

2017 Property Tax Rate Analysis

**A Survey and Review of Commercial and Residential
Property Tax Mill Rates in Metro Vancouver including
Victoria and Saanich, BC**

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Introduction

Altus Group is pleased to present an overview of property tax mill rates and a survey of relative property tax rates of major urban centres located throughout the Lower Mainland including Victoria and Saanich. The basis of establishing the mill rates is discussed and how they equalize assessed values with municipal budgets.

The rates for fifteen municipalities in Metro Vancouver are summarized within the charts provided in pages at the rear of this document. These findings were created with the intention to promote awareness and transparency of how tax rates differ across the Lower Mainland.

More specifically, the analyses provided in the report indicate the difference in the ratio between commercial and residential tax rates in each Municipality. These in turn provides a viewpoint to discern how the total tax burden is apportioned between residential and commercial tax players.

Property Tax Mill Rates – Q&A Overview

Across British Columbia, property tax mill rates can vary widely between each municipality and also vary by the actual use of the property. This can be confusing and so we set out below how the mill rate system works.

How Are Property Tax Rates Calculated?

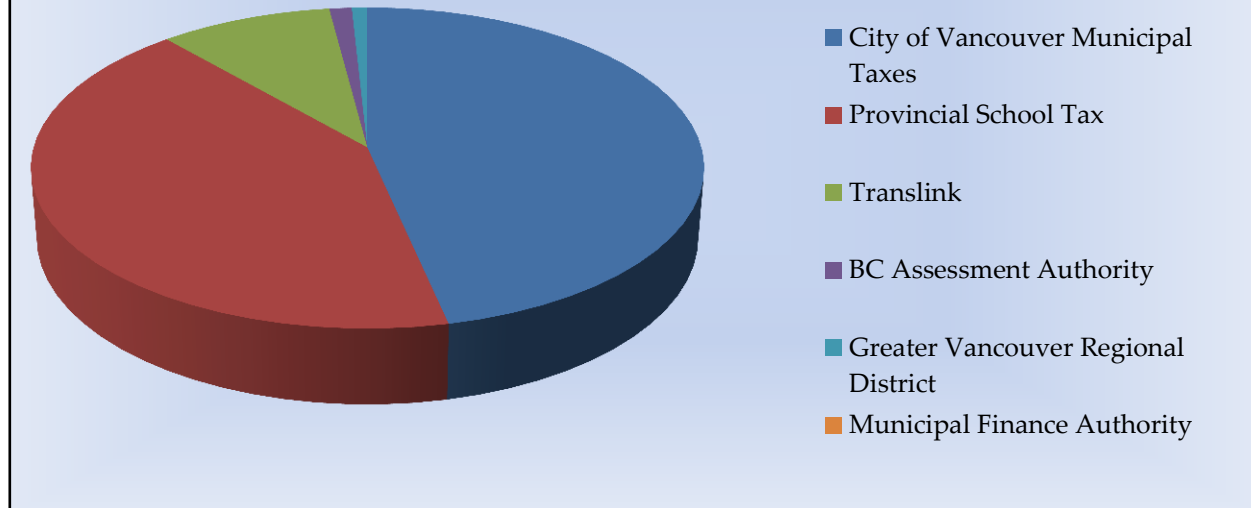
Setting the mill rate is a balancing act. In short, the sum of all the taxes equals the budget requirements of the municipality and the other local public services. Therefore the tax rate is calculated to ensure that the right amount of tax revenue is collected in order to balance the budget. Tax rates are also called mill rates because the rate is applied to every \$1,000 of taxable value.

To Whom Does My Property Taxes Go?

Your property taxes are split between several public governmental bodies. The property tax mill rate is actually the grand total of several smaller taxes. The Municipality collects the total taxes from the taxpayer and then distributes to these organizations based on their proportionate property tax mill rate. Take the City of Vancouver for example; the residential and commercial tax rates are comprised of the following beneficiaries:

Property Tax Beneficiary	Class 1 Residential	% of Total	Class 6 Commercial	% of Total
City of Vancouver Municipal Taxes	\$1.2609	49%	\$5.7974	47%
Provincial School Tax	\$0.9801	38%	\$5.2195	42%
Translink	\$0.2265	9%	\$1.1716	9%
BC Assessment Authority	\$0.0446	2%	\$0.1515	1%
Greater Vancouver Regional District	\$0.0426	2%	\$0.1043	1%
Municipal Finance Authority	\$0.0002	0%	\$0.0005	0%
Total	\$2.5549	100%	\$12.4449	100%

Property Tax Beneficiaries Vancouver - Commerical



The City of Vancouver only receives just under half of the property tax monies paid by the tax payers. The Provincial School system receives just over 40% in total. Hence the remaining 10% is distributed to the other taxing authorities.

