

25. Re: 1973 Amendments to Assessment Equalization Act (Bill 71)

Following is the report requested by Council when it considered Item 26, Report No. 27, April 9, 1973 wherein the Municipal Manager recommended that the Business Tax rate be raised from 7% to 7½% effective January 1, 1974.

The previous report item deals with the subject of Business Tax and the latest development in this respect. This report deals with the impact of Bill 71 on Assessments and hence on taxes generally. Since time is of the essence if consideration were to be given to a change in assessment system from "two-value" to "one-value" and since at the time of writing we do not know if there will be a Council meeting on July 16, 1973, this matter is being placed before Council as a Supplementary Item at this time.

RECOMMENDATION:

THAT no change be made in the existing two-value system of assessments for 1974.

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ASSESSMENT DEPARTMENT

July 5th, 1973

M. J. SHELLEY  
MUNICIPAL MANAGER

Dear Sir,

Re: 1973 Amendments to Assessment  
Equalization Act (Bill 71)

Amendments to the Assessment Equalization Act passed during the Spring sitting of the Legislature will have the effect of establishing 1974 Non-residential assessments at a higher level than those for Residential properties.

The Premier indicated in interviews with the Press and during the sitting of the Legislature that he considers these amendments to be only an interim measure while the Government is giving further study to ways in which school tax can be entirely removed from property.

For some years the Assessment Equalization Act which establishes the manner in which School Assessments are determined has restricted changes in individual assessments to 10% per year and limited increases in the total school assessments to 5% per year. As a result normal School Assessments have been a steadily reducing proportion of General Purpose assessments (from 47% in 1968 to 44% in 1973) and many individual values have been lower than the normal level. These restrictions related to all School assessments. For 1974 the limitations are only to be applied to properties used for Residential (and Farm) purposes. School assessments of other properties will be at a 50% level.

The types of properties that will have restricted values include:

Single Family residences  
Condominiums  
Apartments  
Farms

All others, including industrial, commercial and all vacant land, will be established at a 50% level.

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EFFECT ON TAXES WITH TWO-VALUE ASSESSMENTS SYSTEM

The effect on 1974 taxes of these amendments cannot be established precisely at this time but if they had been in effect for 1973 the result would have been:

Non-Residential taxes would have increased by about 4% and;

Residential taxes would have been reduced by 2%.

EFFECT ON TAXES WITH ONE-VALUE ASSESSMENTS SYSTEM

If our present two value system of assessments (General and School) had been changed so that a one value system had been used in 1973 the effect of the amendments on taxes would have been:

Non-Residential taxes would have increased by 8% and;

Residential taxes would have been reduced by 4%.

Council has the power to establish whether a two or a one value assessment system is used. Legally the decision must be made prior to November 30th but because of administrative problems if the system is to be changed a decision is preferable prior to the end of July.

REVIEW OF BURNABY'S ASSESSMENT SYSTEM

Prior to 1968 a one value system of assessment was in use in Burnaby and, as required by statute, these values were established according to the rules set out in the Assessment Equalization Act. There were no particular problems at that time as all the values could be directly related to 50% of the market value. However, when the first restrictions were placed in the Act in 1967, assessments were no longer at a common level and their relation to market value changed from year to year so they became more difficult to understand and incomprehensible to the ordinary property owner. As a result, Council adopted the two value system in 1968. This involved the use of one set of values for General Purposes, determined in accordance with rules set out in the Municipal Act, and the other set for School and Hospital Purposes was the same as used under the one value system, and determined according to the Assessment Equalization Act.

The advantages of the two value system relate entirely to the General purpose values as these are a direct reflection of market value and there are no artificial restrictions on them. Thus, comparable properties have comparable assessments and the average owner can understand them.

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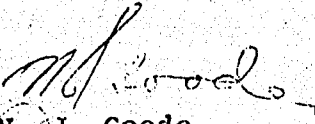
SUMMARY

1973 Amendments to the Assessment Equalization Act change the effective taxes payable by different classes of properties and a larger portion of the total tax burden will be assumed by the Non-residential properties if the one value assessment system was reintroduced. Such a change is not recommended as the present two value system provides a set of values (General Purpose) which are equitable, are relatively simple to understand and provide a positive indication of this Department's opinion of the value of each property. Furthermore owners are familiar with the present system as it has been in use for 6 years and to change now could be confusing and could be doubly so if changes to the Assessment Equalization Act next year indicate the desirability of reimposing the two value system.

RECOMMENDATION

That no change be made in the existing two value system of assessments.

Respectfully submitted,

  
N. J. Goode  
MUNICIPAL ASSESSOR

NJG/sl