

2019 Tax Distribution

Workshop

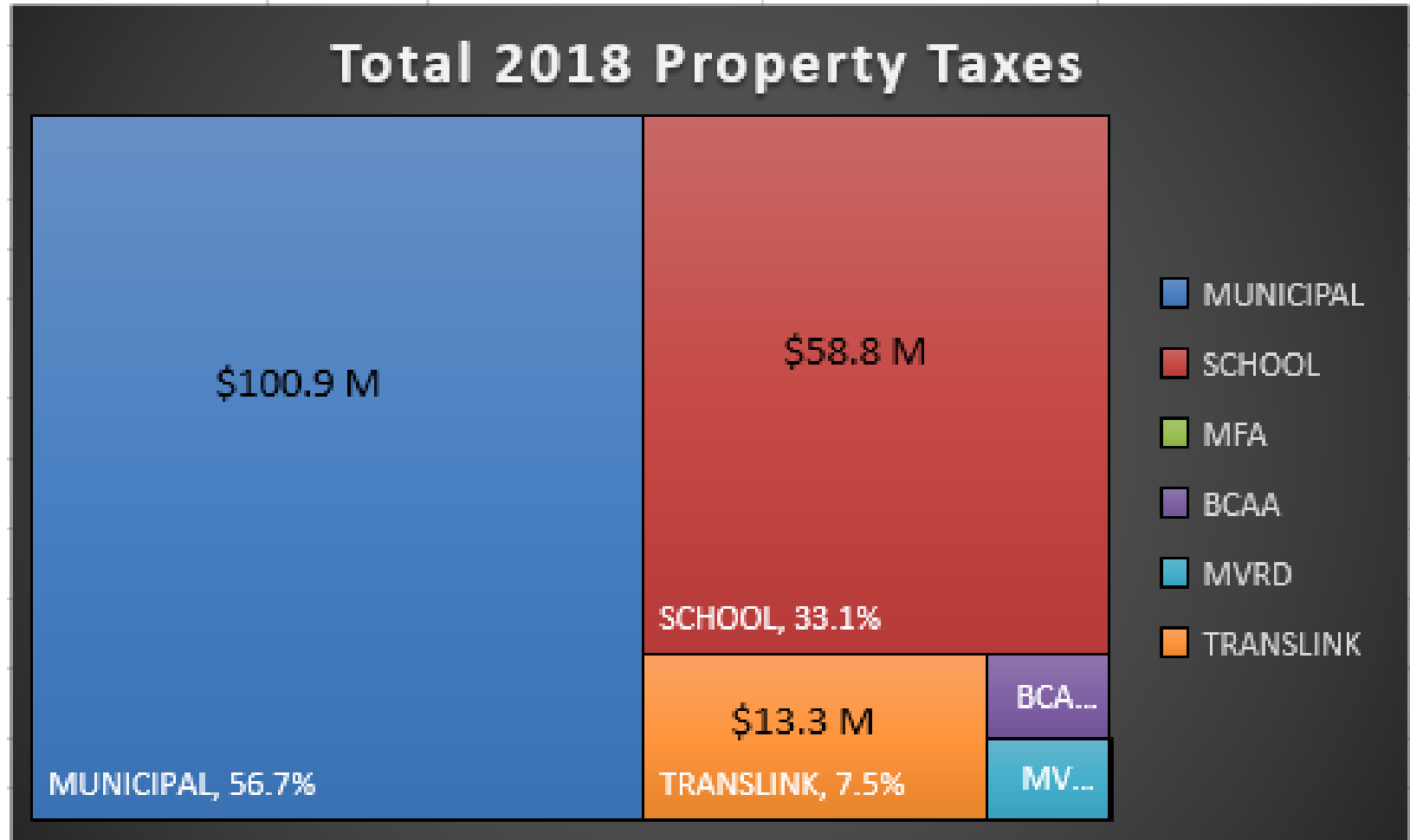
April 16, 2019

Outline

1. Overview - The Property Tax Bill
2. Tax Competitiveness Strategy
3. Major Industry Tax Class
4. Business Tax Class
5. Tax Distribution Considerations
6. Deliberations & Tax Rates Bylaw recommendation to next regular Council meeting

Overview – The Property Tax Bill

- District
 - Stable and competitive
 - Focus - slow steady adjustments for inflation and asset renewal
 - Council control
- Other Jurisdictions
 - Provincial control
 - Boards' control



Tax Competitiveness Strategy

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

Tax Strategy Impacts

Share of Taxes

	<u>2010</u>	<u>2018</u>	<u>Change</u> [*]	
Major Industrial	11.2%	10.5%	-0.8%	= \$1.9m annually
Light Industrial	1.3%	1.1%	-0.2%	= \$500k annually

* Excludes \$3.4 million – one time adjustment re: Major Industry tax-loss risk

Tax Strategy Impact

	2010 to 2018		
	<u>Averages</u>	<u>Cumulative Tax % Inc</u>	*
Residential	2.80%	25.21%	
Major Industry Noncapped	-2.20%	-19.77%	= \$9.6m
Major Industry Capped \$27.50	-1.09%	-9.83%	
Major Industry Capped \$22.50	-11.83%	-106.46%	
Light Industry	-2.34%	-21.08%	
Business	2.67%	24.00%	
Council Burden % Increase	2.72%	24.50%	

* Excludes \$3.4 million – one time adjustment re: Major Industry tax-loss risk

Major Industry Tax Class

2019 Non-Capped Major Industry

- Land Values up
 - Land up 8% (2018 – 219%)
 - Non-capped Land Assessed Values up to \$359m versus (2018 - \$338m & 2017 - \$121m)
- 100% Appealing
 - 2018 and 2019 assessed values
 - Pollution - key reason for seeking reductions in land values
- And... Creating “risk”
 - Tax-loss risk estimated to grow at \$2.5M per annum

2019 Non-Capped Major Industry

BC Assessment Highest and Best Use = Market

- Demand is making North Shore freehold oceanfront highly desirable
- Land sales setting the market are \$4.1M to \$6.6M per acre

Pollution Pays

- Provincial Laws (BC Assessment Act) & case law reward polluters with reduced land values
- Seaspan – 15 years of pollution deductions and still not resolved
- New Claims - Is there really an intention to remediate when it cost millions?

