

AGENDA ADDENDUM

COUNCIL WORKSHOP

Monday, April 19, 2021

7:00 p.m.

Watch at <https://dnvorg.zoom.us/j/65345321120>

Council Members:

Mayor Mike Little

Councillor Jordan Back

Councillor Mathew Bond

Councillor Megan Curren

Councillor Betty Forbes

Councillor Jim Hanson

Councillor Lisa Muri



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AGENDA ADDENDUM

THE FOLLOWING LATE ITEMS ARE ADDED TO THE PUBLISHED AGENDA

3. REPORTS FROM COUNCIL OR STAFF

3.1. 2021 Property Tax Distribution

File No.

Report: Manager – Financial Services

Recommendation:

THAT the April 16, 2021 report of the Manager- Financial Services entitled 2021 Property Tax Distribution is received for information.

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AGENDA INFORMATION	
<input type="checkbox"/> Regular Meeting	Date: _____
<input type="checkbox"/> Other:	Date: _____

Dept. Manager	GM/ Director	CAO <i>Acting</i>
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The District of North Vancouver REPORT TO COUNCIL

April 16, 2021

File:

AUTHOR: Elio Iorio, Manager, Financial Services

SUBJECT: 2021 Property Tax Distribution

RECOMMENDATION:

THAT the April 16, 2021 report of the Manager – Financial Services entitled 2021 Property Tax Distribution is received for information.

REASON FOR REPORT:

The reason for this report is to provide Council with information on the property tax distribution options and seek direction for the preparation of the 2021 Tax Rate Bylaw, and if necessary, Financial Plan Amendment Bylaw.

SUMMARY:

This report summarizes tax distribution options for Council consideration at the Tax Distribution Workshop to be held on April 19th. All options include Council's property tax levy increase of 3% as provided for in the approved 2021 to 2025 Financial Plan.

Options for Council consideration on April 19th range from taking no further action to the following:

- Tax redistribution by levying up to \$1,848,925 on Class 4 non-capped major industry and a corresponding reduction for Class 6 Business up to \$1,848,925 (10.58%) – a one time only redistribution for 2021. This \$1.849 million is supported by eligible improvements under the Assessment Act, made by major industry between 2010 and 2017. Under Council's tax strategy, Council did not levy property taxes in order to lower the tax rate on non-capped major industry. Details are in the Analysis Section of this report.
- Levying up to \$1,848,925 on Class 4 non-capped major industry to contribute funds to the tax growth reserve. This contribution follows the growth pays for growth principle.
- Providing a tax reduction for Class 6 Business up to \$1,848,925 (10.58%) – one time only for 2021 drawing from the General Working Capital Reserve.

In the event Council decides on tax redistribution between tax classes no financial plan amendment is required. Any contribution or draw from a reserve requires a financial plan amendment.

BACKGROUND:

Under the Community Charter, Council may only set property tax rates at the class level. The District's tax policy promotes competitiveness within the lower mainland by setting tax rates at or near the regional average per tax class.

Each year, after approval of the Financial Plan, Council must approve a Tax Rates Bylaw that sets a tax rate for each property class. This is accomplished through Council discussion that reviews current economic circumstances and its effects on maintaining tax competitiveness.

In Council setting tax rates per property classification it presents an opportunity to ensure the tax strategy is achieving its intended result or if modifications are required.

What is your role?

- Review this report which provides property tax distribution and tax rate setting options for Council consideration.
- Ask questions and seek clarification (if required).
- Consider the options for discussion at the April 19th meeting, direct staff to prepare the Tax Rates Bylaw for Council's consideration at the Regular Council meeting being held on April 26th.
- On April 26th provide three readings and adopt the option that will set 2021 tax rates.

ANALYSIS**Business - Class 6 (includes small businesses)**

Council requested that staff explore options to support small businesses adversely impacted by the pandemic. Options explored included in-depth research of permissive tax exemption legislation, research on pandemic impacts on businesses, support for businesses applying for Provincial Grants and enhancing economic development. The Province messaged that the Federal and Provincial pandemic programs are sufficient and there are no plans to open up municipal legislative options. As a result Council is limited to tax redistribution options, at the tax class level, historically available under the Community Charter.

Tax Distribution Options – Class 6 Business:

Options for Council consideration range from:

1. Redistribution up to \$1,848,925 between tax classes or
2. Draw upon the General Working Capital Reserve to reduce Class 6 Business property taxes.
3. Take no further action.

A \$1.849 million reduction for small business would reduce Business Class 6 municipal property taxes by approximately 10.58% including the reversal of the 3% tax increase recently adopted for 2021.

MAJOR INDUSTRY - Class 4 - Background

Council's Non-capped Major Industry Tax Strategy

Prior to the implementation of a tax strategy in 2010, non-capped major industrial property owners lobbied Council to reduce the tax rate applied on their property assessments in order to incentivize greater investments in their property footprints. The marginal tax rate at that time was \$47.62 in 2009.

