TOWN OF SIDNEY

REPORT TO COMMITTEE

TO: Committee of the Whole

FROM: Andrew Hicik, Director of Corporate Services

DATE: March 15, 2022 **FILE: 1855-05**

SUBJECT: TAXATION POLICY

PURPOSE:

To reconsider the Town's property tax distribution policy, in order to determine whether or not the gap between Business and Residential tax rates should be reduced.

BACKGROUND:

Policies relating to the distribution of taxes between the various classes of property should be reviewed on a regular basis, even if the result is to confirm that no changes to the policy should be made. The ultimate goal of the distribution policy review is to consider whether or not to bridge the gap between tax rates applied to residential properties and the higher rates applied to non-residential properties for the same set of municipal services.

The 10% reduction for Business properties, put in place as a COVID relief measure in 2020, went a long way towards bridging the gap between Residential and Business rates. In fact, even without additional policy intervention, the average business will be paying less in municipal taxes than it did in 2019, prior to the 10% reduction. However, without deliberate policy consideration, these gains may be lost over time.

Policy reviews have been initiated several times in the past, but never fully completed. Council's Strategic Plan recently confirmed a desire to complete the review this year.

In some of the past reviews, Class 8 (Recreation) was also discussed; in order to focus on the key issue at hand, any policy consideration of Class 8 will be set aside for potential future review. Class 8 (which in the Sidney context includes the marinas, and a handful of associated businesses) produces a very small proportion of the Town's tax revenues. Regardless of what happens with Class 8, lowering the Business tax rate cannot be achieved without impacting the Residential property class.

As it has been nearly a year and a half since the policy review was last considered, this report will include a reiteration of key information from earlier materials. The report will also be supplemented by a detailed presentation. Both the report and presentation will provide an overview of the key issues to be considered, and will serve as the basis for a thorough discussion around tax distribution. These updated resources will serve as a detailed background package for the policy review. In order to allow for better flow within the body of this report, certain background materials will be included as appendices.

DISCUSSION:

Prior to starting a detailed policy discussion, it is important to define the scope of what we will be talking about, and clarify some of the terms that will be used.

Property Classes and Assessment

In this report, we will be discussing primarily two classes of property: Residential (Class 1) and Business (Class 6). These two classes make up the vast majority of the Town's tax base. For purposes of this review, references to Business will also include properties classified as Light Industrial (Class 5), as these two classes of property share the same municipal tax treatment and rate. It should be noted that *Commercial* and *Business* may be used interchangeably, and mean the same thing in the context of our policy discussions. The official name for Class 6 is *Business and Other*. A full listing of property classes is included in Appendix A.

The Town levies taxes based on the assessed value of properties across the various classes. These values are updated annual by an independent entity. BC Assessment sets the values, and the Town then sets the rates to be applied to those values for *some* of the taxes collected by the municipality. Property assessment is also covered in Appendix A.

Taxes for Other Governments

In addition to municipal taxes, the Town collects taxes for 7 other (external) jurisdictions or service providers on the annual tax notice. A full listing of these other jurisdictions is included in Appendix B. The Town sets the rates and *multiples* for only 3 out of 8 levies on the tax notice: municipal, Regional District and Library. While it is only the municipal tax rate that is the subject of this review, the other two rates are impacted by any decision that we may make on a tax distribution policy; in other words, if we change the distribution between Residential and Business taxes for municipal purposes, the distribution will also change for Regional District and Library purposes. For comparison with other municipalities, the three will be combined into an amalgam that will be referred to as *Local Service Taxes*. This will make comparisons more meaningful.

Tax Multiples

A tax multiple is the relationship or ratio between the Residential (Class 1) tax rate and the tax rate of other classes. It is determined by dividing the rate for a non-residential class by the residential rate.

For example, if the tax rate for Class 6 is 5.59961 per $1,000 in assessed value, and the rate for Class 1 is 2.21707, the multiple will be 5.59961/2.21707 = 2.5257. This means that a Class 6 property is taxed at 2.5257 times the rate at which a Class 1 property is taxed. So a property assessed at $800,000 would pay $1,774 in municipal taxes if it were a Class 1 property, but would pay $4,480 if it were a Class 6 property (2021 rates).

The limitations of focusing on Multiples will be discussed below. For the time being, it is important to note that there are six different multiples on the annual tax bill, and the Town controls only one of the six, covering the municipal, CRD and VIRL levies. The tax multiples for the remaining five levies are controlled by the Province. The table below shows the various multiples for 2021:

Class	Town (CRD, VIRL)	CRHD	School	Transit	BC Assess.	MFA
1 - Residential	1.0000	1.00	1.0000	1.0000	1.0000	1.00
2 - Utilities	6.3142	3.50	10.5074	5.4002	11.5109	3.50
5 - Light Industrial	2.5257	3.40	3.1539	5.4002	2.7664	3.50
6 - Business/Other	2.5257	2.45	3.1539	5.4002	2.7664	2.50
8 - Recreation/Non-profit	1.7971	1.00	1.9038	1.0000	1.0000	1.00
9 - Farm	2.0617	1.00	5.6459	1.0000	1.0000	1.00

Local Service Taxes

For the purposes of comparison, and also to reflect the tax rates over which the Town has the most control, Municipal, Regional District and Library levies will be combined in this discussion into *Local Service Taxes*. The reason it is important to consider all of these together is that not all jurisdictions cover the same "basked of goods" within their municipal taxes.

