

2018 Tax Distribution

Workshop

April 16, 2018

Outline

1. Current Tax Strategy Recap & Impacts
2. Market Normalization
3. Tax Distribution Considerations
4. Next Steps

Tax Competitiveness Strategy

- Harmonizing tax rates with either:
 - the average for the region or
 - the capped rate (if applicable)
- Use new investments as the tool to reduce Heavy Industry tax rate
- Shifting taxes between classes where the tax base for a property class is too small to be corrected by new investments alone

Tax Strategy Impacts

- Tax Strategy overrides budget principles of “infrastructure renewal” and “development pays for development”
- Non-capped heavy industrial properties have been primary beneficiaries of Council’s tax strategy
 - \$9.6m lower
 - Average \$1.9m annually lower
 - Tax rate reduced from \$49.86 (2007) to \$28.41 (2017) per \$1,000 of assessed value

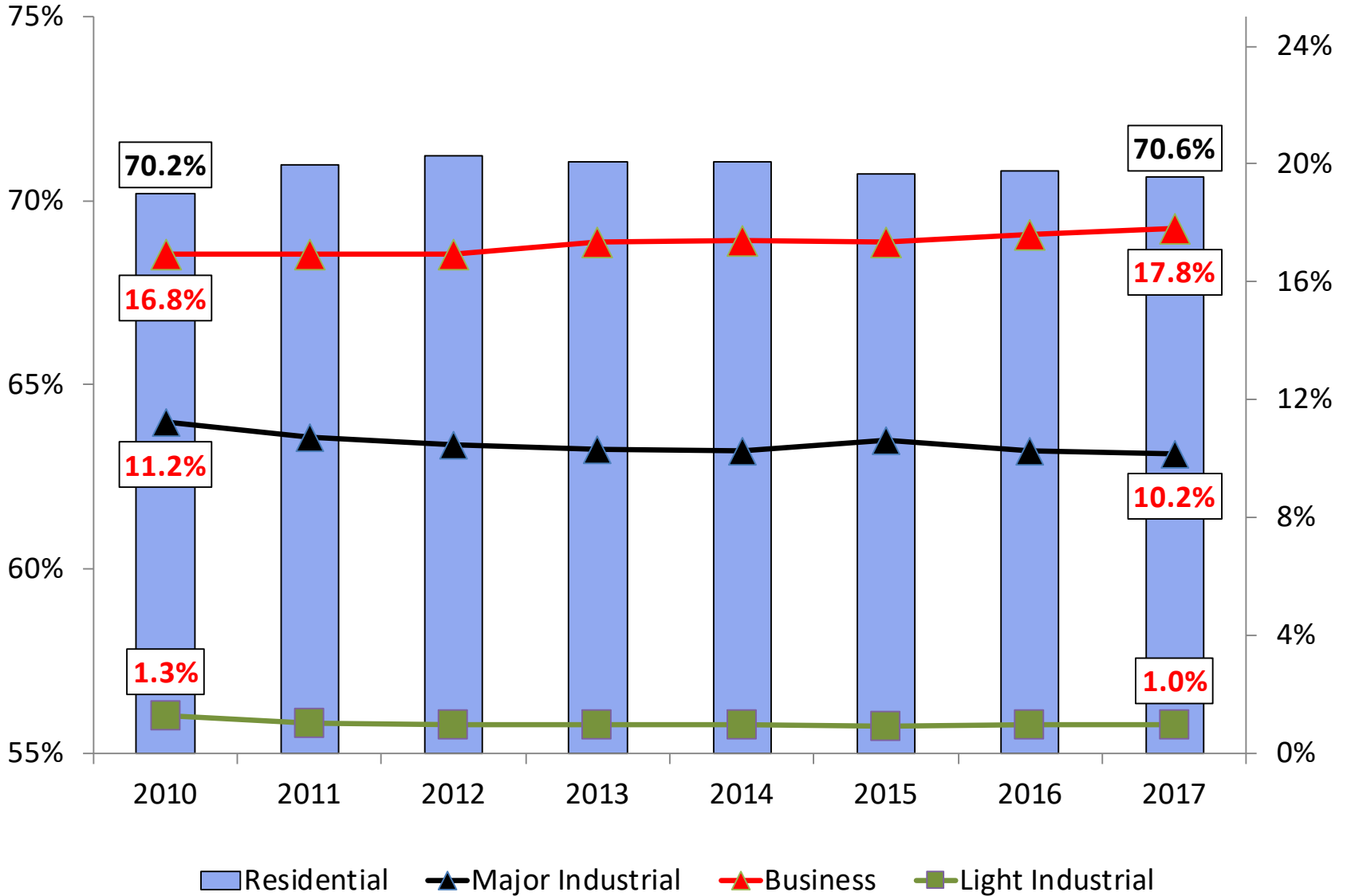
Tax Distribution Competitiveness Recap

	Cumulative 2010 to <u>2017</u>	Average 2010 to <u>2017</u>	<u>2018</u>
Heavy Industry - Non-capped	-22.77%	-2.85%	TBD
Major Industry Capped \$27.50	-12.83%	-1.60%	2.64%
Major Industry Capped \$22.50	-109.46%	-13.68%	0.00%
Light Industry	-24.08%	-3.42%	3.00%
Residential	22.21%	2.78%	3.00%
Business	21.00%	2.63%	3.00%
Operations		1.69%	2.00%
Infrastructure Renewal		1.00%	1.00%
		<u>2.69%</u>	<u>3.00%</u>

History - % Share of Tax Burden

Residential Class (Bar Graph)

Business Classes (Line Graphs)



2018 Heavy Industry Market Normalized

- Non-capped Assessed Values up 109% to \$412m (2017 - \$197m)
 - Land up 179%
 - Improvements are depreciating
- Tax Strategy target rate of \$27.50 per \$1,000 achievable
 - Matches Ports Property Tax Act rate set by Province
 - Competitive with heavy industry tax rates for other Metro municipalities (2018 survey = \$30.98 per \$1,000)
 - Market Correction normalizes property taxes by \$5.6m

Heavy Industry Risk - \$6.9 M

- At \$27.50 – risk mitigated by \$5.6M
 - 2018 = 100% under appeal = potential tax loss Est \$2.5M
 - 2013 to 2017 tax appeals = \$3.4M
 - Fibreco legal action \$994k
- Lower than \$27.50?
 - 3% = \$17.03 = limited risk management via residents/business