If Altus Group Reduces My Taxes, Does That Mean The Local Municipality Will Be Short Of Money?

No. The municipality does not lose out on tax revenue because the tax rate is calculated after the roll is finalized. For the individual tax payer, a reduction in assessed value will reduce their individual taxes. Meanwhile, all the other property tax payers pay an imperceptibly bit more. This is such a small amount that it makes almost no difference to their taxes due to the sheer number of total tax payers. Overall, the total value of taxes paid by all tax payers stays the same, so the Municipality does not lose out on revenue.

Why Does The Tax Rate Fluctuate?

Remember that the tax mill rates balance the budget by matching the total value of the assessment roll with the total public budget requirement. Therefore, the tax mill rate is affected by changes in both values.

If the roll value stays the same but the budget increases, the tax mill rate increases and vice versa.

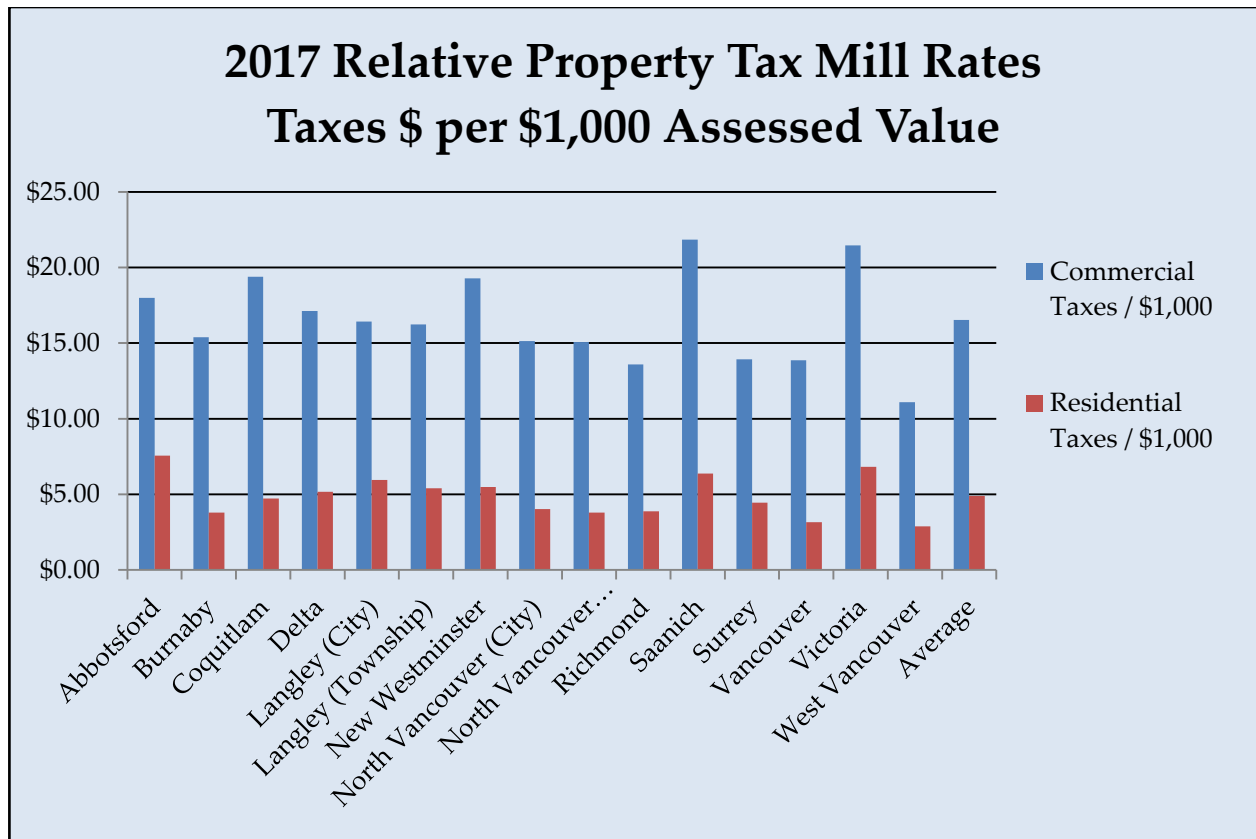
Of course, in reality municipalities are always thirsty for tax payer revenue and there will always be an upward pressure on the budgets, and that is why the tax rates are quite volatile over time even as property values are increasing as well.

