



## City of Maple Ridge

**TO:** Her Worship Mayor Nicole Read and Members of Council  
**MEETING DATE:** July 11, 2017  
**FROM:** Chief Administrative Officer  
**MEETING:** Regular Council  
**SUBJECT:** 2017 Business Class Property Taxation

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### **EXECUTIVE SUMMARY:**

It is the practice of the City to annually review our property tax rates to make sure they are competitive with other lower mainland municipalities.

In 2016, the Financial Plan was amended to include a reduction in the property tax increase within the business and light industrial classes. For 2017, the property tax increase of 3.15% levied against the Residential Class was also applied to business and industrial classes.

This report examines the municipal portion of the tax rate assessed to Business Class properties across lower mainland municipalities.

### **RECOMMENDATION:**

This report is provided for information only. No resolution is required.

### **DISCUSSION:**

We looked at the municipal portion of the property tax rate assessed to Business Class properties by reviewing three indicators:

#### **1. Municipal Tax Rates**

The Maple Ridge Business Class municipal tax rate and how it compares to eighteen municipalities in the lower mainland. While this type of analysis is straightforward to accomplish, it does not account for the differences in assessed property values from jurisdiction to jurisdiction.

#### **2. Business Class Multiples**

The Maple Ridge Business Class multiple and how it compares to eighteen municipalities in the lower mainland. The multiple is calculated by taking the Business Class municipal tax rate and dividing it by the Residential Class municipal tax rate. While this method looks at the relative tax burden among the property classes, it does not account for the variability in assessed property value changes.

#### **3. Sample Properties**

There are eight sample commercial properties from various locations within Maple Ridge that we follow the yearly percentage change in assessed property values and municipal property taxes.

This report looks at the Maple Ridge Business Class municipal property tax rate from these three perspectives.

### 1. Municipal Tax Rates

In Maple Ridge, Business Class and Light Industry Class properties have the same tax rate and are treated as a composite class when setting the tax rates. This is done because the types of businesses in each of the property classes are very similar. This alignment was achieved over a long period of time with small incremental adjustments. Not all municipalities follow this practice.

As shown in Figure 1, in 2017, the Maple Ridge Business Class municipal tax rate of \$10.9322 per \$1,000 of assessed property value ranks as fifth highest of the nineteen lower mainland municipalities that were surveyed.

**Figure 1: Business Class Municipal Tax Rates – highest to lowest**

Municipality	2015	2016	2017	Rank
	Business Rate	Business Rate	Business Rate	
Mission	14.37490	14.27840	13.56327	1
Coquitlam	13.34520	12.46530	11.81700	2
Abbotsford	12.49189	11.61393	11.47816	3
New Westminster	12.92410	12.34260	11.33850	4
Maple Ridge	12.30380	11.88010	10.93220	5
Port Coquitlam	11.46280	11.09220	10.54470	6
Pitt Meadows	11.18660	11.15130	10.25440	7
Chilliwack	10.28317	9.77783	9.34863	8
Delta	10.76928	10.51092	9.268142	9
Langley, Township	9.96950	9.37150	8.75520	10
Langley, City	8.79470	8.95290	8.47240	11
Port Moody	9.95770	8.69510	8.08740	12
Burnaby	9.12440	8.46530	7.49000	13
North Vancouver, City	8.42034	8.20134	7.38566	14
North Vancouver, District	8.27863	8.14620	7.07029	15
Surrey	7.02465	7.05860	6.32140	16
Vancouver	7.34590	6.61254	5.79012	17
Richmond	6.94287	6.66368	5.60635	18
West Vancouver	4.31540	4.36470	3.79620	19

Generally speaking, municipal tax rates increase as we move from west to east, which is to be expected given the decreasing assessed values as we move up the Fraser Valley. This is confirmed with West Vancouver, which at \$3.7962 per \$1,000 of assessed property value has the lowest municipal tax rate, and with Mission, which at \$13.56327 per \$1,000 of assessed property value has the highest municipal tax rate. There are some anomalies, however. New Westminster and Coquitlam have municipal tax rates that are relatively close to the municipal tax rate in Maple Ridge

even though assessed property values are likely higher in those areas. In addition, the municipal tax rate in Chilliwack is lower than some of the communities located to its west where assessed property values are likely higher.