For example, some local governments include library services in their municipal tax rate, even though the service is being provided under contract by a third (regional) party. Another example is that most of the larger jurisdictions operate their own recreation functions and facilities, while smaller jurisdictions – like the Town – tend to participate in regional recreation functions, such as Panorama Recreation. Panorama is operated on behalf of Peninsula municipalities by the CRD, and is therefore funded through the Regional District levy on the tax bill. By combining the three levies into *Local Service Taxes,* we are making regional comparisons as meaningful as possible. What cannot be accounted for is the difference in service levels between jurisdictions; a full and complete comparison between jurisdictions is far outside the scope of this review, and may not in fact be possible.

Where We Stand Regionally / Comparisons with Other Jurisdictions

While each individual local government should focus primarily on their own operational needs and community goals – and the taxation policies that support them – comparison with neighbouring and similar municipalities is inevitable.

In order to understand the magnitude of the perceived inequity between Residential and Business tax rates, it may help to illustrate where the Town's non-residential property tax rates stand within the Capital Region. The current results are consistent with where we stood, regionally, back when this review was first considered in 2015 through 2017. A few of the comparison tables are discussed below, while additional examples are included in Appendix C.

2021 Tax Rates				2021 Business Multiples	
	Residential		Business	Business : Residential	
Esquimalt	4.14559	Saanich	14.24517	North Saanich	5.6394
Victoria	3.45540	Colwood	13.10720	Saanich	4.2262
Central Saanich	3.38122	Victoria	11.48930	Colwood	3.9156
Sooke	3.37926	Esquimalt	10.88968	View Royal	3.6933
Saanich	3.37068	Sooke	10.68927	Victoria	3.3250
Colwood	3.34740	North Saanich	10.51120	Average	3.3181
Oak Bay	3.31392	Average	10.12124	Sooke	3.1632
Average	3.15143	View Royal	9.50444	Langford	2.7500
Langford	2.97089	Oak Bay	8.67770	Esquimalt	2.6268
Sidney	2.86406	Langford	8.16997	Oak Bay	2.6186
View Royal	2.57342	Sidney	7.23369	Sidney	2.5257
North Saanich	1.86390	Central Saanich	6.81601	Central Saanich	2.0158

As illustrated, Sidney is on the low end of tax rates within the region, for both the Residential and Business classes. And as far as Multiples are concerned, we remain near the very bottom of the range, well below the average. However, the fact that we are already on the lower end of the spectrum may not be enough; we may elect to proceed with further reductions as a result of our policy review. The health and competitiveness of our local business sector is important to the Town's success. Even though we are already very competitive in terms of Business taxation, and Town policy affects only about half the Commercial tax bill, additional steps may be justified.

<u>What is the purpose of this policy review?</u>

The underlying rationale for reviewing the Town's property tax distribution policy is the ongoing demand from the business sector to bring their tax rates closer to those paid by residential properties.

In general, there are two ways to achieve a reduction of non-residential tax multiples, or property taxes as a whole:

1. Shift more of the tax burden to the Residential class
2. Reduce spending and/or services, with the benefit of the reduction allocated to business.

If Council wishes to see the tax burden lowered for Business properties, we may need to set a plan to phase in the shift to Residential, and begin a communication campaign around this policy objective. It can be argued that a healthy community needs a healthy commercial sector. However, it should be kept in mind that all businesses pay their taxes in pre-income-tax dollars, while homeowners pay in after tax dollars.

The second option listed above is to reduce spending or services. The results of a past community survey indicated fairly strongly that the majority of respondents would prefer to pay a bit more to keep the service levels they currently enjoy, as opposed to a reduction in those services to save money. While it is likely that the survey results reflect the residential sector more than the business sector, the fact that residential makes up 90% of tax folios makes the results difficult to ignore. It is likely that, if asked the same question, the business sector would prefer a reduction in spending and services. One way to achieve a degree of fairness to both sectors is to reduce the tax burden borne by the non-residential sector by shifting it to Residential over a reasonable timeframe.

<u>Rate Setting Methods</u>

There are two common policy options for the distribution of property tax burdens, each with its advantages and disadvantages:

i. Set and maintain a stable percentage of taxes from each class of property (let's call this the Percentage method)

ii. Set and maintain a constant tax multiple (Multiple method).

The Town uses a variation of the Percentage method. At a certain point in time (long ago), the Council of the day determined that the percentage of taxes from each major class of property was appropriate. Aside from some very minor adjustments, the percentages remain similar to what they were over 20 years ago. The Residential percentage has been increasing very gradually over time (and the Business percentage decreasing) due to a prolonged period of growth in Residential construction.

A third rate setting method will be introduced later in this report. This third method is a variation of the Multiple Method, but is also a hybrid of the two above.

<u>Percentage Method</u>

Under this policy alternative, the percentage of taxes collected from each class of property remains stable from year to year. The only variance to the percentage comes from Non-Market Change (NMC) revenue, otherwise known as growth in the tax base (primarily from new construction).

Under this method, the general tax increase is applied equally to each property class from year to year. This has the effect of maintaining the percentage coming from each class, subject to very small changes due to NMC. It is only NMC that causes any movement in the tax percentages from each class, as these revenues are not part of the general tax increase.

