

# AGENDA ADDENDUM

## *COUNCIL WORKSHOP*

**Monday, February 27, 2012**

**5:00 p.m.**

**Council Chamber, Municipal Hall**

**355 West Queens Road,**

**North Vancouver, BC**

**Council Members:**

Mayor Richard Walton

Councillor Roger Bassam

Councillor Robin Hicks

Councillor Mike Little

Councillor Doug MacKay-Dunn

Councillor Lisa Muri

Councillor Alan Nixon



NORTH VANCOUVER  
DISTRICT

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**COUNCIL WORKSHOP**

**5:00 p.m.  
Monday February 27, 2012  
DNV Committee Room, Municipal Hall  
355 West Queens Road, North Vancouver**

**AGENDA ADDENDUM**

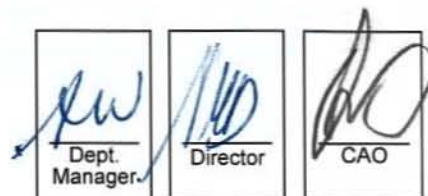
**THE FOLLOWING LATE ITEMS ARE ADDED TO THE PUBLISHED AGENDA**

- 3. Tax Strategy Update**  
File No. 05.1610.01/000.000

Report: Andy Wardell, Manager, Financial Services, February 21, 2012

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COUNCIL AGENDA/INFORMATION			
<input type="checkbox"/> In Camera	Date: _____	Item # _____	
<input type="checkbox"/> Regular	Date: _____	Item # _____	
<input type="checkbox"/> Agenda Addendum	Date: _____	Item# _____	
<input type="checkbox"/> Info Package			
<input type="checkbox"/> Council Workshop	DM# _____	Date: _____	Mailbox: _____



## The District of North Vancouver REPORT TO COUNCIL

February 21, 2012

File:

Tracking Number: RCA -

**AUTHORS:** Andy Wardell, Manager, Financial Services

**SUBJECT:** 2012 Tax Strategy Update

### RECOMMENDATIONS:

None.

### REASON FOR REPORT:

At the Tax Distribution Workshop in April 2011 a number of Councillors expressed a desire to see a Tax Strategy Update that was timed to assist with Council's 2012 budget deliberations. On February 27th staff will present a 2012 Tax Strategy Update based upon the Completed Roll received from BC Assessment. This information is preliminary in that BC Assessment will not complete their review of the Assessment Roll until the end of March 2012.

The Tax Distribution Workshop will still take place in April to enable Council to approve the final tax strategy allocations and set the 2012 tax rates.

Andy Wardell, Manager, Financial Services

<b>REVIEWED WITH:</b>	<b>REVIEWED WITH:</b>	<b>REVIEWED WITH:</b>	<b>REVIEWED WITH:</b>
<input type="checkbox"/> Sustainable Community Development	<input type="checkbox"/> Clerk's Office	External Agencies:	Advisory Committees:
<input type="checkbox"/> Development Services	<input type="checkbox"/> Corporate Services	<input type="checkbox"/> Library Board	<input type="checkbox"/> _____
<input type="checkbox"/> Utilities	<input type="checkbox"/> Communications	<input type="checkbox"/> NS Health	<input type="checkbox"/> _____
<input type="checkbox"/> Engineering Operations	<input type="checkbox"/> Finance	<input type="checkbox"/> RCMP	<input type="checkbox"/> _____
<input type="checkbox"/> Parks & Environment	<input type="checkbox"/> Fire Services	<input type="checkbox"/> Recreation Commission	
<input type="checkbox"/> Economic Development	<input type="checkbox"/> Human resources	<input type="checkbox"/> Other: _____	
	<input type="checkbox"/> ITS		
	<input type="checkbox"/> Solicitor		
	<input type="checkbox"/> GIS		