## 2. Business Class Tax Multiples

The tax multiple is one way that the tax rates between property classes are compared. To calculate the Business Class multiple, the Business Class tax rate is divided by the Residential Class tax rate and the resulting number is the Business Class tax multiple.

In 2017, the Maple Ridge Business Class municipal tax rate is 10.9322 and the Residential Class municipal tax rate is 3.3412. The multiple is 3.27 (calculated as  $10.9322 \div 3.3412$ ). In other words, the business taxpayer's rate is 3.27 times higher than that of a residential taxpayer. Figure 2 shows what our Business Class tax rates, Residential Class tax rates and the tax multiples have looked like over the past several years.

Figure 2: Maple Ridge Business Class, Residential Class, Tax Multiple

Year	Business	Residential	Multiple
2013	12.2307	4.2833	2.86
2014	12.7314	4.4625	2.85
2015	12.3038	4.4713	2.75
2016	11.8801	4.3761	2.71
2017	10.9322	3.3412	3.27

Figure 3 shows the effect of market value on Residential Class and Business Class municipal tax rates and the Business Class multiple since 2013. The market change in each of the property classes differs from year to year, and this affects the tax multiple.

Figure 3: Effect of Market Value on Municipal Tax Rates and Business Class Multiple

<u>Residential</u>	2012	2013	2014	2015	2016	2017
Market change	-0.02%	-1.20%	-1.24%	2.77%	5.40%	35.00%
Approved Tax Increase	4.88%	3.50%	2.95%	2.97%	3.15%	3.15%
Tax Rate	4.0888	4.2833	4.4625	4.47130	4.37610	3.34120
Tax Rate Change	4.90%	4.76%	4.18%	0.20%	-2.13%	-23.65%
<u>Business</u>	2012	2013	2014	2015	2016	2017
Market change	8.04%	-0.56%	-1.10%	6.56%	5.50%	13.00%
Approved Tax Increase	4.88%	3.50%	2.95%	2.97%	1.85%	3.15%
Tax Rate	11.7510	12.2307	12.7314	12.3028	11.8801	10.9322
Tax Rate Change	-2.92%	4.08%	4.09%	-3.37%	-3.44%	-7.98%
<b>Business Class Multiple</b>	2.87	2.86	2.85	2.75	2.71	3.27

The largest variance in market change occurred in 2017, when there was an increase of 35% in the Residential Class, and an increase of 13% in the Business Class. In 2017, we required an additional 3.15% in funding to meet the approved budget. As the Residential Class market value increased far

more than the Business Class, there was a greater decrease in the Residential Class tax rate and this is why our tax rate multiple has increased.

Figure 3 shows that in the years when the market changes are similar for both property classes, as in 2013 and 2014, there is little change in the Business Class multiple. In the years where there is more of a difference in the market changes between the property classes, as in 2017, there is a more noticeable change in the Business Class multiple.

Variability in market changes between the property classes in any given year means that there will be variability in the tax rate changes between the property classes. This has a direct impact on the Business Class multiple, as seen in 2017. Due to residential assessments increasing by nearly three times the amount of Business Class properties, the Business Class multiple has increased by 21% this year.