The advantage of the Percentage method is that the tax increase is applied equally to all classes. The disadvantage is that the natural redistribution of the tax burden between classes is neutralized (evened out) through our rate setting methods. To illustrate, it could be argued that if one class of property grows in value at a greater rate than other classes, the growing class should assume a bigger portion of the tax burden. However, this extraordinary increase in values is negated by the lowering of the applicable tax rate. The Town, like most local governments, has worked very hard over the years to publicize the fact that an increase in assessments does not mean a corresponding increase in taxes; this is the application of the Percentage method.

One argument for continuing to set tax rates using the Percentage method is that the fluctuations in assessment are cyclical. In other words, Residential properties will increase at a greater rate than Business for one or a few years, and then Business will make up that gap in subsequent years. This argument is difficult to maintain if Residential assessments continue to grow at much higher rates than Business for an extended period. In this case, one could argue that the Residential class should assume a larger percentage of the tax burden; this would follow from the general taxation concept that all properties should pay a portion of the tax burden based on the relative value of their property as compared to the whole.

Multiple Method

Under this policy alternative, we would keep the multiples (ratio of non-residential tax rate to residential) constant from year to year, regardless of what happens with changes in assessment between classes. The advantages of this method are that a target multiple may be set by policy, and maintained over the long term; and also that tax rates remain easy to set each year. The disadvantage (and it's a big one) is that the tax increases would not be applied equally to each class each year, and there would potentially be significant shifts in the tax burden from year to year.

In a year like 2017, for example, Residential properties would have taken on a much higher percentage of total taxes, to the benefit of non-residential properties. If the rates for 2017 were set to maintain the same multiples as the previous year, the average residence would have seen a tax increase of 2.72%, rather than 0.66% (or $31 for the year instead of $9). This difference would have been much larger without the significant NMC growth for Class 1. Business, on the other hand, would have seen a *decrease* of $77 per 100,000 in assessed value (or $395 on a property of similar value to the average residence). The percentage of total taxes collected from Residential would have increased by 3% overall, with a corresponding decrease for Class 6. (Please note: even though this example uses previous year's data, the concept is the key).

Staff are not aware of any municipality using the Multiple method to anything but a limited extent. The only ones advocating for this method in any way are the CFIB (Canadian Federation of Independent Business), who have in the past lobbied for a decrease of the Business multiple to 2.0. What they are really lobbying for is a narrowing of the gap in tax rates between Business and Residential. It is unfortunate that they would fixate on the multiple, as this would not be a permanent solution. The staff presentation will provide a clear example of the downside of focusing on the tax multiple.

What is lost by focusing solely on Multiples?

The biggest impact of focusing on multiples alone is that the annual tax increase will no longer be applied evenly across the board. The current rate setting procedure evens out the shifts in assessed value between different classes of property each year, and then applies the tax increase evenly. If we are to focus on a multiple of 2.0, then by definition the other adjustments would not apply; the Class 6 rate would simply be twice the Class 1 rate, regardless of what happens to the relative value of the two classes from year to year. This is not necessarily a bad thing; just a different way of doing things. One could argue that the annual assessment process is largely a redistribution of the tax burden between all properties, and by smoothing out some of the relative change between classes, we are artificially manipulating that redistribution; but there are tradeoffs regardless of the approach taken. There is no single "correct' method; the rate setting is a matter of policy and individual choice among local governments.

Also, since the Multiple is only one component of taxes paid, keeping it at an arbitrary figure like 2.0 may, in some years, be disadvantageous to business. Should there be a reversal of the current trend of higher Residential growth, a firmly set 2.0 multiple would lead to increases for Business properties that exceed Residential.

Alternative Rate Setting Method

If we choose not to focus on set tax multiples as part of our policy review, the other way to achieve a more equitable distribution is to focus instead on tying the percentage of taxes that should be borne by each property class to its percentage of the assessment base at a given time. This method would, in effect, add a third rate setting methodology to the two identified above. For lack of a better term, it will be referred to as the *Hybrid Method* for the time being.

The Hybrid Method would differ from the Percentage Method discussed above in that it is a moving target, not a set one. In other words, we may choose to establish a goal of collecting from the Business class twice the percentage of taxes as compared to its share of the assessment base. This methodology is easier to illustrate than articulate. If, for example, the Business class makes up 12% of the assessment base, a target could be set to collect 24% of taxes from that class (2 x 12%).

The table below illustrates the percentage of the assessment base, percentage of the tax burden, and the tax multiples for the Residential and Commercial (including Light Industrial) property classes over the past two years.

	Assessments		Taxes Collected		Multiples	
Property Class	2021	2020	2021	2020	2021	2020
1 - Residential	87.2%	86.7%	73.2%	73.0%	1.0000	1.0000
5/6 - Commercial	11.9%	12.4%	25.3%	25.5%	2.5257	2.4468

Over the past two years, the ratio of taxes collected to percentage of the assessment base was 2.06 in 2020 and 2.12 in 2021. It is estimated to increase to 2.30 for 2022. In all cases, this is above the potential target of 2.0. See Appendix D for additional historical information.

While this method has some of the same disadvantages as the Multiple Method, it seems less arbitrary and more defensible. Tying in the percentage of taxes to be collected from the Commercial class to that classes' share of the assessment base seems inherently fair.

