

**TO:** CITY MANAGER 2003 June 3

**FROM:** DIRECTOR PLANNING AND BUILDING OUR FILE: 15.615

**SUBJECT:** FARM LAND PROPERTY TAX CLASS

**PURPOSE:** To respond to Council's request for additional information regarding regulations for the Farm Land Property Tax Class.

**RECOMMENDATION:**

1. **THAT** a letter and a copy of this report be sent to Burnaby MLA's, the Minister of Community, Aboriginal and Women's Services, the UBCM and the Township of Langley expressing Council's general support for a comprehensive review of the Farm Class regulations to ensure that the tax benefits derived from the Farm Land Class continue to appropriately support agricultural production activities in the province.

**REPORT**

**1.0 INTRODUCTION**

At its 2003 April 14 meeting, Council received correspondence from the Township of Langley regarding *UBCM Resolution - B36* which calls for an amendment to the *Assessment Act* with regard to regulations for the Farm Land Property Tax Class. Arising from discussion of the correspondence, Council requested a staff report on the current regulations for the Farm Land Property Tax Class. This report responds to that request and summarizes the regulations for farm land classification within municipalities.

**2.0 FARM LAND CLASSIFICATION AND ASSESSMENT**

**2.1 *Farm Land Class***

As part of the property tax assessment process, BC Assessment classifies property into one of nine classes. Classification is based on a property's use and whether it meets the requirements for the Class as set out by regulation. The nine classes of property in BC are: Residential, Utilities, Unmanaged Forest Land, Major Industry, Light Industry, Business Other, Managed Forest Land, Recreational Property Non-profit Organization, and Farm Land. An individual property may be classified within one or more tax class.

All or part of a parcel of land used to produce a primary agricultural product, used for a farmer's dwelling, the keeping and rearing of horses for sale, or for the training and boarding of horses when operated in conjunction with horse rearing can qualify for the Farm Land Class. The Farm Land classification system is a voluntary program. The property owner must apply annually for the Farm Land Class and provide BC Assessment with the information necessary to support the application. Lands that do not meet the standards for the Farm Land Class each year are reclassified to the Residential Class or other applicable property class. In order to receive and maintain the Farm Class, the farm property must:

- earn \$10,000 per year from the sale of primary agricultural products, if the property is 2.0 acres in size or smaller.
- earn \$2,500 per year if the property is between 2.0 and 10.0 acres in size.
- earn \$2,500 plus 5% of the actual value of the farm land in excess of 10.0 acres, if the property is larger than 10.0 acres.

Applications for Farm Land Class are reviewed on an annual basis by BC Assessment. The BC Assessment review process seeks to ensure that properties receiving the Farm Class are legitimate and meet the standards established by legislation with regard to agricultural use and production requirements.

## **2.2 Farm Land Assessment Values**

Except for farm land, most real property is assessed based on current market value, that is, the real estate sale value of the property as of July 1 of each year. Farm land assessment values, however, are fixed by regulation based on the agricultural capability of the farm land. The farm land associated with and under farm buildings, including the land under a farm dwelling, is also assessed at farm land values as determined by regulation.

Farm buildings, farm dwellings and other structures, however, are assessed based on market value for the building structure and classed as residential for assessment purposes. The first \$50,000 in assessed value for farm buildings is exempt from taxation. To qualify, the farmer's dwelling must be on or directly adjacent to the applicable farm land, and occupied by a person actively involved and necessary to the farm operation. The fixed assessment values for farm land in Burnaby range from \$2,560 to \$4,570 per acre depending on the soil capability class. The lower assessed values for farm land and the exemption given to farm buildings results in a

significantly lower tax burden for farm land. The lower tax burden for farm land serves to encourage and support agricultural production as well as other direct and indirect objectives such as maintaining open green space, supporting horse rearing, and encouraging a wider variety of agricultural activities.

**2.3 Burnaby Farm Class Property**

The following table summarizes the status of properties in Burnaby that are within the Farm Land Class. In total, BC Assessment has determined that 72 properties in Burnaby qualify for the Farm Class under the terms of the prevailing Act and regulations. Of these, 34 are within the ALR and 38 are located outside of the ALR, primarily within the Agricultural (A2) Small Holdings District in the Willard Street area.

