



THE CORPORATION OF THE CITY OF COURTENAY

STAFF REPORT

To: Council
From: Chief Administrative Officer
Subject: 2015 Property Tax Rate Multiple

File No.: 1705-20 / 1970-02
Date: April 7, 2015

PURPOSE:

The purpose of this report is to establish the commercial property tax rate multiple for use in setting the property tax rates for 2015.

POLICY ANALYSIS:

Section 197 of the *Community Charter* prescribes the setting of the annual property tax bylaw, and empowers Council to set relationships between the different property classes.

Under City of Courtenay Policy 1700.01 (2) Distribution of Property Taxes among the Classes, Council had resolved to attempt, over time, to reduce the commercial tax rate where necessary to ensure that Courtenay remains a competitive location for commercial activity.

EXECUTIVE SUMMARY:

On March 23, 2015, Council considered the General Operating Fund Financial Plan and endorsed an increase of 3.18% in revenue derived from property taxation.

Council must now consider setting the property tax rates for 2015, and decide on the commercial tax rate multiplier to be used in setting the property tax rates for 2015.

Given that the assessment values for 2015 have already moderately shifted the tax burden to Class 1 of the assessment roll, staff recommend that the 2014 commercial tax multiple of 2.80 be maintained for the 2015 taxation year. From the options detailed in Table 1, Council will note that a further decrease in the tax rate multiple would shift the residential property tax increase to over 4%.

CAO RECOMMENDATIONS:

That based on the April 7, 2015 Staff Report "2015 Property Tax Rate Multiple" Council approves OPTION 1 and maintains a commercial property tax rate multiple of 2.80 to be used in setting the 2015 property tax rates.

Respectfully submitted,

David Allen, BES, CLGEM, SCLGM
Chief Administrative Officer

BACKGROUND:

On March 23, 2015, Council consider the 2015-2019 General Operating Financial Plan and approved an increase of 3.18% in revenue derived from property taxation. This increase is comprised on funding for the following purposes:

| | |
|--|--------------|
| General Operations | 1.93% |
| Increase in funding from taxation for capital projects | 1.00% |
| Special Levy – Infrastructure Renewal Reserve | <u>0.25%</u> |
| Total | <u>3.18%</u> |

DISCUSSION:

Prior to creation of the 2015 Tax Rates Bylaw, Council must provide direction on the commercial tax rate multiple to be used in calculating the tax rate for each of the assessment classes.

The final property assessment roll for 2015 is now available and the assessment trends based on the final roll are as follows:

- Residential Assessment (Class 01) Average property value *increase* = 0.75% (average value \$278,128)
- Commercial Assessment (Class 06) Average property *decrease* = (0.37)% (average value \$690,544)

Property Tax Rate Commercial Multiple - Considerations

The commercial multiple is simply the factor by which the commercial class tax rate is greater than the residential class tax rate. Historically the commercial multiple has been set at the following factors and with Council direction has been gradually trending downward:

| <u>YEAR</u> | <u>CLASS 6 - MULTIPLE</u> |
|---------------|---------------------------|
| 2006 | 3.44 |
| 2007 | 3.35 |
| 2008 | 3.35 |
| 2009 | 3.30 |
| 2010 | 3.10 |
| 2011 | 2.90 |
| 2012 | 2.85 |
| 2013 | 2.85 |
| 2014 | 2.80 |
| 2015 Proposed | 2.80 |

The following documents are attached for Council’s reference:

- (1) Policy 1700.01 Revenue and Tax Policy
- (2) Province of BC- Local Government Statistics: 2014 Assessments, Tax Rates, Municipal Taxes and Class Proportions of Taxes and Assessments - *selected Vancouver Island municipalities shown as comparators*

Table 1 below details the effect of shifting the commercial multiple on the average residential property, average commercial property, and the average small business in the Downtown Courtenay Business Improvement area.

Given that the assessment values for 2015 have already moderately shifted the tax burden to Class 1 of the assessment roll, staff recommend that the 2014 commercial tax multiple of 2.80 be maintained for the 2015 taxation year. From the options detailed in Table 1, Council will note that a further decrease in the tax rate multiple would shift the residential property tax increase to over 4%.