The largest shorter-term disadvantages will be that rate setting is more complicated, and the tax increase published through the budget approval process is subject to small changes when the tax rates are set.

Despite its challenges, this method may be seen as a viable alternative to the Multiple Method. If selected, a target ratio may be set (likely 2.0) along with a timeframe for phasing in the adjustment to achieve the target. A phase-in period of at least five years would make the shift of taxes from Business to Residential gradual and less impactful. A potential name for this ratio may be *Tax to Assessment Ratio.*

If, for example, we were to shift the ratio to 2.0 all at once in 2022, the projected incremental impact on the average residence would be approximately $91, while reducing taxes by $911 for the average Business property. While these shifts may seem to be impactful on Residential, they would be lower than the impacts of moving all at once to a Multiple of 2.0 for Business. Please note, however, that staff would not recommend making an immediate shift to any new methodology; if a new policy direction is chosen, there should be a phase in period. The tables below illustrate these impacts.

Impacts on Average Residence			
	Basic Increase	2 x Assess.	2.0 Multiple
Municipal Tax	1,625	1,696	1,745
Regional District	358	374	385
Library	106	111	114
	$ 2,090	$ 2,181	$ 2,243
Increase over 2021	$ 66	$ 157	$ 220
Increase over Basic	-	$ 91	$ 153

The table above shows that the basic increase for 2022 for the average Residential property will be $66. If we were to move to a ratio of 2.0 times the assessed value, there would be an incremental impact of $91 (for a total increase of $157 from 2021). This is contrasted to the impacts of moving to a Multiple of 2.0, which are $153/$220. On a percentage basis, taxes for Residential would increase by 8.26%, rather than the published 3.76% (it would be 11.38% for a 2.0 Multiple).

On the Business side, the impacts would be as follows:

Impacts on Average Business			
	Basic Increase	2 x Assess.	2.0 Multiple
Municipal Tax	5,469	4,760	4,269
Regional District	1,206	1,050	942
Library	357	311	279
	$ 7,032	$ 6,121	$ 5,490
Increase/(Decrease) from 2021	$ 114	$ (797)	$ (1,428)
Increase/(Decrease) from Basic	-	$ (911)	$ (1,542)

Without any policy change for 2022, the average Commercial property will see a $114 increase from last year. If we were to move to a ratio of 2.0 times the assessed value, there would be a *decrease* of $911 from the base scenario, for a total decrease of $797 from 2021. For moving to a Multiple of 2.0, the savings for the average business would be greater.

Conclusion

If Council wishes to pursue reductions to the differences in tax rates paid by residential and non-residential properties, there are different options and timelines for addressing this. The method that would be recommended by staff, the Hybrid Method, is described above. Should Council opt to pursue a reduction, whether by this method or another, it would also be necessary to set a start date for the shift, as well as a phase-in period to lessen the impact on residents. The new policy may simply be set this year, with the initial shift beginning in 2023. If that were the selected alternative, staff would prepare next year's budget, and plan for next year's tax rates, accordingly. While it would be awkward for a new Council to contemplate another tax policy review in conjunction with their first budget, if the new Council wished to revisit this policy decision before it is implemented, that would certainly be possible.

Council may also choose to begin the shift in the current taxation year. If this were the case, the rate increase published with budget approval would have to be adjusted slightly.

Should Council elect to approve a gradual reduction in Business taxes – whether it is to begin this year or next – staff would assume a 5-year phase in period. Additional illustrations of the impact of this phase-in would be brought forward with each year's tax rate setting, and the phase in period may be adjusted in future if deemed overly impactful to Residential properties.

RECOMMENDATION:

That if Council wishes to reduce the difference in tax rates between the Residential and Business property classes, this reduction be made gradually using the Hybrid rate setting method, and that the reduction begin in 2023, with a 1/5th bridging of the gap.

Respectfully submitted,

Andrew Hicik
Director of Corporate Services

I concur,

Randy Humble
Chief Administrative Officer

Property Classes and Assessment

Property Assessment

All properties in BC are appraised annually by an independent crown corporation created by, and accountable to, the Province. BC Assessment produces independent, uniform and efficient property assessments on an annual basis for all property owners in the province. An independent appraisal body creates efficiencies by eliminating the need for local governments to undertake their own assessments, and more importantly, eliminates any possibility for manipulation of values by the taxing jurisdiction. BC Assessment's figures are used not only by the Town, but all other taxing authorities included on our property tax bill.

All properties in BC are classified into one of the property classes established by provincial legislation (see descriptions below, from BC Assessment). The Town then sets rates for each applicable property class, using its financial plan as the basis for total revenue to be collected to fund operations.

The annual assessment process is an integral part of property taxation, as property taxes are an *ad valorem* tax (i.e. they are based on the taxable value of each property within a jurisdiction). Each year, the assessed values determine the distribution of the tax among all the paying properties. Assessment is based on many market factors, but mainly on the value of the property at a given date.

BC Assessment and all local governments have been working diligently over the past decade to drive home the point that an increase in assessed value does not imply a tax increase (and vice versa). The change in taxes from year to year is based entirely on two factors: 1) the revenue needs of the local government, as indicated in their financial plan; and 2) the relative change in the value of a property compared to others in the jurisdiction.