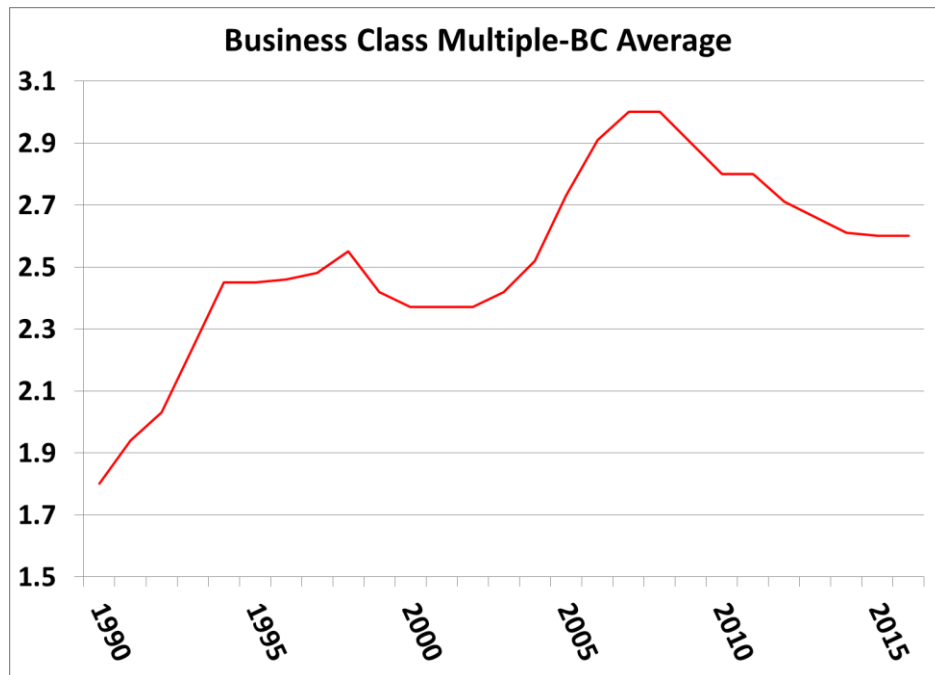
As shown in Figure 4, in 2017, the Maple Ridge Business Class tax multiple is 3.3 (3.27 rounded), and ranks as sixth lowest of the nineteen surveyed municipalities. Our multiple is below the average multiple of 3.8.

**Figure 4 Business Class Tax Multiples, Based on General Municipal Rates – lowest to highest:**

Municipality	2015	2016	2017		
	Multiple	Multiple	Business Rate	Multiple	Rank
Chilliwack	2.0	2.0	9.34863	2.3	1
Langley, City	2.3	2.6	8.47240	3.0	2
Abbotsford	2.4	2.3	11.47816	3.1	3
West Vancouver	2.6	3.0	3.79620	3.1	4
Port Moody	2.9	2.7	8.08740	3.1	5
<b>Maple Ridge</b>	<b>2.8</b>	<b>2.7</b>	<b>10.93220</b>	<b>3.3</b>	<b>6</b>
Surrey	2.8	2.9	6.32140	3.3	7
Pitt Meadows	2.8	2.9	10.25440	3.4	8
Langley, Township	3.0	3.0	8.75520	3.5	9
Richmond	3.2	3.2	5.60635	3.6	10
Mission	2.9	3.0	13.56327	3.6	11
Delta	2.9	3.1	9.26814	3.8	12
Port Coquitlam	3.0	3.2	10.54470	3.9	13
North Vancouver, City	3.3	3.5	7.38566	4.1	14
New Westminister	3.5	3.6	11.33850	4.1	15
North Vancouver, District	3.5	3.9	7.07029	4.4	16
Vancouver	4.2	4.2	5.79012	4.6	17
Burnaby	4.0	4.2	7.49000	4.7	18
Coquitlam	4.2	4.5	11.81700	5.5	19

