

RE: 1984 ASSESSMENT ROLLS AND VARIABLE TAX RATE SELECTION

MUNICIPAL MANAGER'S RECOMMENDATION:

1. THAT the recommendation of the Director Finance be adopted.

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TO: MUNICIPAL MANAGER
FROM: DIRECTOR FINANCE
RE: 1984 ASSESSMENT ROLLS AND VARIABLE TAX RATE SELECTION
RECOMMENDATION

1984 April 13
File: T5-24
Xref: A73-4, '84 Budg.

1. THAT the variable tax rate by class for 1984 be kept in the same relationship by class relative to residential as for 1983.

REPORT

SUMMARY

With the introduction of the variable tax rate system for municipal purposes in 1983, Council must decide each year what percentage of the tax levy each class of assessment will bear. This report presents the authenticated assessment roll for 1984, discusses the various alternatives and relationships between the different classes of assessment and variable tax rates, and makes a recommendation as to the variable tax rate for each class of assessment for 1984.

The report also summarizes the proposed changes to the tax rate system for other rate setting bodies for 1984.

GENERAL MUNICIPAL ASSESSMENT FOR 1984

1984 Preliminary Roll

Burnaby's 1984 authenticated assessment roll for general municipal purposes is summarized on Schedule 1 attached. The 1984 total assessed value is \$5,655,829,952 and reflects basically the same market value on individual properties, as it did in 1983. The 1984 assessment total is \$145,103,422 greater than it was in 1983.

The 1984 authenticated roll includes approximately \$111,949,562 of completed new construction generating about \$1,170,000 of additional municipal purposes taxes. In addition, the Minister of Finance introduced new legislation in Bill 7 that will allow incomplete new construction to be taxed in 1984, overruling an earlier court ruling. The Area Assessor has confirmed that the new incomplete construction will be about \$45,031,430, which will generate an additional \$433,000 approximately of municipal purposes tax. Although Bill 7 had three readings on 1984 April 04, it requires enactment by the Province after which supplementary assessment rolls will be prepared. The new incomplete construction has been included in the 1984 total authenticated roll for calculation of Burnaby's municipal purposes tax for 1984.

Schedule 2 attached shows the trend in market values by property class for four years, and the percentage of the total by class. The proportion by class over the last two years is relatively stable.

Effect of Assessment Exemptions on General Municipal Taxes

The 1984 authenticated assessment roll reflects a \$10,000 exemption on each industrial and business property improvement, and an increase in the basic exemption on machinery and equipment from an equivalent of about \$5,357 (\$1,500 on the former assessed value) in 1983 to \$50,000 in 1984. The \$10,000 exemption affects all tax bases including the general municipal tax base, and the machinery and equipment exemption affects bases of only the school and other rate setting bodies.

Based on the proposed 1984 variable tax rates, it is estimated that industrial and business assessments will generate about \$370,000 less in 1984 general municipal taxes due to the \$10,000 assessment exemption, calculated as follows:

Property Class	Number of Properties Affected	Total Assessment Reduction (\$)	1984 Tax Rate \$ per M	Estimated Tax Reduction (\$)
Industrial	230	\$ 2,300,000	18.55	\$ 42,665
Business	2,547	25,470,000	12.85	<u>327,290</u>
				<u>=\$369,955</u>

No estimates were calculated for the exemption on the machinery and equipment as they do not affect taxes for general municipal purposes.

VARIABLE TAX RATE SELECTION

Background

As it did for 1983, Council will have to decide for 1984 how the tax levy for municipal purposes is to be shared by property class, which in turn determines the variable tax rate by class. Council will recall that for 1983, the percentage of tax load by class was kept the same as in 1982. This decision resulted in the establishment of a specific relationship of variable tax rates by class relative to the residential assessment class.

Variable Tax Rate Options

Using the proposed 1984 annual tax levy of \$46,989,312, four options for variable tax rates were considered at this time and the results are summarized in Schedule 3 attached.

Option (a) Same percentage tax load by class as in 1983.

Option (b) Same tax relationship among classes (relative to residential) as in 1983. The effect of the assessment exemptions for industrial and business properties are distributed among all property classes. The exemptions are \$10,000 on all industrial and business assessments with improvements.

Option (c) Same as (b) except that the tax exemptions arising from industrial and business assessment reductions are borne entirely by all classes other than industrial and business.

Option (d) Same as (b) except that the tax exemptions arising from industrial and business assessment reductions are borne entirely by the industrial and business classes.

If the proportion of tax levy by class for 1984 were kept the same as in 1983, Alternative (a), the relationship of the variable tax rates by class would differ from those in 1983 because the relationship of the assessment value by class has changed, as shown in Schedule 2. If the relationship of variable tax rates by class relative to residential were kept the same for 1984 as in 1983, Alternative (b), the proportion of tax levy by class would differ from 1983 for the same reason.