Even if there is no tax increase whatsoever, the amount paid by individual properties could change from year to year, as it is based on the relative value of the property compared to others in the jurisdiction. In other words, some properties increase in value from one year to the next, while others may decrease or stay the same. In the absence of a general tax increase, the existing tax burden would be spread differently among the properties within the Town, based on the relative changes in assessed value; the ones with increased values take on a bigger burden, and the ones with decreasing or stable values pay less.

It should be noted that there is no relationship between the amount of taxes paid, and the amount of services received. Such a system would be impossible to administer, and unsustainable. Property taxes are applied on the basis of the value of property owned; this is seen as a proxy for the ability to pay (and also perhaps for the level of services consumed). For those property owners who are property rich and cash poor, programs exist to lessen the burden.

Property Classes

BC Assessment places property in one or more of nine classes, typically based on the property's type or use. Municipal zoning does not determine property class, though it may be a factor in some cases.

Class 1, Residential — single-family residences, multi-family residences, duplexes, apartments, condominiums, nursing homes, seasonal dwellings, manufactured homes, some vacant land, farm buildings and daycare facilities.

Class 2, Utilities — structures and land used for railway transportation, pipelines, electrical generation or transmission utilities, or telecommunications transmitters. This property class does not include gathering pipelines, offices or sales outlets.

Class 3, Supportive Housing —this property class only includes eligible supportive housing property that has been designated by Cabinet. Eligible supportive housing property is funded by the provincial government or a health authority for the provision of housing that includes on-site support services for persons who were previously homeless, at risk of homelessness, and who are affected by mental illness or who are recovering from drug or alcohol addictions or have other barriers to housing.

Class 4, Major Industry — land and improvements (buildings and structures) of prescribed types of industrial plants, including lumber and pulp mills, mines, smelters, large manufacturers of specified products, ship building and loading terminals for sea-going ships.

Class 5, Light Industry — property used or held for extracting, processing, manufacturing or transporting products, including ancillary storage. Scrap metal yards, wineries and boat-building operations fall within this category. Exceptions include properties used for the production or storage of food and non-alcoholic beverages and retail sales outlets, which fall into Class 6.

Class 6, Business Other — property used for offices, retail, warehousing, hotels and motels all fall within this category. This class includes properties that do not fall into other classes.

Class 7, Managed Forest Land — privately-owned, forest land managed in accordance with the *Private Managed Forest Land Act* or the *Forest and Range Practices Act*. Property owners in this class have an obligation to provide good resource management practices, such as reforestation, care of young trees, protection from fire and disease and sound harvesting methods.

Class 8, Recreational Property, Non-profit Organization — includes two very different categories:

Recreational Land

Land used solely as an outdoor recreational facility for specific activities such as golf, skiing, tennis, public swimming pools, waterslides, amusement parks, marinas and hang gliding. Improvements on the land (such as a clubhouse) fall into Class 6.

Non-Profit Organization Land and Improvements

Property used or set aside for at least 150 days per year as a place of public worship or as a meeting hall by a non-profit, fraternal organization. The 150 days cannot include activities with paid admission or the sale/consumption of alcohol.

Class 9, Farm — to qualify as farm for assessment purposes, the land must produce a prescribed amount of qualifying primary agricultural products for sale, such as crops or livestock. Farm buildings come within Class 1. For more information on farm land, visit Farm Land Assessment.

Split Classification

Property with several distinct uses can fall into more than one class. For example, commercial and residential space might be combined in one building, or a property combines residential, farm and forest land. In these cases, BC Assessment determines the share of the value of the property attributable to each class.

Appendix B

Taxes for Other Governments/Service Providers

On the annual property tax bill, the Town collects taxes not only for its own purposes, but also for several other jurisdictions that provide local services. The Town's portion makes up only about half the total bill. The other jurisdictions are as follows:

Province of BC – School Taxes: provides a portion of funding for operation of the local School District. The tax isn't dependent on use of the school system. The education system benefits all B.C. residents, including people without children in school. Property owners pay school tax to share in the cost of providing education in B.C. The Home Owner Grant, available to the majority of residential property owners, is a reduction that applies to School Taxes first, with any remainder being applied to other taxes.

Capital Regional District: pays for the Town's share of regional (eg. Parks acquisition and operations; regional planning; arts; housing; etc.) and sub-regional (Panorama Recreation, shared with North and Central Saanich) services.

Regional Hospital District: pays for 30% to 40% of the capital costs associated with the region's hospitals.

Vancouver Island Regional Library: pays for a proportional share of the cost of providing library services to most of Vancouver Island (all but the majority of Greater Victoria). Each member's share is based on a combination of assessment and population.

BC Assessment: Town's share of providing the independent appraisal service.

Regional Transit: pays for a percentage of the cost of operating the Victoria Regional Transit system. Transit service is partially subsidized by the Province.

Municipal Finance Authority (MFA): a token amount that is included for funding the operations of the MFA, which is an entity that was created for the purpose of contributing to the financial health of local governments through group borrowing and investment mechanisms. The majority of MFA operations are self-funded. This levy remains on the tax notice as a placeholder. Were the MFA ever unable to meet its obligations through self-funding, the revenue shortfall would be made up through property tax billings.