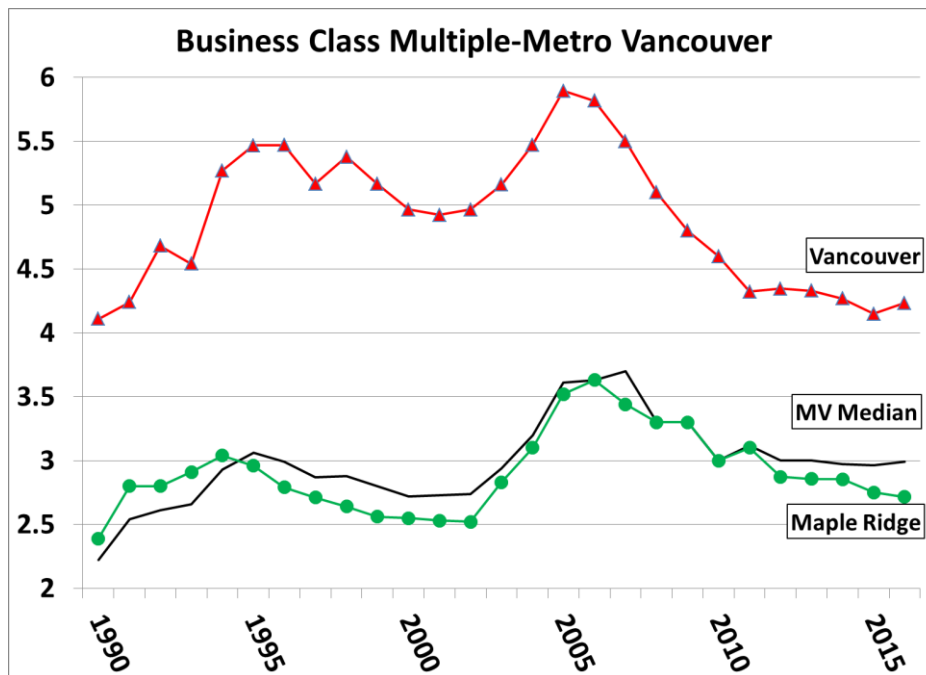
Figure 5 shows what the average Business Class multiple has looked like in BC from 1990 to 2016. In recent years, the overall trend is that the gap between the Business Class and the Residential Class is getting smaller, just like in Maple Ridge and the majority of the surveyed municipalities.

Figure 5: Business Class Multiple – BC Average



In recent years, this issue has attracted a lot of attention in Vancouver. Figure 6 shows what the tax multiples look like for Vancouver over the same period as Figure 5. Also shown is the median for Metro Vancouver and where Maple Ridge fits. Even with the increase in the multiple for 2017, we continue to trend below the median for the region.

Figure 6: Business Class Multiple – Metro Vancouver



The basic taxation system that we have is one whereby properties are taxed on their value. Property values are determined by BC Assessment. Municipalities set the tax rates. When we set tax rates, we

try to neutralize the impact of market value changes. We don't have to do this; we can focus on tax rate multiples.

A multiple of 2:1 could be achieved by reducing the taxes collected from the Business Class. Moving about \$5 million of revenue to the Residential Class would do this, and would equate to an 8.5% increase from the current municipal tax rate for the Residential Class.

At the end of the day, budgets are balanced; however, benefits to one property class are at the expense of another. This is illustrated in Figure 7.

**Figure 7: Scenario – Existing Method vs 8.5% Increase**

Scenario 1 - Existing	2017 Tax Rate	Revenue
Residential	3.34120	59,827,000
Business	10.9322	15,108,000
Ratio	3.27:1	74,935,000
Scenario 2 – 8.5% Increase	2017 Tax Rate	Revenue
Residential	3.6254	64,914,244
Business	7.2507	10,020,756
Ratio	2:1	74,935,000

### **3. Sample Properties**

There are eight sample commercial properties from various locations within Maple Ridge that we follow the yearly percentage change in assessed property values and the municipal property tax. Samples include:

1. Commercial office in a stratified building
2. Retail store
3. Convenience store with gas station
4. Small commercial building with a coffee shop and two other commercial units
5. Coffee shop
6. Family restaurant
7. Bank
8. Big box retail store

There are numerous subsets of BC Assessment's Business Class, which includes the property types listed above. While assessed property values in one of the subsets may experience an increase in values, other subsets may experience a decrease. Figure 8a shows the percentage change in assessed property values for the sample properties from 2013 to 2017.