Analysis

Relative Property Tax Mill Rates 2017

Our survey compares the relative property tax mill rates for each of the fifteen Municipalities in our study. The relative mill rates for the fifteen Municipalities in our survey are provided below. The highest and lowest mill rates are highlighted in yellow.

Municipality	Commercial Taxes / \$1,000	Residential Taxes / \$1,000
Abbotsford	\$16.33	\$5.86
Burnaby	\$13.61	\$2.99
Coquitlam	\$17.06	\$3.69
Delta	\$15.11	\$3.82
Langley (City)	\$14.60	\$4.52
Langley (Township)	\$15.17	\$4.17
New Westminster	\$17.47	\$4.38
North Vancouver (City)	\$13.51	\$3.14
North Vancouver (District)	\$13.19	\$2.93
Richmond	\$11.72	\$3.01
Saanich	\$20.54	\$5.45
Surrey	\$12.44	\$3.46
Vancouver	\$12.44	\$2.55
Victoria	\$19.93	\$5.80
West Vancouver	\$10.01	\$2.35
Average	\$14.88	\$3.88



The table and chart above shows the modest differences in property tax mill rates. For commercial properties, the lowest mill rates are found in West Vancouver, Richmond, Surrey and Vancouver. The highest are found in Saanich, Victoria, New Westminster and Coquitlam. It must be noted that West Vancouver's is characterized by a relatively low commercial tax base as residential properties are more prevalent in West Vancouver, relative to commercial. The average commercial tax rate is \$14.88. This decreased slightly from 2016's average rate of \$16.52.

For residential properties, the highest rates are in Abbotsford, Victoria and Saanich. Abbotsford has historically received a high tax rate. Being located further to the east of the Lower Mainland, residential values are typically lower than municipalities to the west. Hence, the total residential taxable value of all properties is lower and the tax rate higher, accordingly. The lowest residential tax rates are found in Vancouver and West Vancouver. There are a number of municipalities closely behind with Burnaby, Richmond and North Vancouver District all within a small range of each other. We would expect to see this pattern as these municipalities have high residential values. Overall, the average residential tax mill rate is \$3.88 which decreased from 2016's average of \$4.90.

Mill Rate Changes From 2016

Across the board, mill rates for commercial and residential decreased between 2016 and 2017. This is a result of two factors. Firstly, there was a general uplift in assessed values for both residential and commercial properties. This increases the total taxable value. Secondly, municipal budgets remained modest and did not increase to an extent that the mill rate would rise, despite an increase in total taxable values.