Also on the Property Tax Bill: Water and Sewer Parcel Taxes

As described above, property taxes are levied based on the assessed value of a property. Parcel Taxes, which are used as part of the total funding of Water and Sewer services, are levied as a set amount *per parcel*. Parcel Taxes have historically been used to fund the capital portion of utility operations. They are generally based on an equal amount per parcel, or an amount related to the size or frontage of a parcel, based on the concept that all properties benefit on a roughly equal basis from the availability of these utilities. The actual usage of the utilities is billed as a User Fee, based on volumes of use.

Appendix C

Regional Comparisons

The table below illustrates where Sidney lies in relation to other CRD municipalities in terms of 2021 tax rates for the four major property classes. In all cases, we are near the low end of the list, and below the average.

TAX RATES							
	Residential		Light Industry		Business		Recreation
Esquimalt	4.14559	Sooke	21.79723	Saanich	14.24517	Colwood	14.30950
Victoria	3.45540	Esquimalt	15.31849	Colwood	13.10720	View Royal	13.12447
Central Saanich	3.38122	Colwood	12.84150	Victoria	11.48930	Saanich	8.85682
Sooke	3.37926	Victoria	11.48930	Esquimalt	10.88968	Central Saanich	7.79236
Saanich	3.37068	North Saanich	10.51120	Sooke	10.68927	Victoria	7.57770
Colwood	3.34740	Average	9.99543	North Saanich	10.51120	Average	7.22455
Oak Bay	3.31392	Langford	9.20978	Average	10.12124	Oak Bay	7.01446
Average	3.15143	View Royal	8.59138	View Royal	9.50444	Sidney	5.14685
Langford	2.97089	Saanich	7.65000	Oak Bay	8.67770	North Saanich	4.95590
Sidney	2.86406	Sidney	7.23369	Langford	8.16997	Esquimalt	3.73285
View Royal	2.57342	Central Saanich	5.30720	Sidney	7.23369	Langford	3.57993
North Saanich	1.86390	Oak Bay	-	Central Saanich	6.81601	Sooke	3.37926

Note: Only Sidney, North Saanich and Victoria apply the same rate to both Business and Light Industry.

The following table illustrates the Multiples used for the three main non-residential property classes. Once again, Sidney's position is very favourable.

MULTIPLES					
	Light Industry		Business		Recreation
Sooke	6.4503	North Saanich	5.6394	View Royal	5.1000
North Saanich	5.6394	Saanich	4.2262	Colwood	4.2748
Colwood	3.8363	Colwood	3.9156	North Saanich	2.6589
Esquimalt	3.6951	View Royal	3.6933	Saanich	2.6276
Average	3.5749	Victoria	3.3250	Average	2.3798
View Royal	3.3385	Average	3.3181	Central Saanich	2.3046
Victoria	3.3250	Sooke	3.1632	Victoria	2.1930
Langford	3.1000	Langford	2.7500	Oak Bay	2.1167
Sidney	2.5257	Esquimalt	2.6268	Sidney	1.7970
Saanich	2.2696	Oak Bay	2.6186	Langford	1.2050
Central Saanich	1.5696	Sidney	2.5257	Sooke	1.0000
		Central Saanich	2.0158	Esquimalt	0.9004

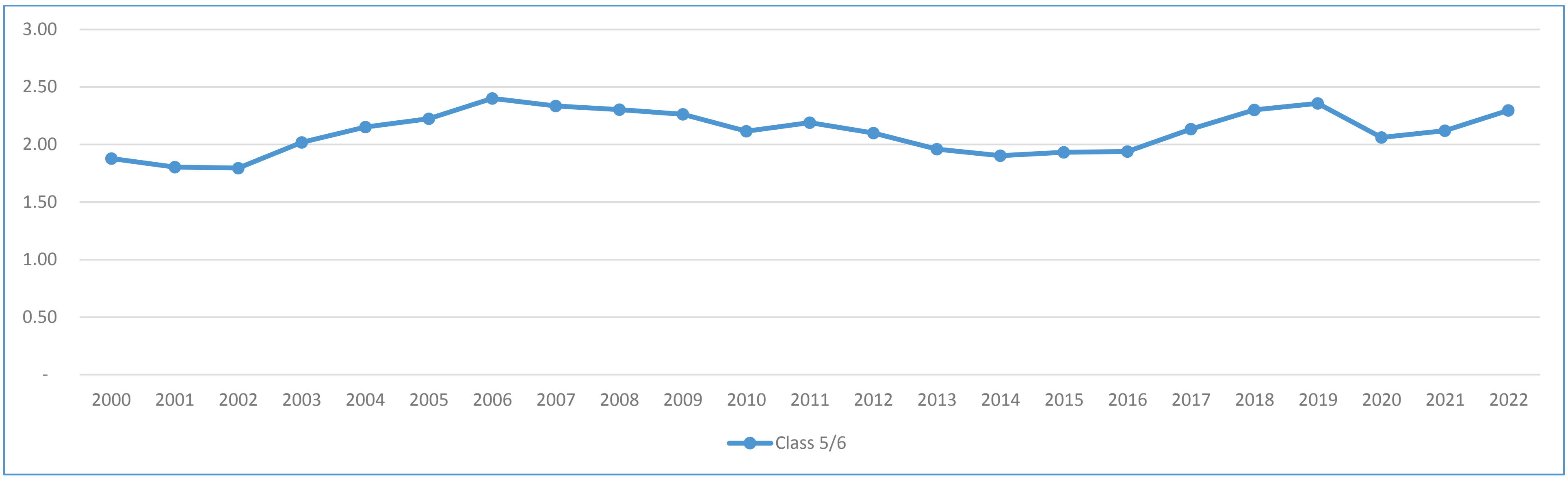
Comparison of % of Assessment Base vs % of Tax Revenues by Property Class