**Figure 8a: Sample Commercial Properties – Change in Assessed Property Values**

Description	2013	2014	2015	2016	2017
1 Commercial Office-Strata	2.2%	0.0%	-1.8%	3.2%	19.3%
2 Retail Store	3.8%	0.0%	0.0%	0.0%	10.2%
3 Convenience Store/Service Station	4.2%	0.0%	21.1%	13.5%	12.3%
4 Small Commercial Building w/Coffee Shop & 2 Other Units	0.0%	-1.6%	4.4%	25.3%	11.4%
5 Coffee Shop	3.1%	0.0%	8.9%	7.9%	9.4%
6 Family Restaurant	-3.8%	3.6%	7.1%	6.1%	9.5%
7 Bank	0.0%	-28.7%	-10.0%	43.7%	16.2%
8 Big Box Retail Store	0.0%	-3.6%	4.2%	4.4%	9.7%
<b>Total</b>	<b>0.2%</b>	<b>-6.8%</b>	<b>3.7%</b>	<b>12.7%</b>	<b>11.3%</b>

There is a very wide variation in the yearly changes. In their news release on January 3, 2017, BC Assessment reported that most owners of commercial and industrial properties in the Fraser Valley would see changes in their 2017 Property Assessments ranging from 10% to 35%. For the most part, changes in the assessed values for the sample commercial properties reflect this range, with those properties falling below the 10% threshold less than 1% off BC Assessments range.

Figure 8b, shows the percentage change in the municipal portion of the property taxes for the sample properties. As there is variability with the changes in assessed property values, there is also variability with the changes in municipal property taxes. Local governments do not have the legislative authority to equalize tax increases among properties.

From 2016 to 2017, municipal property tax changes range from a decrease of 0.6% for the coffee shop to an increase of 9.8% for the commercial office. It is important to note that while some of the sample properties may experience the same percentage tax rate increase, the tax bills will vary depending on the assessed property values.

**Figure 8b: Sample Commercial Properties – Change in Municipal Property Taxation**

Description	2013	2014	2015	2016	2017
1 Commercial Office-Strata	6.3%	4.1%	-5.1%	-0.4%	9.8%
2 Retail Store	8.1%	4.1%	-3.4%	-3.4%	1.4%
3 Convenience Store/Service Station	8.5%	4.1%	17.0%	9.5%	3.3%
4 Small Commercial Building w/Coffee Shop & 2 Other Units	4.1%	2.4%	0.8%	21.0%	2.5%
5 Coffee Shop	7.3%	4.1%	5.3%	4.2%	0.6%
6 Family Restaurant	0.1%	7.8%	3.6%	2.4%	0.8%
7 Bank	4.1%	-25.7%	-13.0%	38.8%	6.9%
8 Big Box Retail Store	4.1%	0.4%	0.7%	0.8%	0.9%
<b>Total</b>	<b>4.3%</b>	<b>-3.0%</b>	<b>0.3%</b>	<b>8.9%</b>	<b>2.4%</b>

This table shows that even though our tax rate multiple increased significantly, there was not a large increase in taxes to individual commercial properties.

**CONCLUSION:**

It is important for the City of Maple Ridge to review our municipal tax rates to make sure they are reasonable in relation to other municipalities. This is not a simple task and each indicator has its own strengths and weaknesses. This is why we look at a variety of indicators over a period of time.

The City's Business Class municipal tax rate in 2017 is fifth highest of the nineteen surveyed municipalities. This is not unexpected as most municipalities in the survey group have higher assessed property values. It is noteworthy that tax rates in Coquitlam and New Westminster are higher than ours, even though those communities likely have assessed property values that are higher than those in Maple Ridge.

The City's Business Class tax multiple continues to rank lower than the average. This is despite seeing an increase in the 2017 multiple, attributable to a greater increase in Residential Class property values than experienced by Business Class properties.

With respect to assessed property values and municipal taxes, we looked at the yearly percentage change in property assessments and the municipal portion of property taxes from 2013 to 2017 for eight sample properties within Maple Ridge. As there is some variability with the percentage change in assessed property values for these properties, there is also some variability around the percentage change in municipal property taxes.

Overall, our data indicates that Maple Ridge's Business Class municipal tax rates are competitive when compared to other lower mainland municipalities.

"Original signed by Daniel Olivieri"

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