 - + add \$1.3M loss under PPTA as land values frozen

Other Distribution Considerations

- Residential, Business and other property classes stable
 - Residential assessed values:
 - SFH 2018 values stable 2.4% inc. / Strata up 12%
 - Business assessed values:
 - 2018 up 30% = catch up to residents over last 3 years = +- 3% difference
- Tax Shifts at Council's discretion

Option A – 3% + HI at \$27.50

	2018		2017		
	<u>Levy % Increase</u>	<u>Projected Tax Rates</u>	<u>District Tax Rates</u>	<u>Regional Averages</u>	
Residential	3.00%	\$ 1.59	\$ 1.61	\$ 2.15	
Heavy Industry - NC	102.34%	27.50	28.41	32.69	2018 @ \$30.98
Light Industry	3.00%	7.72	10.45	10.49	
Business	3.00%	5.60	7.07	7.39	

- Class 4 @ one tax rate of \$27.50 – strategy objective met
- HI Taxes normalized = \$5.6 M = tax risk management
- No tax shift considered between classes

Option B – 3% + HI at \$28.41

	2018		2017		
	<u>Levy % Increase</u>	<u>Projected Tax Rates</u>	<u>District Tax Rates</u>	<u>Regional Averages</u>	
Residential	3.00%	\$ 1.59	\$ 1.61	\$ 2.15	
Heavy Industry - NC	109.02%	28.41	28.41	32.69	2018 @ \$30.98
Light Industry	3.00%	7.72	10.45	10.49	
Business	3.00%	5.60	7.07	7.39	

- All tax rates continue below the regional averages
- HI Taxes = \$5.9 M = tax risk management
- No tax shift considered between classes

Option C – 3% + HI at \$17.03

	2018		2017		
	<u>Levy % Increase / Decrease</u>	<u>Projected Tax Rates</u>	<u>District Tax Rates</u>	<u>Regional Averages</u>	
Residential	3.00%	\$ 1.59	\$ 1.61	\$ 2.15	
Heavy Industry - NC	25.28%	17.03	28.41	32.69	} 2018 @ \$30.98
Heavy Industry - Capped	-36.43%	17.03	27.50	27.50	
Light Industry	3.00%	7.72	10.45	10.49	
Business	3.00%	5.60	7.07	7.39	

- HI rate = break even due to \$1.3M loss on HI Capped
- Tax Loss risk to DNV remains at \$6.9M
- No tax shift considered between classes

Tax Strategy Recommendation

- Continue tax strategy = target met @ \$27.50
- Matches tax rate set by the Province
- BCA assessed values @ Market = taxes normalized
- Focus first on tax loss risk; then budget principles re: “infrastructure renewal” and “development pays for development”.

Recommendation:

“THAT staff be directed to prepare the 2018 Tax Rates Bylaw”.

Discussion