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Percentage of Assessments																							
Class 1	84.56%	83.55%	82.97%	84.14%	84.58%	85.18%	86.31%	86.29%	86.17%	85.86%	84.84%	85.35%	84.82%	83.84%	83.35%	83.61%	83.94%	85.47%	86.75%	87.37%	86.67%	87.18%	88.51%
Classes 5 & 6	15.11%	16.17%	16.74%	15.70%	14.49%	14.16%	12.92%	13.12%	13.01%	13.33%	14.28%	13.82%	14.18%	15.09%	15.60%	15.34%	14.92%	13.45%	12.33%	11.72%	12.37%	11.91%	10.70%
Class 8	0.24%	0.20%	0.21%	0.09%	0.87%	0.60%	0.71%	0.55%	0.77%	0.77%	0.85%	0.79%	0.96%	1.02%	1.00%	1.00%	1.10%	1.03%	0.88%	0.87%	0.92%	0.87%	0.76%
Percentage of Tax Revenue																							
Class 1	70.92%	70.23%	69.36%	67.90%	66.88%	66.63%	67.34%	68.03%	68.72%	68.57%	68.50%	68.49%	68.79%	68.98%	68.89%	68.95%	69.57%	69.78%	70.12%	70.88%	72.98%	73.22%	73.95%
Classes 5 & 6	28.38%	29.17%	30.05%	31.70%	31.20%	31.49%	31.02%	30.63%	29.97%	30.15%	30.20%	30.27%	29.78%	29.60%	29.68%	29.64%	28.94%	28.70%	28.37%	27.63%	25.49%	25.26%	24.58%
Class 8	0.45%	0.35%	0.35%	0.17%	1.69%	1.63%	1.40%	1.12%	1.10%	1.06%	1.10%	1.04%	1.23%	1.22%	1.22%	1.21%	1.29%	1.31%	1.30%	1.28%	1.33%	1.31%	1.28%

Comparison of % of Assessment Base vs % of Tax Revenues – Commercial Properties

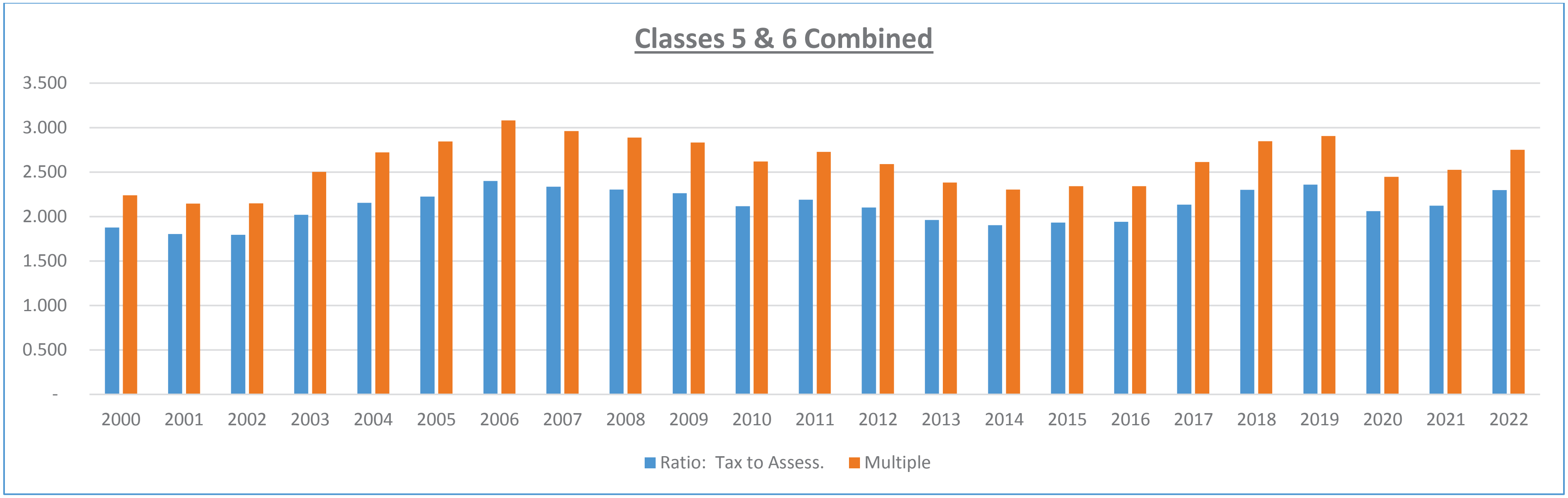
Classes 5 & 6	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
% of Assessments	15.11%	16.17%	16.74%	15.70%	14.49%	14.16%	12.92%	13.12%	13.01%	13.33%	14.28%	13.82%	14.18%	15.09%	15.60%	15.34%	14.92%	13.45%	12.33%	11.72%	12.37%	11.91%	10.70%
% of Taxes	28.38%	29.17%	30.05%	31.70%	31.20%	31.49%	31.02%	30.63%	29.97%	30.15%	30.20%	30.27%	29.78%	29.60%	29.68%	29.64%	28.94%	28.70%	28.37%	27.63%	25.49%	25.26%	24.58%
Ratio: Tax to Assess.	1.88	1.80	1.80	2.02	2.15	2.22	2.40	2.33	2.30	2.26	2.12	2.19	2.10	1.96	1.90	1.93	1.94	2.13	2.30	2.36	2.06	2.12	2.30