City	Commercial				Residential			
	2016	2017	\$ Change	% Change	2016	2017	\$ Change	% Change
Abbotsford	\$17.99	\$16.33	-\$1.66	-9.21%	\$7.56	\$5.86	-\$1.70	-22.45%
Burnaby	\$15.39	\$13.61	-\$1.78	-11.59%	\$3.79	\$2.99	-\$0.80	-21.02%
Coquitlam	\$19.40	\$17.06	-\$2.34	-12.07%	\$4.74	\$3.69	-\$1.05	-22.08%
Delta	\$17.13	\$15.11	-\$2.02	-11.80%	\$5.17	\$3.82	-\$1.35	-26.16%
Langley (City)	\$16.43	\$14.60	-\$1.83	-11.15%	\$5.95	\$4.52	-\$1.43	-23.95%
Langley (Township)	\$16.24	\$15.17	-\$1.07	-6.56%	\$5.39	\$4.17	-\$1.22	-22.58%
New Westminister	\$19.28	\$17.47	-\$1.81	-9.40%	\$5.48	\$4.38	-\$1.10	-19.99%
North Vancouver (City)	\$15.13	\$13.51	-\$1.62	-10.71%	\$4.04	\$3.14	-\$0.90	-22.33%
North Vancouver (District)	\$15.07	\$13.19	-\$1.88	-12.46%	\$3.81	\$2.93	-\$0.88	-22.98%
Richmond	\$13.59	\$11.72	-\$1.87	-13.72%	\$3.88	\$3.01	-\$0.87	-22.48%
Saanich	\$21.83	\$20.54	-\$1.29	-5.90%	\$6.37	\$5.45	-\$0.92	-14.50%
Surrey	\$13.93	\$12.44	-\$1.49	-10.69%	\$4.44	\$3.46	-\$0.98	-22.17%
Vancouver	\$13.86	\$12.44	-\$1.42	-10.21%	\$3.17	\$2.55	-\$0.62	-19.40%
Victoria	\$21.46	\$19.93	-\$1.53	-7.13%	\$6.83	\$5.80	-\$1.03	-15.07%
West Vancouver	\$11.10	\$10.01	-\$1.09	-9.86%	\$2.88	\$2.35	-\$0.53	-18.43%
Average	\$16.52	\$14.88	-\$1.65	-10.16%	\$4.90	\$3.88	-\$1.02	-21.04%

The table above provides a snapshot of the 2016 and 2017 mill rates and the annual change for each municipality for both residential and commercial properties.

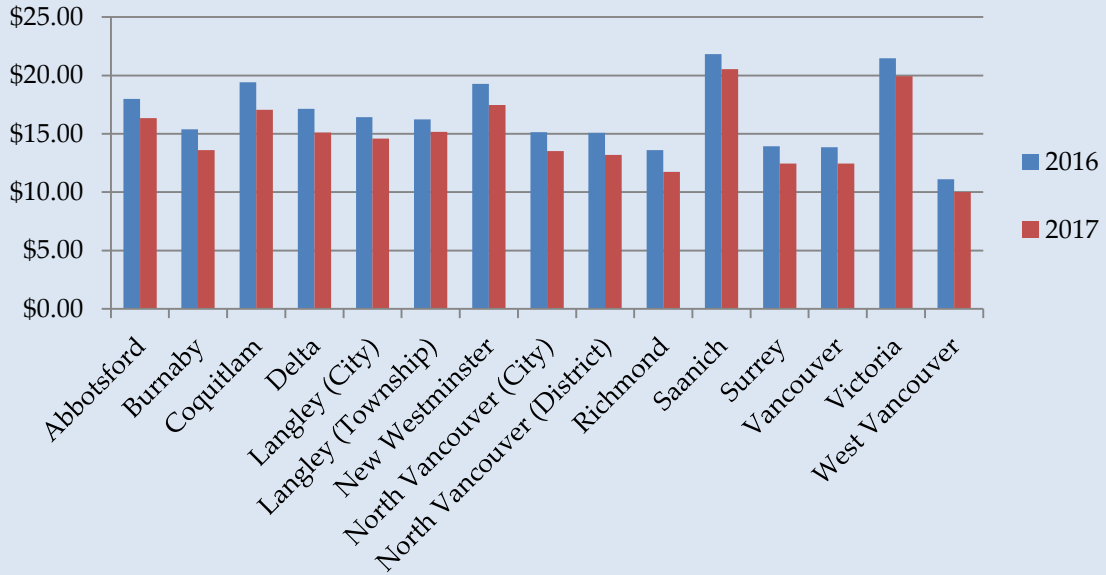
Commercial rates decreased on average by 10.16%. Vancouver received the largest decrease as commercial values have surged in the last year, requiring a downward adjustment in the mill rates. In 2015, the City of Vancouver opted to a change the direction of property tax policy by implementing a revised 3 year Land Averaging Policy. The policy provides temporary relief to the property tax burden for properties in areas with rapidly rising assessment values. Despite the relief for certain pockets in Vancouver, the overall average assessment values have aggressively risen, resulting in continued downward pressure on the mill rate to meet a modest budget increase.

Overall, stable and buoyant rising property markets continue to put downward pressure on the mill in the noted areas.

