

AGENDA

COUNCIL WORKSHOP

Tuesday, April 19, 2022

7:00 p.m.

Council Chamber, Municipal Hall

355 West Queens Road

North Vancouver, BC

Watch at <https://dnvorg.zoom.us/j/67910218298>

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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355 West Queens Road, North Vancouver
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AGENDA

1. ADOPTION OF THE AGENDA

1.1. April 19, 2022 Council Workshop Agenda

Recommendation:

THAT the agenda for the April 19, 2022 Council Workshop is adopted as circulated, including the addition of any items listed in the agenda addendum.

2. ADOPTION OF MINUTES

3. REPORTS FROM COUNCIL OR STAFF

3.1. 2022 Property Tax Increase Distribution Options File No.

p. 7-13

Report: Manager, Financial Services, April 6, 2022

Recommendation:

THAT 2022 Property Tax Increase Option 1 (Even Distribution) is endorsed;

AND THAT staff are directed to bring forward a 2022 Tax Rates Bylaw reflecting Option 1 for adoption prior to the May 15, 2022 deadline.

4. PUBLIC INPUT

(maximum of ten minutes total)

5. ADJOURNMENT

Recommendation:

THAT the April 19, 2022 Council Workshop is adjourned.

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REPORTS

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

 Dept. Manager	 GM/ Director	 CAO
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The District of North Vancouver REPORT TO COUNCIL

April 6, 2022

File:

AUTHOR: Elio Iorio, Manager, Financial Services

SUBJECT: 2022 Property Tax Increase Distribution Options

RECOMMENDATION:

THAT 2022 Property Tax Increase Option 1 (Even Distribution) is endorsed;

AND THAT staff are directed to bring forward a 2022 Tax Rates Bylaw reflecting Option 1 for adoption prior to the May 15, 2022 deadline.

REASON FOR REPORT:

This report provides information on property tax distribution options between property tax classes. Per the Community Charter, preparation and adoption of a Tax Rates Bylaw before May 15th is required after adoption of the 2022-2026 Financial Plan. The financial plan was adopted on April 4th including a 3% tax rate increase. Property tax rates are set each year to enable the District to collect the tax levy that is required through the Financial Plan.

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 2022-2026 Financial Plan.

BACKGROUND:

Through the Community Charter, Council may only set municipal property tax rates at the property class level. This aims to ensure fairness in taxation based upon similar property types or uses. Moreover, the District's tax strategy promotes competitiveness within the lower mainland by aligning the District tax rates with the Metro Vancouver regional average per property tax class. The strategy considers some shifting of the tax burden between classes if the tax base for a property class is not sufficient to be corrected by investment alone. Furthermore, as the tax strategy is based on the principles of equity and fairness, a review of current economic circumstances and relevant Provincial legislation that impacts tax competitiveness is provided.

ANALYSIS: (Key considerations in rate setting)**Economic and Residential Class Considerations:**

Since the beginning of the COVID-19 pandemic an unprecedented amount of stimulus has been injected into global economies. In Canada senior levels of government through various support programs have assisted in keeping people employed and businesses operating. Many different forms of COVID-19 variants have challenged market stability the latest being the infectious Omicron variant. Although economies are growing resilient to the pandemic a decline in productivity has created supply and demand imbalances now contributing to increased price pressures resulting in high inflation not seen since the early 1990's. To exacerbate the squeeze on spending power the Russian invasion of Ukraine has now added increased uncertainty with energy and food prices likely to see headline inflation break through 6% and stay elevated longer than initially expected.

Inflationary pressures are anticipated to normalize as the Bank of Canada raises interest rates over the balance of 2022 and 2023.

For the residential class, eligible property owners living within their principle residence may apply to the Provincial Property Tax Deferment program for assistance in deferring the municipal tax portion of their tax notice during these uncertain times.

The basic home owner grant remains at \$570. The basic grant threshold for 2022 is \$1,975,000. The grant is reduced by \$5 for each \$1,000 of assessed value over \$1,975,000. This means properties assessed up to \$2,089,000 can receive a partial basic grant.

Business Class Considerations:

Pandemic related financial supports provided by senior levels of government to businesses are ending as most businesses reopen and strive to return to normal operations.

The application of highest and best use valuation by BC Assessment still affects many business operators in underdeveloped properties with elevated property taxes (owner-operators and tenants).

The Province has initiated a review of Property Assessments and staff are participating in this review seeking longer term workable solutions. Municipalities are prohibited by the Community Charter from providing assistance to a business.

Major Industrial Class Impacts:

Since the introduction of the Ports Property Tax Act in 2004, the major industrial class has been segregated by tax rate and assessment valuation creating property tax inequities. Firstly, the Act established a base municipal tax rate of \$27.50 per \$1,000 for designated (capped) port properties. For properties not capped under the Act Council responded by implementing a progressive property tax rate reduction strategy

that commenced in 2010. The goal was to harmonize the tax rate for non-capped with the tax rate for capped properties. Tax rates were relatively synchronized starting in 2017 at the reduced rate of \$28.41 per \$1,000 assessed value.

The District continues to adjust the non-capped tax rate based on both increases in assessment values and the District property tax revenue requirement. For 2021 the non-capped tax rate was \$13.59 per \$1,000 assessed value.

Significant land valuation inequities continue to be driven by the Ports Property Tax Act. This special treatment provides significant property tax advantages to capped properties driven by assessment valuations currently averaging \$350k per acreage of land while market based assessments on non-capped properties average approximately \$4M per acre.