Feb 27, 2012

# 2012 Tax Strategy Summary

## 1. Understanding the Tax History

- % Share
- % Allocation
- Tax Rate
- Tax Bill

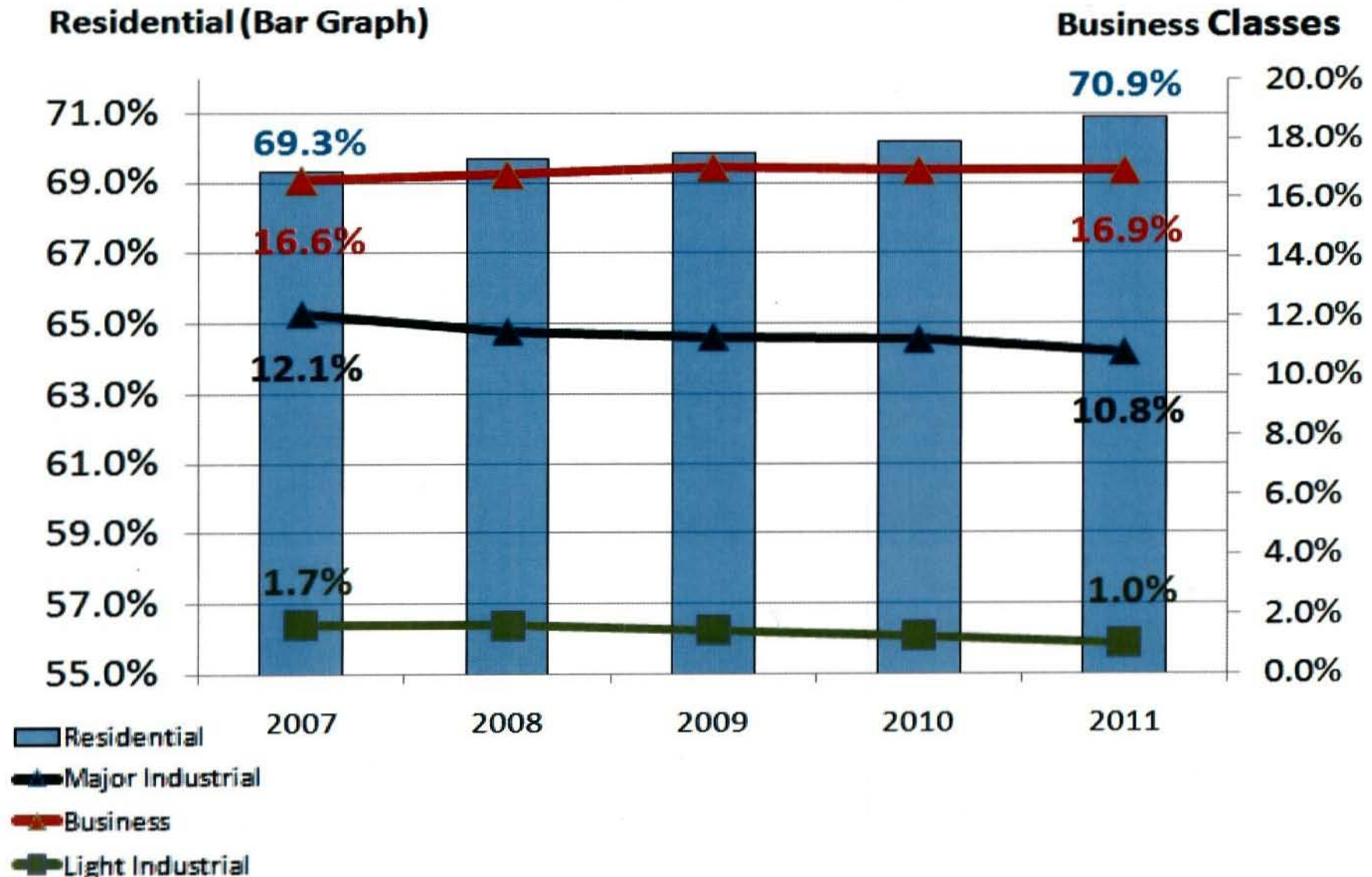
## 2. Tax Strategy Recap

## 3. Tax Strategy 2012 Edition

## 4. Looking ahead



# % Share of Tax Burden



# % Allocation of the Tax Rate Increase

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Tax Rate Increase	4.50%	4.50%	4.25%	3.00%	3.00%
<b><u>Distribution</u></b>					
Residential	4.50%	4.44%	4.50%	3.24%	3.50%
Business	4.50%	4.44%	4.25%	3.00%	3.00%
Major Industry Noncapped	4.50%	4.26%	4.25%	————— Reductions	
Light Industry	4.50%	4.44%	————— Reductions		

- ▶ Trending down
- ▶ Tax Strategy reductions in both Heavy and Light industry

# Tax Rate View

	<u><b>2007</b></u>	<u><b>2008</b></u>	<u><b>2009</b></u>	<u><b>2010</b></u>	<u><b>2011</b></u>	<b>2011 Regional Avg</b>
Residential	\$ 2.55	\$ 2.35	\$ 2.45	\$ 2.60	\$ 2.47	\$ 3.19
Major Industry - Non-capped	49.86	45.86	47.62	44.39	42.49	26.80
Major Industry - Capped	27.50	27.50	27.50	27.50	27.50	
Blended Major Industry	41.49	34.27	34.77	33.84	33.42	26.80
Light Industry	29.49	27.16	25.28	22.58	21.72	12.73
Business	9.60	8.60	9.16	8.63	8.84	10.61

- ▶ Rates per \$1,000 of assessed property value
- ▶ Rate adjustments translated into tax reductions of \$544k and \$360k for Heavy and Light Industry respectively