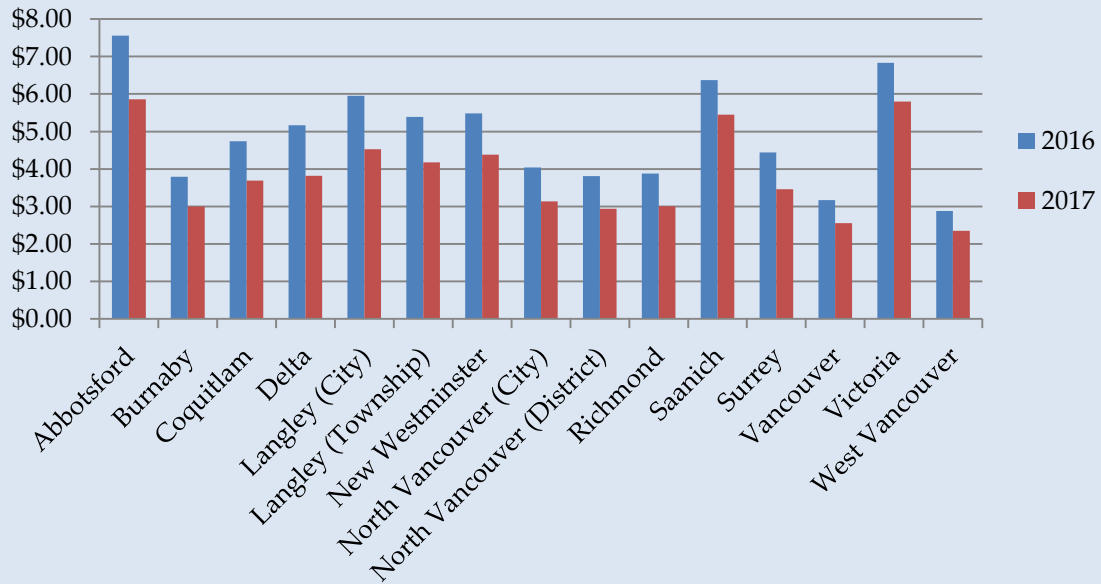
On the residential side, the average change was a 21.04% decrease between 2016 and 2017. The largest decrease was in Delta which experienced a significant 26.16% decrease. Langley City, the District of North Vancouver and Langley Township were next in line with decreases of 23.95%, 22.98%, and 22.58% respectively. At the other end of the spectrum, Saanich decreased the residential rate by 14.50%, while Victoria decreased its mill rate by 15.07%

The charts overleaf illustrate the year over year changes in each municipality.