Tax to Assessment Ratio - Commercial



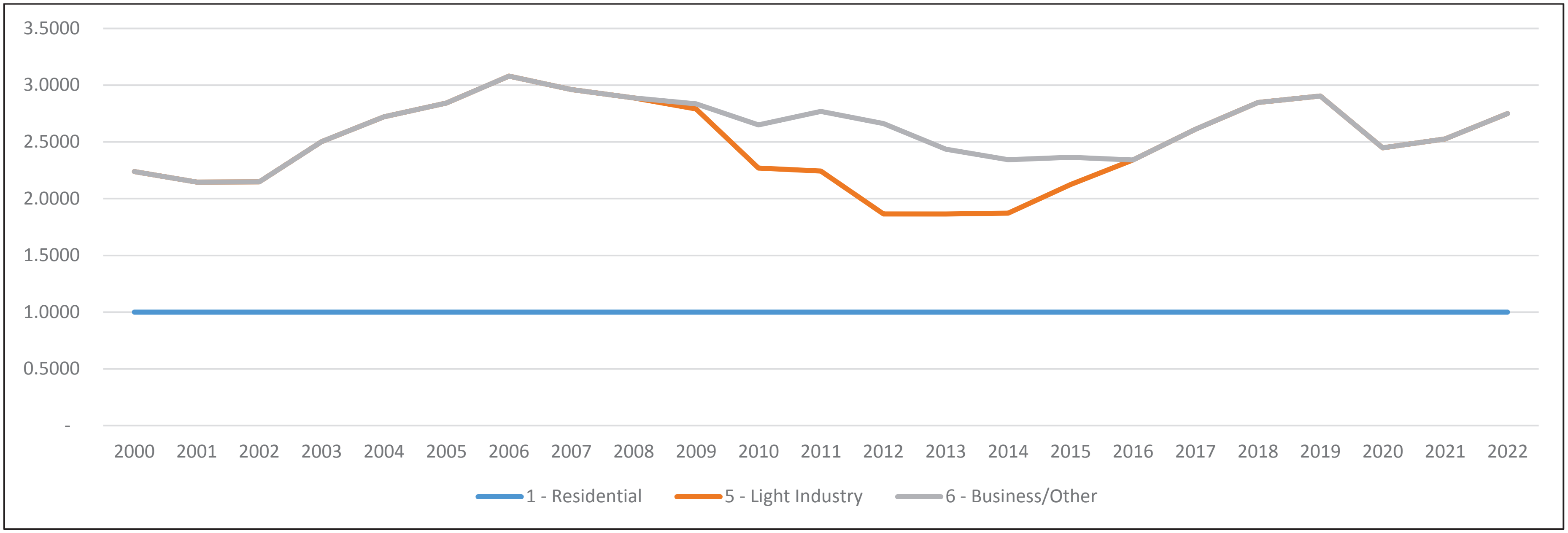
Tax to Assessment Ratio vs Multiple – Commercial Properties

Class 5/6 Combined	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Ratio: Tax to Assess.	1.878	1.804	1.795	2.020	2.153	2.224	2.401	2.334	2.304	2.262	2.116	2.190	2.100	1.961	1.902	1.932	1.940	2.134	2.301	2.358	2.061	2.121	2.297
Multiple	2.239	2.146	2.148	2.503	2.722	2.843	3.080	2.961	2.889	*2.832*	*2.620*	*2.729*	*2.590*	*2.383*	*2.302*	*2.343*	2.341	2.613	2.848	2.905	2.447	2.526	2.750



Municipal Tax Multiples – 2000 to 2022

Property Class	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
1 - Residential	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
5 - Light Industry	2.2388	2.1458	2.1479	2.5028	2.7225	2.8430	3.0799	2.9607	2.8891	2.7900	2.2695	2.2433	1.8658	1.8648	1.8724	2.1243	2.3409	2.6130	2.8483	2.9050	2.4468	2.5257	2.7499
6 - Business/Other	2.2388	2.1458	2.1479	2.5028	2.7225	2.8430	3.0799	2.9607	2.8891	2.8350	2.6492	2.7700	2.6623	2.4364	2.3437	2.3648	2.3409	2.6130	2.8483	2.9050	2.4468	2.5257	2.7499



Business Tax Rates vs Multiples – 2000 to 2022

Business Rates vs Multiples	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Rates	9.0962	9.5431	9.5256	10.0791	10.2414	9.1564	8.7298	7.3689	6.8517	7.3952	7.1463	7.2408	7.3174	7.3670	7.3523	7.5358	7.3076	7.0771	6.6275	6.3564	5.3345	5.5996	5.2887
Multiples	2.2388	2.1458	2.1479	2.5028	2.7225	2.8430	3.0799	2.9607	2.8891	2.8350	2.6492	2.7700	2.6623	2.4364	2.3437	2.3648	2.3409	2.6130	2.8483	2.9050	2.4468	2.5257	2.7499