If the effect of the \$10,000 assessment exemptions for industrial and business property improvements were shifted entirely onto the other classes [option (c)] or entirely back onto the industrial and business classes [option (d)], the variations in variable tax rates and portion of tax levy by class would only be marginally different from option (b). However, only the relationship of tax rate by class for industrial and business classes would differ marginally from option (b).

A variety of other relationships could also have been chosen and compared and the list could be infinite. It was decided by the Municipal Manager and the Management Committee that the four options considered are the most relevant at this time.

Selection of Tax Rate Option for 1984

If option (a) were selected, there would be significant shifts in the tax relationships by class in 1984 compared to 1983 and there would be no allowance for uneven growth in new construction by class.

If option (b) were selected, the same tax relationship by class would be retained in 1984 as in 1983 and there would be a uniform increase of about 2.5% in the variable tax rate of each class vs. 1983. Option (b) would automatically allow for uneven growth in new construction by class and the tax levy would also reflect the changes in market value of each property and class of property from year to year. All classes of property would share the makeup attributable to the reduction in tax levy due to the assessment exemptions in industrial and business classes.

Options (c) and (d) are variations on option (b). Using either (c) or (d) requires manipulation of the assessment base and its associated tax levy each year. The amount of assessment exemption is not published and therefore must be estimated. As a result, any tax shift calculated is only an estimate. Option (c) requires that the tax effect of the exemption in assessment be fully shifted onto classes other than industrial and business, which accentuates the effect of the exemption. Option (d) requires the full shift of the exemption back onto the industrial and business classes, which is counterproductive to the senior government's assessment changes. For these reasons, neither option (c) nor (d) are recommended.

It is recommended that the variable tax rate by class for 1984 be kept in the same relationship by class relative to residential as for 1983 [option (b)].

Historical Relationship of Tax Load and Variable Tax Rate

Schedule 4 attached provides a historical comparison of the proportion of tax load borne by each class, starting in 1981. It also provides a comparison of the relationship to the residential class of the variable tax rate of other classes, a method suggested by the Ministry of Municipal Affairs. In 1982 and earlier the relationship follows the same multiples as order-in-council relationships.

The proportion of tax levy borne by class shows a decline for the residential class and an increase for the utilities and business classes similar to the trends of assessments portrayed on Schedule 2.

Effect on Median Residence

The effect on the median home using the 1984 proposed annual tax levy of \$46,989,312 under the options identified vs. 1983 is shown below:

	1983	1984 - Option			
		(a)	(b)	(c)	(d)
Municipal tax on median home	\$ 536.43	\$ 552.97	\$ 551.31	\$ 554.78	\$ 546.97
Increase vs. 1983 - \$		16.54	14.88	18.35	10.54
- %		3.08	2.77	3.42	1.97

Using the recommendation, option (b), the municipal tax on the median home in 1984 would be 2.77% greater than in 1983.

VARIABLE TAX RATES FOR OTHER RATE SETTING BODIES FOR 1984

In 1984 all other rate setting bodies will be required to use the variable tax rate system, i.e. each taxing authority will be required to set an individual tax rate for each property class.

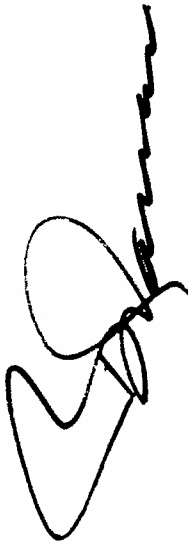
At this time it is not fully known how each body will treat the variable tax rates, or how they will treat incomplete new construction.

The 1984 Annual Operating Budget shows the variable tax rates received to date. Outstanding are:

Date Rate
is to be Set

School - local and Provincial
Greater Vancouver Regional District
Greater Vancouver Regional Hospital District

May 01
April 20
April 20



Howard Karras
DIRECTOR FINANCE

Attach.

BURNABY GENERAL MUNICIPAL PURPOSES ASSESSMENTS - 1984

Class	1983 Authenticated Roll	1984 Estimated Completed New Construction	1984 Authenticated Roll	1984 Estimated Incomplete New Construction	1984 Estimated Total Authenticated Roll
Residential	3,962,781,994	65,184,734	4,030,812,398	19,850,600	4,050,662,998
Utilities	59,865,912	15,749,180	63,530,572	5,339,000	68,869,572
Industrial	266,430,802	895,249	242,411,807	1,618,380	244,030,187
Business	1,212,997,060	30,101,799	1,265,370,080	7,223,450	1,272,593,530
Recreation	7,813,600	18,600	7,840,600	11,000,000	18,840,600
Farm	837,162	-	833,065	-	833,065
TOTAL	<u>5,510,726,530</u>	<u>111,949,562</u>	<u>5,610,798,522</u>	<u>45,031,430</u>	<u>5,655,829,952</u>

Note (1) Changes subsequent to 1983 authenticated roll reflecting additions, deletions, zoning changes, class changes, changes in values, etc.