# Tax Bill - Major Industry

<u>Company</u>	<u>2006</u>	<u>2011</u>	<u>Increase (Decrease)</u>	<u>Comments</u>
Allied	\$ 166,687	\$ 174,911	\$ 8,224	
New Alta	282,982	288,099	5,117	
Superior	816,873	824,487	7,614	
Canexus	1,352,194	1,947,524	595,330	New Investments
Seaspan	512,494	635,466	122,972	Class shift from 6
Fiberco	365,860	618,251	252,391	New Investments
Dow/Univar	187,495	181,005	(6,490)	Capped
Western	554,565	529,788	(24,777)	Capped
Kinder Morgan	2,474,560	2,184,683	(289,877)	Capped
Heavy Industry	\$6,713,710	\$7,384,213	\$ 670,503	
Avg Annual Increase			<b>1.9%</b>	



# Tax Bill - Light Industry

<u>Company</u>	<u>2006</u>	<u>2011</u>	<u>Increase (Decrease)</u>	<u>Comments</u>
BA Blacktop	\$ 70,998	\$ 51,531	\$ (19,467)	
Construction Aggregates	54,577	40,404	(14,172)	
MAN Estates	14,265	11,705	(2,560)	
VKLC Holdings	34,761	21,433	(13,328)	
McKeen & Wilson	191,268	96,526	(94,742)	Class shift to 6
McKenzie Enterprises	61,242	70,750	9,508	Assessment growth
Kingswood Properties	96,604	123,606	27,001	Assessment growth
Rempel Bros.	192,580	181,065	(11,515)	
Houston Glascraft	60,941	15,635	(45,306)	Class shift to 6
Port Properties	167,356	139,892	(27,464)	
Other	11,194	12,146	952	
	<u>\$ 955,787</u>	<u>\$ 764,694</u>	<u>\$ (191,093)</u>	
Tax Reduction since 2006			<b>-20.0%</b>	

# Tax Strategy Recap

- ▶ Harmonizing tax rates with either:
  - ▶ the average for the region or
  - ▶ the capped rate (if applicable)over a period of five years consistent with new investments (2012 is year 4 of strategy)
- ▶ Shifting taxes between classes where the tax base for a property class is too small to be corrected by investment alone

# Tax Strategy - 2012 edition

- ▶ Calculating based on a completed roll - \$25.2 Billion
- ▶ Using a projected 2% tax rate increase
- ▶ Continuing the shift from light industry to residents
- ▶ Letting Heavy Industry benefit from its investments
- ▶ Allocating same baseline value to Residents and Business

## 2012 – % Allocation of Tax Rate Increase

	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>
Tax Rate Increase	4.50%	4.50%	4.25%	3.00%	3.00%	2.00%

### **Distribution**

Residential	4.50%	4.44%	4.50%	3.24%	3.50%	2.22%
Business	4.50%	4.44%	4.25%	3.00%	3.00%	2.00%
Major Industry Noncapped	4.50%	4.26%	4.25%	————— Reductions		—————
Light Industry	4.50%	4.44%	————— Reductions			—————

- ▶ 2012 Continues downward trend
- ▶ 2012 = Draft Financial Plan and Tax Strategy



## 2012 Tax Burden - Rate View

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<b>2011 Regional Avg</b>
Residential	\$ 2.55	\$ 2.35	\$ 2.45	\$ 2.60	\$ 2.47	\$ 2.36	\$ 3.19
Major Industry - Non-capped	49.86	45.86	47.62	44.39	42.49	41.45	26.80
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Light Industry	29.49	27.16	25.28	22.58	21.72	19.53	12.73
Business	9.60	8.60	9.16	8.63	8.84	\$ 8.48	10.61

- ▶ Rates per \$1,000 of assessed property value
- ▶ Cumulative tax reduction of \$565k and \$480k for Heavy and Light Industry respectively
- ▶ Tax rates for residential and business under the regional averages

# Observations

- ▶ The rates moving in the right direction albeit at a reduced pace
- ▶ Gains in Heavy Industry are offset by the impact of depreciation
- ▶ Investments of \$339m made since 2007 but only \$26m taxable (\$19m under PPTA)
- ▶ The target of \$27.50 by 2013 not achievable based on level of investments anticipated
- ▶ Available Remedies are:
  - ▶ More investments by industry
  - ▶ More tax shifts by Council

# Looking Ahead

## More Heavy Industry Taxable Investments:

1. Seaspan \$100m investment = \$10m taxable and projected rate reduction to \$37.40
2. After Seaspan investment gap is \$37m to reach the \$27.50 target

## More Tax Shifts from:

1. If to Business
  - Rate increases from \$8.48 to \$9.13 (average \$10.61)
  - Appropriation of \$120m of new investments
2. If to Residents
  - Rate increases from \$2.36 to \$2.41 (average \$3.19)
  - Appropriation of \$430m of new investments

# Conclusions

- ▶ Strategy has been derailed by the lack of taxable investment
- ▶ No new evidence in support of the case for industry hardship
- ▶ The Province has announced its continuation of the PPTA and the tax subsidy
- ▶ No need to change the strategy yet until more is known about:
  - ▶ Industry future investment levels
  - ▶ Timing and size of residential and commercial growth
  - ▶ Outcome of the Provincial Expert Panel on Tax competitiveness

► The end

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