TABLE 1: City of Courtenay, 2015 Commercial Rate Multiple, Summary and Impact of Options
 Calculations based on an increase of 3.18% in Revenue Derived from Property Taxation

| | Average Assessment Change | Effect of Reducing the Class 6 Commercial Multiplier | | |
|-----------------------------------|---------------------------|--|---------------------------|---------------------------|
| | % | 1.00 | 1.00 | 1.00 |
| Class 1 - Residential | | | | |
| | 0.75% | | | |
| Municipal General Tax \$ Increase | | \$ 39 | \$ 47 | \$ 54 |
| % change in tax levy over 2014 | | 3.69% | 4.41% | 5.14% |
| Class 6 - Commercial | | | | |
| | | Multiplier of 2.80 | Multiplier of 2.75 | Multiplier of 2.70 |
| | -0.37% | | | |
| Municipal General Tax \$ Increase | | \$ 189 | \$ 105 | \$ 20 |
| % change in tax levy over 2014 | | 2.54% | 1.41% | 0.26% |
| Class 6 - DCBIA Properties | | | | |
| | | Multiplier of 2.80 | Multiplier of 2.75 | Multiplier of 2.70 |
| | -0.98% | | | |
| Municipal General Tax \$ Increase | | \$ 111 | \$ 46 | \$ (20) |
| % change in tax levy over 2014 | | 1.91% | 0.79% | -0.35% |

ADMINISTRATIVE IMPLICATIONS:

Subsequent to Council approval of the commercial tax rate multiple to be used in setting the 2015 property tax rates, the property tax rates bylaw will be drafted and returned to Council for consideration following adoption of the 2015-2019 Financial Plan. Both the financial plan and the tax rates bylaws must be adopted no later than May 15th, 2015.

STRATEGIC PLAN REFERENCE:

While there is no specific reference in the Strategic Plan for the development and setting of the property tax rates, this is a statutory requirement that must be carried out annually.

OFFICIAL COMMUNITY PLAN REFERENCE:

The Vision and Strategy includes the following statements:

- Balance and ability to lead growth and the provision of services
- A strong downtown
- A role to be the centre of commerce in the Comox Valley

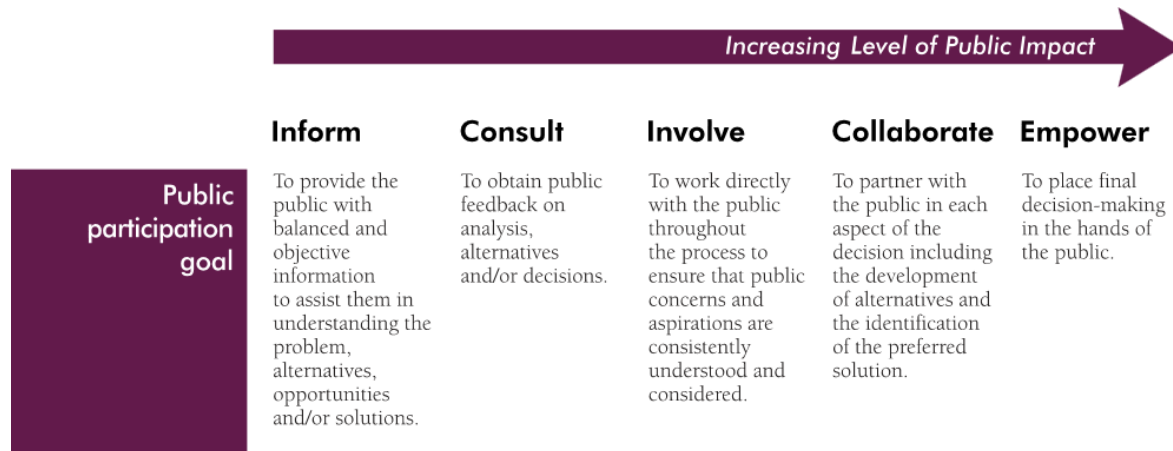
REGIONAL GROWTH STRATEGY REFERENCE:

Not applicable

CITIZEN/PUBLIC ENGAGEMENT:

Public consultation relating to tax rates is not a legislative requirement.

The public will be informed of the outcome of Council’s consideration of establishing the property tax rates for 2015. This is based on level one of the IAP2 Spectrum of Public Participation adopted as an element of Sound Project Design for the Corporate Workplan.



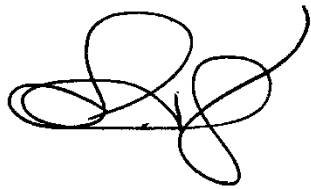
OPTIONS:

OPTION 1: That Council maintains the commercial tax rate multiple and approves a multiple of 2.80 in setting the 2015 property tax rates.

OPTION 2: That Council approves a 0.05 reduction in the commercial tax multiple and reduces the multiplier to 2.75 for setting the 2015 property tax rates.

OPTION 3: That Council approves a 0.10 reduction in the commercial tax multiple and reduces the multiplier to 2.70 for setting the 2015 property tax rates.

Prepared by:

A handwritten signature in black ink, consisting of several loops and a long tail, positioned below the text 'Prepared by:'.

Tillie Manthey, BA, CPA, CGA
Director, Financial Services/Deputy CAO

Attachments

- (1) Policy 1700.01 – Revenue and Tax Policy
- (2) Province of BC – 2014 Local Government Statistics, Taxes & Assessments