The divisiveness of the Act and Regulations contributes to material disparity in property valuations and is highly questionable with regard to fairness in taxation. Inequality within this class continues to present financial risk to the District as a majority of the non-capped properties continue to appeal their assessment valuations on a yearly basis. The District continues to mitigate potential tax loss risk through the utilization of an assessment appeal reserve in the interim. The District continues to petition the Province for a solution to this inequity that continuously downloads tax loss risks to the local tax base.

PROPERTY TAX DISTRIBUTION OPTIONS:

Two options for the distribution of 2022 municipal taxes for the residential, major industrial and business classes are provided below. As per policy all tax rates presented in the options are below the regional average providing for continued competitiveness. The rates have been calculated based upon the BC Assessment 2022 Revised Roll received in late March. The equivalent amount of tax is collected in each option.

OPTION 1: Even Distribution (3.0% Tax increase)

This option would apply the tax increase evenly over all the available property classes except those capped by Provincial legislation. This option is recommended as it attributes the tax increase fairly amongst all classes.

2022 Council - Option 1 - Even Distribution							
Class	Even Distribut'n	Tax Increase	Net Tax Increase	Final Distribut'n	2022 DNV Rates	2021 DNV Rates	2021 Regional Avg
1	3.0%	2,347,933	2,347,933	3.00%	\$ 1.57	\$ 1.83	\$ 2.18
4	3.0%	188,611	188,611	3.00%	12.89	13.59	24.18
4	capped	89,741	89,741	2.26%	27.50	27.50	27.50
4	capped	-	-	0.00%	22.50	22.50	22.50
5	3.0%	28,080	28,080	3.00%	6.04	6.41	6.68
6	3.0%	543,719	543,719	3.00%	4.39	4.70	5.62
8	3.0%	9,494	9,494	3.00%	4.13	4.09	4.53

- Municipal property taxes increase at 2% inflation plus 1% sustainment capital
- All classes not subject to provincial intervention increase by equal percentage
- All tax rates are below the regional averages

The municipal tax impact considered under Option 1 on average assessed residential and business class properties is provided in the table below:

	Tax Impact Option 1			
	2022	2021	Increase (decrease)	% Change
Residential Property Class				
Average Residential Class	\$2,469	\$2,397	\$72	3.00%
Business Property Class				
Average Business	\$12,241	\$11,885	\$357	3.00%

Under this option, all property classes except those capped by the Province are allocated a 3% tax increase resulting in tax rates that are competitive and below the regional average.

OPTION 2: Major Industrial Class 3% overall increase shift 0.26% to Business Class

This option ensures the major industrial class as a whole increases at 3% overall. The \$46,500 shortfall created by the Ports Property Tax Act (PPTA) would be payable by non-capped properties (those not subject to the PPTA). This amount would be redistributed to the business class reducing taxes for a final distribution of 2.74% to commercial class 6. The slight tax shift signals the District's support to the business community in the interim while discussions with the Province for long-term solutions to the current assessment practices continue.

2022 Council - Option 2 - Base Major Industry 3% total, shift 0.26% to Business								
Class	Even Distribut'n	Tax Increase	Policy Decisions	Net Tax Increase	Final Distribut'n	2022 DNV Rates	2021 DNV Rates	2021 Regional Avg
1	3.0%	2,347,933		2,347,933	3.00%	\$ 1.57	\$ 1.83	\$ 2.18
4	3.0%	188,611	46,500	235,111	3.74%	12.99	13.59	24.18
4	capped	89,741		89,741	2.26%	27.50	27.50	27.50
4	capped	-		-	0.00%	22.50	22.50	22.50
5	3.0%	28,080	-	28,080	3.00%	6.04	6.41	6.68
6	3.0%	543,719	(46,500)	497,219	2.74%	4.38	4.70	5.62
8	3.0%	9,494		9,494	3.00%	4.13	4.09	4.53

- Municipal property taxes increase at 2% inflation plus 1% sustainment capital
- Major industrial class base taxes increase at 3% (inclusive of capped \$27.50)
- Redistribution credit of \$46,500 from Major Industry to Business Class \$30 savings at the Business Class Average
- All tax rates are below the regional averages

The municipal tax impact considered under Option 2 on average assessed residential and business class properties is provided in the table below:

	Tax Impact Option 2			
	2022	2021	Increase (decrease)	% Change
Residential Property Class				
Average Residential Class	\$2,469	\$2,397	\$72	3.00%
Business Property Class				
Average Business	\$12,211	\$11,885	\$326	2.74%

EXISTING POLICY:

The Community Charter, Ports Property Tax Act, Eligible Port Property Designation Regulation, Port Land Valuation Regulation, Municipalities Enabling and Validating Act (No.4) – Interim Business Property Tax Relief Exemption.

Timing/Approval Process:

Timing is important. The statutory deadline for adoption of this year's Tax Rates Bylaw is May 13th.


Financial Impacts:

Financial implications are discussed throughout this report. The process of tax rate setting by Council takes into account fairness and equity in the distribution of property taxes.

Conclusion:

Following Council's direction, staff will bring forward the 2022 Tax Rates Bylaw to the Regular Meeting of Council on Monday April 25th for provision of first three readings. Final Adoption of the Tax Rates Bylaw is scheduled for Monday May 9th to align to legislative deadlines.

Respectfully submitted,



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	_____		
<input type="checkbox"/> Climate and Biodiversity	_____				

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