Rate Reduction:

Beginning in 2010, Council, through the tax strategy, implemented progressive reductions in property taxes for non-capped major industrial properties. The goal was to harmonize to the capped Major Industry tax rate of \$27.50. To achieve this objective a) property taxes on any non-capped property investments (improvements) were not levied and b) further reductions to non-capped property taxes were provided reducing the tax rate by investments generated by the designated capped properties. The current annual benefit to non-capped properties is approximately \$1.8M. The cumulative benefit since the inception of the strategy is approximately \$8.8M in reduced property taxes.

Tax Rates & \$27.50	
Year	Target
2009	47.62
2010	44.39
2011	42.49
2012	41.17
2013	36.77
2014	29.33
2015	30.97
2016	28.41
2017	28.41
2018	23.45
2019	22.37
2020	11.68

Market Correction:

Prior to 2018, BC Assessment had not indexed market based valuations on non-capped properties to sales occurring in other regions of the lower mainland. In late 2017, the sale of the McKeen and Wilson property set the path for BC Assessment to re-evaluate market based property values for waterfront properties. General market conditions evidence that, each year since 2018, market values on industrial properties have risen in value. These market valuation adjustments resulted in lower tax rates being set (\$11.68 in 2020). This suggests that if BC Assessment had been indexing property values based on regional sales before 2018, Council, in hindsight, might not have reduced taxes by \$1.849M.

This \$1.849M is growth in the tax base that, had it been taxed, would have been invested in growth related services including transportation projects (eg: including the longer term replacement of waterfront assets such as the Philips Avenue Overpass). Growth in valuations based on development are intended to generate property taxes that pay for growth in services or infrastructure.

Tax Distribution Options – Class 4 Major Industry:

Options for Council consideration range from:

1. Levy up to \$1.849 million of property taxes and either:
 - Redistribute to Class 6 business or
 - Contribution to growth services for growth related infrastructure and Council priorities.
2. Do not levy any additional property taxes.

Ongoing Appeals:

At this time the Assessment Appeal & Tax Loss reserve is considered to be sufficient to mitigate quantifiable tax loss risks from waterfront appeals. Additional risks may manifest but are not quantifiable at this time. It should be noted that the remaining balance of \$3.6 million is funded approximately 94% by the residential and business tax classes.

Assessment Benchmarking:

Staff benchmarked District oceanfront residential land values and property taxes compared to non-capped major industrial valuations. Property values for residential oceanfront average \$10.3 million per acre versus non-capped major industry at \$4.5 million per acre. This provides a more comparable local representation of property taxes as real estate wealth is the premise of British Columbia's property tax system.

By analysing property taxes on an "after income tax basis" residential and any industrial /business property taxes can be indexed for comparison. Should Council deliberations levy the full \$1.849 million option this would place the non-capped uplands tax ratio on an acre of land at 2.89 compared to residential waterfront at 1.0 and set the non-capped major industry tax rates at approximately \$17.52 per thousand of assessable value. The regional average for 2020 was \$21.25 per thousand of assessable value.

EXISTING POLICY:

- Community Charter

Timing/Approval Process:

Timing is essential. The statutory deadline for adopting the Tax Rates Bylaw is May 14th.

Financial Impacts:

Financial impacts are subject to Council deliberations at the April 19th workshop and adoption of a final decision at a Regular Council meeting.

Conclusion:

Council direction to staff is required at the April 19th workshop and needs to be referred to a regular council meeting on April 26th. Based on Council's schedule, to meet statutory deadlines, the Tax Rates Bylaw must be adopted no later than Council's meeting on May 10th.

Respectfully submitted,

A handwritten signature in black ink, appearing to be 'Elio Iorio', written over a horizontal line.

Elio Iorio, Manager, Financial Services.

REVIEWED WITH:					
<input type="checkbox"/> Community Planning	_____	<input type="checkbox"/> Clerk's Office	_____	External Agencies:	
<input type="checkbox"/> Development Planning	_____	<input type="checkbox"/> Communications	_____	<input type="checkbox"/> Library Board	_____
<input type="checkbox"/> Development Engineering	_____	<input type="checkbox"/> Finance	_____	<input type="checkbox"/> NS Health	_____
<input type="checkbox"/> Utilities	_____	<input type="checkbox"/> Fire Services	_____	<input type="checkbox"/> RCMP	_____
<input type="checkbox"/> Engineering Operations	_____	<input type="checkbox"/> ITS	_____	<input type="checkbox"/> NVRC	_____
<input type="checkbox"/> Parks	_____	<input type="checkbox"/> Solicitor	_____	<input type="checkbox"/> Museum & Arch.	_____
<input type="checkbox"/> Environment	_____	<input type="checkbox"/> GIS	_____	<input type="checkbox"/> Other:	_____
<input type="checkbox"/> Facilities	_____	<input type="checkbox"/> Real Estate	_____		
<input type="checkbox"/> Human Resources	_____	<input type="checkbox"/> Bylaw Services	_____		
<input type="checkbox"/> Review and Compliance	_____	<input type="checkbox"/> Planning	_____		