Commercial Mill Rates Y-O-Y



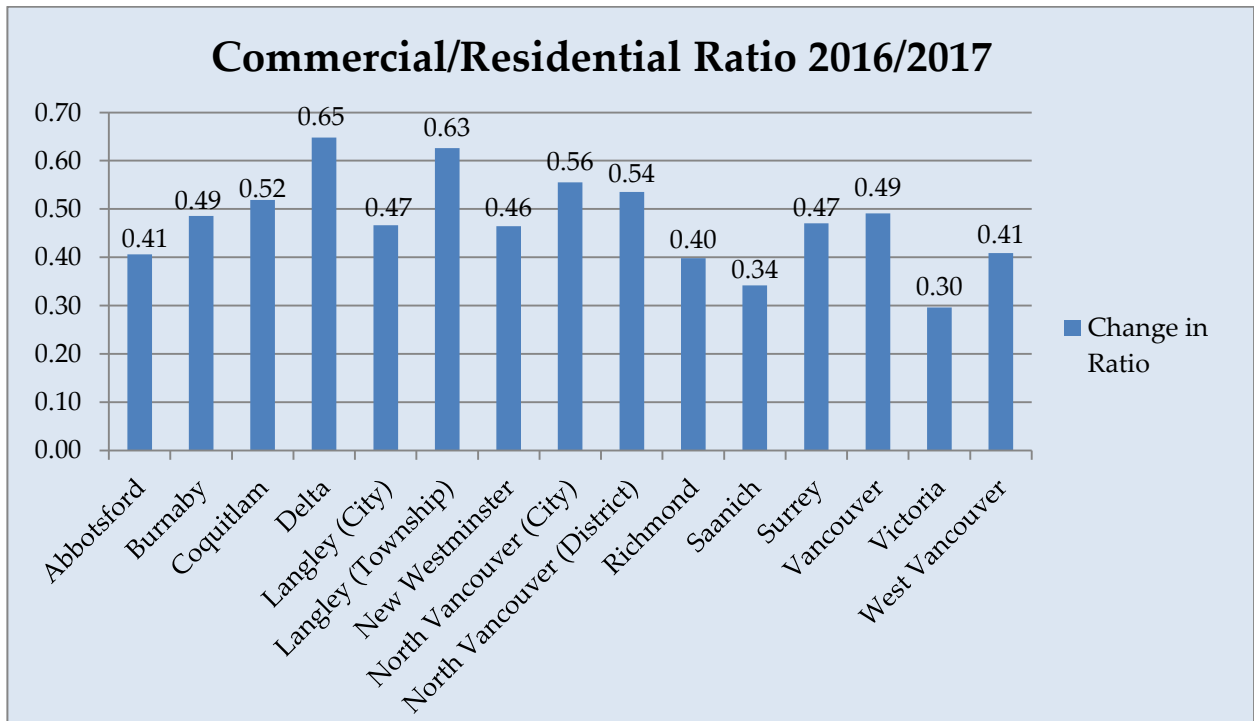
Residential Mill Rates Y-O-Y



Commercial to Residential Ratio

A useful analytical tool we have applied is the commercial to residential rate ratio. This is a ratio which demonstrates the relative tax burden between property classifications. The higher the ratio, the greater the tax burden on commercial rate taxpayers, and vice versa.

City	Commercial/Residential Ratio			
	2016	2017	Ratio Change	% Change
Abbotsford	2.38	2.79	0.41	17.05%
Burnaby	4.06	4.55	0.49	11.95%
Coquitlam	4.10	4.62	0.52	12.65%
Delta	3.31	3.96	0.65	19.57%
Langley (City)	2.76	3.23	0.47	16.90%
Langley (Township)	3.01	3.64	0.63	20.80%
New Westminster	3.52	3.98	0.46	13.18%
North Vancouver (City)	3.75	4.31	0.56	14.80%
North Vancouver (District)	3.96	4.50	0.54	13.53%
Richmond	3.50	3.90	0.40	11.37%
Saanich	3.43	3.77	0.34	9.97%
Surrey	3.13	3.60	0.47	15.02%
Vancouver	4.38	4.87	0.49	11.21%
Victoria	3.14	3.44	0.30	9.42%
West Vancouver	3.85	4.26	0.41	10.62%
Average	3.49	3.96	0.47	13.87%