The City has a single property within the Residential (R5) District which has Farm Land Class. This property is, however, owned and occupied by the farm family which operates an adjacent farm within the ALR.

<b>Summary of Burnaby's Farm Class Property</b>	
<i>Farm Class Properties - within ALR</i>	34
<i>Farm Class Properties - outside of ALR</i>	38
<b>Total Number of Farm Class Properties</b> <i>(310 acres with a total assessment value of \$1.5M representing 0.01% of Burnaby Tax Revenue)</i>	72
<i>Farm Class Properties - Agricultural Uses Permitted</i>	71
<i>Farm Class Properties - Residential Zoning</i>	1
<i>Number of Properties within the ALR</i>	76

The ability for properties smaller than 2.0 acres in size to qualify for the Farm Class is of particular importance to Burnaby. Of the 72 properties in Burnaby with Farm Class, 55 of these properties are smaller than 2.0 acres and generate annual gross earnings from agricultural production in excess of the \$10,000 minimum established by the legislation.

City staff have also reviewed the list of Farm Class properties in Burnaby, and note that the farm classification of these properties is consistent with the designation, zoning and apparent use of these properties.

### 3.0 DISCUSSION - UBCM RESOLUTION - B36

The subject UBCM resolution requests that the provincial government amend the Assessment Act and Regulations as it relates to the criteria for establishing the Farm Land Class. Areas originally raised for review in the resolution for the Farm Land Class seek to:

- exclude the farm dwelling and associated land area;
- exclude properties that are not zoned for agricultural use;
- ensure that secondary parcels included under the Farm Class provide a reasonable contribution to an integrated farm operation; and
- narrow the list of qualifying farming activities.

More recent discussions, in 2001 and 2002, between the UBCM and the Ministry of Community, Aboriginal and Women's Services has sought to narrow the focus of requested changes to the Assessment Act and Regulations to remove the ability for properties to qualify for the Farm Land Class in cases where the agricultural activity does not conform to the regulations for the Agricultural Land Reserve where the property is within the ALR, or where the agricultural use is not permitted under municipal zoning where the property is within municipal boundaries and outside of the ALR.

From Burnaby's perspective, the changes proposed in the more recent discussions between the UBCM and the province, with one exception, would not result in a change in the Burnaby properties which currently qualify for the Farm Land Class. Currently, 71 of the 72 properties in Burnaby which qualify for the Farm Class have zoning which permits agricultural uses. A single property within the City with Residential (R5) District zoning currently qualifies for the Farm Land Class. This property is, however, owned and occupied by the farm family which operates an adjacent farm within the ALR. Under the current regulations, this farm dwelling property qualifies for the Farm Land Class, and from staff's perspective, is a legitimate and necessary part of the farm operation.

### 4.0 CONCLUDING COMMENTS

The current system of establishing the Farm Land Class and assessment values has evolved over an extended period of time. The current system meets a number of direct and indirect objectives including supporting existing agricultural activities; encouraging new agricultural production; maintaining lands in open space; supporting the rearing, keeping and sale of horses; encouraging local floriculture and horticulture production; and assisting in defining the share of the property tax burden to be assigned to farm lands.

Given the broader public interest in maintaining a viable agricultural community in the province, and the direct and indirect objectives achieved by the existing Farm Class

regulation, staff are supportive of the general initiative being advanced by the Township of Langley to encourage the province to undertake a comprehensive review of the current Farm Class regulatory scheme. However, it is noted that the mutual and competing interests and objectives currently served by the established Farm Class regulations can be expected to hamper the development of a consensus view on necessary changes, and to bring into question which specific objectives should continue to be supported through the tax benefits conferred by the Farm Class. From Burnaby's perspective, staff would suggest that the Farm Class regulations should primarily seek to support existing and encourage new agricultural production activities.

Within this context, it is proposed that a letter and a copy of this report be sent to Burnaby MLA's, the Minister of Community, Aboriginal and Women's Services, the UBCM and the Township of Langley expressing Council's general support for a comprehensive review of the Farm Class regulations to ensure that the tax benefits derived from the Farm Land Class continue to appropriately support agricultural production activities in the province.



J.S. Belhouse, Director  
PLANNING AND BUILDING

LP/sa/jc

cc: Director Finance  
City Clerk

