (5.8%) from 2018. The tax share is ~61% residential and ~39% non-residential. Although the City does not use the services provided by MFABC, our tax base shares some of their overhead costs.

	2019 Unaveraged Rate	2019 Averaged Rate	2019 Tax Levy	2018 Tax Levy
Class 1 Residential	\$0.00020	<b>\$0.00020</b>	<b>\$67,321</b>	\$67,939
Class 2 Utilities	\$0.00070	<b>\$0.00070</b>	<b>\$332</b>	\$300
Class 3 Supportive Housing	\$0.00020	<b>\$0.00020</b>	<b>\$0</b>	\$0
Class 4 Major Industry	\$0.00070	<b>\$0.00070</b>	<b>\$186</b>	\$157
Class 5 Light Industry	\$0.00070	<b>\$0.00090</b>	<b>\$1,801</b>	\$1,393
Class 6 Business & Other	\$0.00050	<b>\$0.00053</b>	<b>\$40,593</b>	\$34,390
Class 8 Recreational & Non-profit	\$0.00020	<b>\$0.00020</b>	<b>\$200</b>	\$182
Class 9 Farm	\$0.00020	<b>\$0.00020</b>	<b>\$0</b>	\$0
			<b>\$110,433</b>	<b>\$104,361</b>

## III. Sample Residential Tax Notices

Sample tax notices for the median strata and median single family property assessed at \$725,000 and \$1,752,000 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 3, 2019.

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](http://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 (by cheque or cash for payments <\$10,000) 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](http://vancouver.ca/ehog), which require the personal access code included on the property tax notice.

***Financial Implications***

In December 2018, Council approved the 2019 Operating Budget of \$1.5 billion of which \$790.8 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 \$923.2 million, which includes \$100.7 million of Additional School Tax on high-valued residential properties.

The final tax rates have been adjusted to give effect to the *2019 Land Assessment Averaging By-law #12398* enacted in March 2019, and to reflect the tax shift approved by Council in April 2019 to achieve a tax share of ~55.9% residential and ~44.1% non-residential for 2019.

***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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**2019 PROPERTY TAX RATES AND TAX LEVIES**

<i>\$ levy per \$1000 taxable value</i>	<b>Residential Class 1</b>	<b>Utilities Class 2</b>	<b>Supportive Housing Class 3</b>	<b>Major Industry Class 4</b>	<b>Light Industry Class 5</b>	<b>Business &amp; Other Class 6</b>	<b>Recreational &amp; Non-profit Class 8</b>	<b>Farm Class 9</b>
General Purpose Tax Levy	1.33572	24.22751	-	30.39510	4.27116	4.27116	1.30876	1.30876
Provincial School Tax	0.91773	13.20000	0.10000	3.70000	4.74286	3.94555	2.30000	7.10000
Translink	0.22617	2.30930	-	1.56130	1.31365	0.89467	0.17340	0.35100
BC Assessment	0.03970	0.48300	-	0.48300	0.13870	0.11538	0.03890	0.03890
Metro Vancouver	0.04164	0.14575	0.04164	0.14158	0.14158	0.10202	0.04164	0.04164
Municipal Finance Authority	0.00020	0.00070	0.00020	0.00070	0.00090	0.00053	0.00020	0.00020
<b>Total</b>	<b>\$ 2.56116</b>	<b>\$ 40.36626</b>	<b>\$ 0.14184</b>	<b>\$ 36.28168</b>	<b>\$ 10.60885</b>	<b>\$ 9.32931</b>	<b>\$ 3.86290</b>	<b>\$ 8.84050</b>

<i>\$ levy</i>	<b>Residential Class 1</b>	<b>Utilities Class 2</b>	<b>Supportive Housing Class 3</b>	<b>Major Industry Class 4</b>	<b>Light Industry Class 5</b>	<b>Business &amp; Other Class 6</b>	<b>Recreational &amp; Non-profit Class 8</b>	<b>Farm Class 9</b>	<b>Total</b>
General Purpose Tax Levy	440,797,433	7,509,917	-	8,061,328	8,572,394	325,181,515	1,314,654	193	<b>791,437,434</b>
Provincial School Tax	302,688,421	13,980,571	-	981,307	9,519,125	301,394,457	2,304,912	523	<b>630,869,316</b>
Translink	74,591,753	1,096,058	-	414,085	2,636,540	68,115,232	173,770	26	<b>147,027,464</b>
BC Assessment	13,093,949	229,245	-	128,100	278,370	8,784,348	38,983	3	<b>22,552,998</b>
Metro Vancouver	13,733,881	69,176	-	37,550	284,163	7,767,425	41,731	3	<b>21,933,929</b>
Municipal Finance Authority	67,321	332	-	186	1,801	40,593	200	-	<b>110,433</b>
<b>Subtotal</b>	<b>844,972,758</b>	<b>22,885,299</b>	<b>-</b>	<b>9,622,556</b>	<b>21,292,393</b>	<b>711,283,570</b>	<b>3,874,250</b>	<b>748</b>	<b>1,613,931,574</b>
Provincial Additional School Tax	100,676,098	-	-	-	-	-	-	-	<b>100,676,098</b>
<b>Total</b>	<b>\$ 945,648,856</b>	<b>\$ 22,885,299</b>	<b>-</b>	<b>\$ 9,622,556</b>	<b>\$ 21,292,393</b>	<b>\$ 711,283,570</b>	<b>\$ 3,874,250</b>	<b>\$ 748</b>	<b>\$ 1,714,607,672</b>

Tax Distribution:

CoV General Purpose Tax Levy	55.7%	0.9%	0.0%	1.0%	1.1%	41.1%	0.2%	0.0%	100.0%
All-in Tax Levy	55.2%	1.3%	0.0%	0.6%	1.2%	41.5%	0.2%	0.0%	100.0%



	STRATA		SINGLE FAMILY	
	\$	%	\$	%
<b>Median assessment</b>	<b>725,000</b>		<b>1,752,000</b>	
General purpose tax levy	968	74.1%	2,340	39.4%
Utility fees				
Sewer fees	-	-	471	7.9%
Solid waste fees	21	1.6%	325	5.5%
Water fees	-	-	716	12.1%
Total utility fees	21	1.6%	1,512	25.5%
<b>Total City charges</b>		-		-
Provincial school tax	665		1,608	
Less: Home owner's grant	(570)		(60)	
Provincial school tax, net	95	7.3%	1,548	26.1%
TransLink	164	12.5%	396	6.7%
BC Assessment	29	2.2%	70	1.2%
Metro Vancouver	30	2.3%	73	1.2%
Municipal Finance Authority	-	-	-	-
<b>Total Other taxing authorities</b>	<b>318</b>	<b>24.3%</b>	<b>2,087</b>	<b>35.1%</b>
<b>Total Charges on tax bill</b>	<b>1,307</b>	<b>100.0%</b>	<b>5,939</b>	<b>100.0%</b>

**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 of BC