Note (2) Confirmed by Area Assessor. Requires enactment of Bill 7 by the Province, after which supplementary assessment rolls will be prepared.

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GENERAL MUNICIPAL PURPOSES ASSESSMENT ROLL AND % BY CLASS, 1981 THROUGH 1984

	1981 (1)		1982 (1)		1983 (2)		1984 (3)	
	Authenticated \$		Authenticated \$		Authenticated \$		Preliminary \$	
	%		%		%		%	
Residential	3,796,405,527	74.97	4,847,904,980	74.22	3,962,781,994	71.91	4,050,662,998	71.62
Utilities	50,549,180	1.00	82,754,660	1.27	59,865,912	1.09	68,869,572	1.22
Industrial	245,648,500	4.85	295,856,700	4.53	266,430,802	4.83	244,030,187	4.31
Business	963,476,882	19.02	1,294,838,233	19.83	1,212,997,060	22.01	1,272,593,530	22.50
Recreation	6,965,427	0.14	9,214,650	0.14	7,813,600	0.14	18,840,600	0.33
Farm	801,540	0.02	857,610	0.01	837,162	0.02	833,065	0.02
TOTAL	5,063,847,056	100.00	6,531,426,833	100.00	5,510,726,530	100.00	5,655,829,952	100.00

Note (1) Assessed values converted to market values using order-in-council conversion rates.

Note (2) Assessed values reflect market values starting in 1983.

Note (3) Includes \$45,031,430 of new incomplete construction. Requires enactment of Bill 7 by the Province, after which supplementary assessments will be prepared.

1984 VARIABLE TAX RATE OPTIONS
Options (a), (b), (c), (d) vs. 1983

Municipal tax levy					
1983		1984 Variable Tax Rates (\$ per M of assessment)			
		(a)	(b)	(c)	(d)
Residential	5.8627	6.0302	6.0121	6.0499	5.9648
Utility	23.1879	21.1921	23.7778	23.9274	23.5906
Industrial	18.0932	20.7690	18.5533	18.4073	18.7358
Business	12.5336	12.5605	12.8538	12.7527	12.9803
Recreation	5.6627	2.4691	5.8077	5.8443	5.7619
Farm	4.8043	5.0764	4.9216	4.9612	4.8820
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Residential	-	.3	-	.6	(.8)
Utility	-	(10.9)	-	.6	(.8)
Industrial	-	11.9	-	(.8)	1.0
Business	-	(2.3)	-	(.8)	1.0
Recreation	-	(57.5)	-	.6	(.8)
Farm	-	3.1	-	.8	(.8)
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1984 Percent Change in Tax Rate vs. (Option b)					
Residential	1,000	3,514	3,955	1,000	1,000
Utility	3,955	3,514	3,955	3,955	3,955
Industrial	3,086	3,444	3,086	3,043	3,141
Business	2,138	2,083	2,138	2,108	2,176
Recreation	966	409	966	966	966
Farm	819	842	819	820	819
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1984 Tax Relationship by Class vs. Residential					
Residential	51,983	1,000	1,000	1,000	1,000
Utility	3,106	3,514	3,955	3,955	3,955
Industrial	10,786	10,786	9,635	9,559	9,730
Business	34,017	34,017	34,812	34,538	35,154
Recreation	0,099	0,099	0,233	0,234	0,231
Farm	0,009	0,009	0,009	0,009	0,009
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1984 Tax Load by Class					
Residential	51,983	51,983	51,826	52,153	51,419
Utility	3,106	3,106	3,485	3,507	3,457
Industrial	10,786	10,786	9,635	9,559	9,730
Business	34,017	34,017	34,812	34,538	35,154
Recreation	0,099	0,099	0,233	0,234	0,231
Farm	0,009	0,009	0,009	0,009	0,009

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GENERAL MUNICIPAL PURPOSES - PERCENTAGE TAX LOAD AND TAX RATE RELATIONSHIPS BY CLASS

Class	Tax Rate Relationship by Class				Tax Load by Class			
	1981	1982	1983	Option (b) 1984	1981	1982	1983	Option (b) 1984
Residential	56.439	51.983	51.983	51.826	1000	1000	1000	1000
Utilities	2.049	3.106	3.106	3.485	2727	3500	3955	3955
Industrial	9.495	10.786	10.786	9.635	3091	3400	3086	3086
Business	31.902	34.017	34.017	34.812	2227	2450	2138	2138
Recreation	0.104	0.099	0.099	0.233	1000	1000	966	966
Farm	0.011	0.009	0.009	0.009	1000	1000	819	819
TOTAL	100.000	100.000	100.000	100.000	-	-	-	-