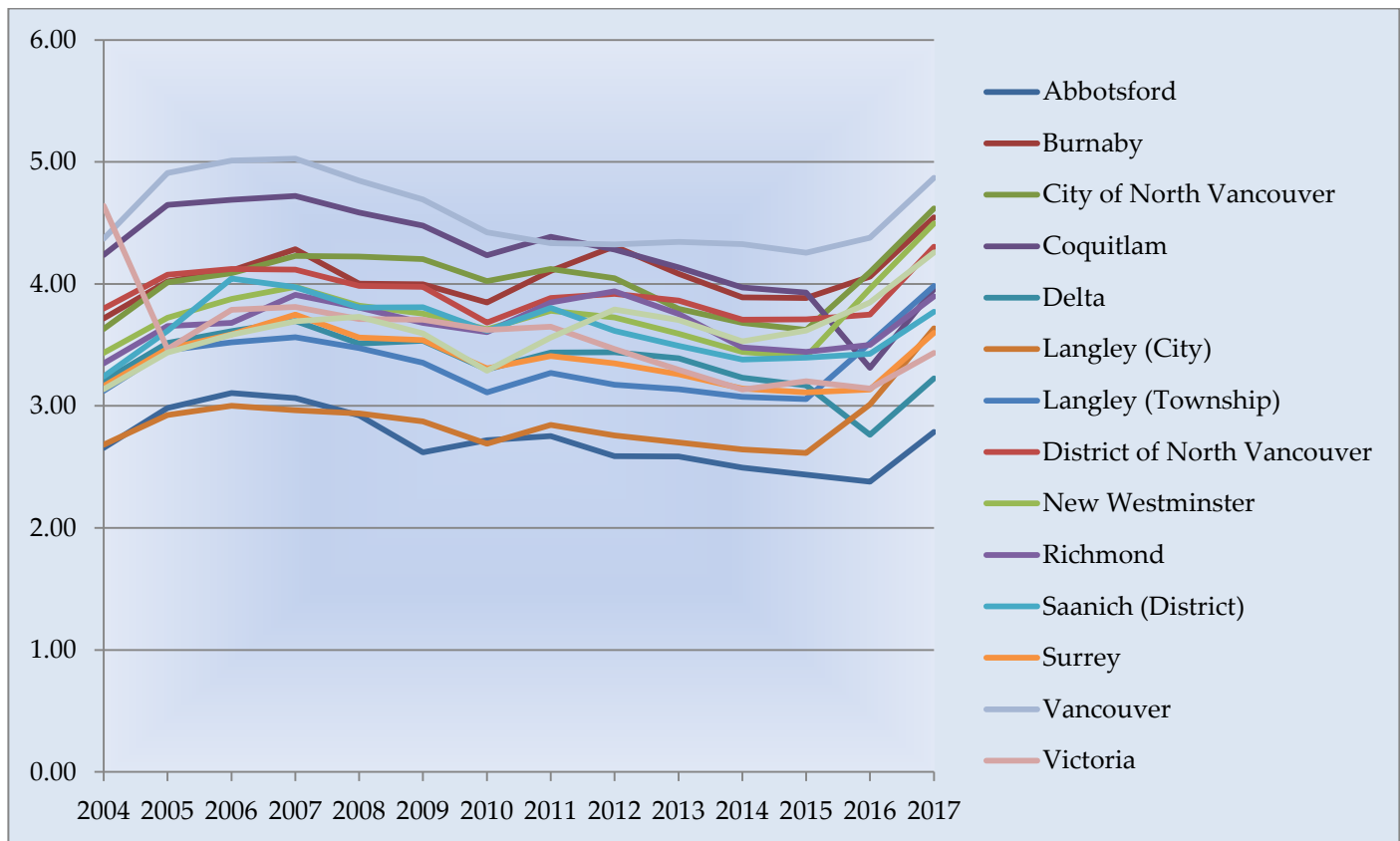


There is a substantial range of commercial to residential tax ratios from 2.79 to 4.87 throughout Metro Vancouver, Victoria and Saanich. In this survey, Abbotsford, Langley City, and Victoria have the lowest ratio, as their commercial and residential tax rates contrast the least in comparison to neighboring municipalities. Vancouver, Coquitlam and Burnaby have the highest ratio, of about 4.87 to 4.55. The average ratio of the calculated municipalities in 2017 is 3.96, an increase from 3.49 in 2016.

The bottom chart on the prior page indicates that only Victoria, the Township of Langley, and Abbotsford elected not to increase their commercial to residential ratios. The increase in the ratio shifts more of the tax burden onto commercial taxpayers. The general trend amongst most cities in the Lower Mainland was an increase in the commercial to residential tax rate ratio.

A Historical Perspective

We now take a longer viewpoint of the commercial to residential ratio as provided in the chart below.



The general trend over the past 13 years can be characterized as a sharp increase from 2004 to 2007 then a general slow decrease from 2008 to 2015. Interestingly, the ratio is broadly the same in 2004 as it is in 2015 for a number of municipalities. For 2016, several municipalities changed course for another upswing, which follows a similar pattern that appeared from 2004-2005. This upswing has continued in 2017. In addition, the municipalities that have had historically high ratios continue to have high ratios, and vice versa. There was a period between 2011 and 2015/2016 where there was a sustained trend away from commercial to residential.

However from 2017 onwards, this trend has been universally reversed, which is worrying for commercial taxpayers.

Altus Group is committed to working with municipalities across Canada on achieving tax transparency. The continued reduction of relatively high property tax burdens on commercial and industrial properties will assist in municipalities attracting inward investment from firms into their city boundaries. This capital investment and growth will make cities more competitive, promote jobs and investment, result in increases to the property assessment base, and subsequently generate a more stable and sustainable revenue.

For more information and to discuss your property tax needs, please do not hesitate to contact a member of our team.

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