DNV 3% vs The Provincial System

		2018 & 2019 Combined	% change		<u>Risk Spread</u>
<u>Non-Capped Major Industry</u>					
	DNV	\$ 340,592	6%	Breakeven	1
	Other Jurisdictions	847,939	97%	Provincial Regulations	22/188
	Ports Property Tax Act	\$ 1,922,258		Provincial Legislation	1
	Assessment Appeals	3,399,353		1X Risk Management	1
<u>Light Industry</u>					
	DNV	\$ 48,684	5%	Breakeven	1
	Other Jurisdictions	186,854	33%	Provincial Regulations	22/188
		\$ 235,538			
<u>Business</u>					
	DNV	\$ 1,002,776	6%	Breakeven	1
	Other Jurisdictions	5,633,976	39%	Provincial Regulations	22/188
		\$ 6,636,752			

Major Industry – 2019 Tax Rate Options

Options	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>
Financial Plan					
Non-Capped	\$ 4,081,957	\$ 4,022,083	\$ 1,940,680	\$ 1,688,696	\$ 1,436,710
Capped @ \$27.50	(599,252)	(618,007)	(1,269,986)	(1,348,917)	(1,427,850)
Capped @ \$22.50	(4,626)	(4,722)	(8,053)	(8,456)	(8,860)
Total	\$ 3,478,079	\$ 3,399,354	\$ 662,641	\$ 331,323	\$ (0)
Tax Rates					
Non-Capped	\$ 22.50	\$ 22.37	\$ 17.69	\$ 17.13	\$ 16.56
Capped @ \$27.50	22.50	22.37	17.69	17.13	16.56
Capped @ \$22.50	22.50	22.37	17.69	17.13	16.56

- River/ Ocean front combined Regional Average is \$32.69
- Ocean front Regional Average is \$35.99

Business Tax Class

Business Class - Assessed Values

- Most are within range
 - 90% of properties within 5% or under of the 25.4% average increase in assessed value
- Approved budget
 - At 25.4% the average tax increase would be 3% (2% inflation + 1% for asset renewal)

Total Assessment Increase	Total Number of Properties	% of Class 6 Properties
> 30%	108	10%
20% - 30%	369	33%
0% - 20%	644	57%
Total	1121	100%

Business Municipal Taxes

- DNV - one of the lowest in Metro Vancouver
- Below North Shore Average
- Business property taxes are “tax deductible” for income tax purposes @ 27%

Source: Province of BC, 2018 LGDE data set

	Average 2018	
Langley C	\$	53,252
Coquitlam		40,231
Pitt Meadows		34,372
Burnaby		32,312
New Westminster		29,896
Vancouver		26,996
Delta		22,466
Port Coquitlam		21,577
North Vancouver C		19,156
Port Moody		19,070
North Vancouver D		14,769
Maple Ridge		14,384
Surrey		13,675
West Vancouver		11,770
Richmond		11,518
Metro Average	\$	21,884
North Shore		16,160

Business Class Provincial & Regional Taxes at the Average

	<u>DNV</u>	
2018	\$ 17,338,426	3.0%
2017	16,833,421	
	<hr/>	
	\$ 505,005	

	<u>School</u>	<u>Translink</u>
	\$ 13,011,275	14%
	11,441,769	
	<hr/>	
	\$ 1,569,506	

	\$ 2,906,938	13%
	2,564,670	
	<hr/>	
	\$ 342,268	

	<u>Assessment</u>	
2018	\$ 383,941	16%
2017	331,655	
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	\$ 52,286	

	<u>Metro Van</u>	
	\$ 331,369	33%
	248,273	
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	\$ 83,096	

	<u>MFA</u>	
	\$ 1,547	30%
	1,190	
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	\$ 357	

Tax Distribution Considerations

Tax Strategy Impact considerations

Strategy – worked

Non-capped major industrial 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 Risk Considerations

- Major Industry – 100% appealed 2018 and 2019 land values
- Major Industry – creating 100% of tax loss risk
- Tax Loss Risk – estimated @ \$10 million
- Tax Loss Risk – Estimated increase @ \$2.5 million per year (pending resolution of land valuation appeals)
- Risk Reserve – \$7.2 million funded 50% by residents & business

Council Considerations

- **Major Industry - Rate > \$16.56 (breakeven)**
 - Reduces tax-loss risk
 - May create some room for Council priorities (1X)
- **Business @ 3% = rate of \$4.63**
 - Steady and stable over time
 - Cost pressures created by:
 - BC Assessment's H&BU
 - Other taxing jurisdictions

Major Industry – 2019 Tax Rate Options

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Tax Strategy Recommendation

- Major Industry = 1X @
\$22.37 = \$3.4M

- Business Class = approved
budget @ 3% = \$4.63

- For
 - Manage Risk
 - Protects other tax payers & levels of service (LOS)
- Against
 - Impacts on Heavy Industry
 - Messaging to Province
- For
 - Protects other tax payers & LOS
 - Consistently low tax increases for sustainable service delivery
- Against
 - High Taxes via H&BU (on some)
 - Other jurisdictions taking tax room

Recommendation:

“THAT staff be directed to prepare the 2019 Tax Rates Bylaw”.