

APPENDIX D - 2022 Financial Plan Motions

NEW ASSESSED REVENUE POLICY

Report back in January 2022 regarding New Assessed Revenue Policy with information on new assessed revenue by neighbourhood.

BACKGROUND

The Financial Sustainability Policy guides the use of new assessed revenue as follows:

Growth in Property Tax Base

The City is surrounded by other municipalities and has no ability to expand. However, re-development is occurring that brings in new property tax revenue. This new revenue must be estimated using the best available data. The City recognizes that any new developments or re-developments increase demand on existing infrastructure and may result in the need to expand that existing infrastructure.

Policy 1.0

Conservative estimates of non-market change assessment revenue will be included in the budget based on information provided by BC Assessment, the Planning and Development Department and the Finance Department.

Policy 1.1

To balance infrastructure upgrade needs with ongoing operating funding requirements, the first \$500,000 of assessment growth (non-market change) property tax revenue will be transferred to infrastructure reserves and the remaining balance allocated as determined by Council.

As part of the annual financial planning process, Council allocates the available funding from new assessed revenue. Council has allocated new assessed revenue in a variety of ways, including increasing capital investment (savings in reserves), reducing the annual tax increase, increasing funding to existing City services, creating new City services, and creating new grants. Since this funding is ongoing (added to the tax base each year), these additions do not cause a property tax increase.

New assessment, or non-market change (NMC) which is the terminology used by BC Assessment, includes more than assessments on new developments/construction. It essentially includes all adjustments that are not related to the market, such as deletions (demolitions), additions (renovations and new construction), classification changes, zoning changes, exemption changes and corrections.

As part of the draft 2022-2026 Financial Plan introductory cover report, staff reported back with options for a policy to ensure that a portion of new assessed revenue is allocated to the neighbourhood where the new development occurs. That report-back recommended that, if Council wished to move forward with a policy change, that the “net new” property tax revenue from larger new construction be allocated by neighbourhood, in recognition that large construction sites can be disruptive to the neighbourhood. The rationale for this recommendation was that development of properties typically occur over several years, with the first year sometimes resulting in a reduction in property taxes due to demolitions of improvements before new construction is completed and added to the assessment roll, and that NMC includes more changes than new construction as outlined above.

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The final assessment roll will not be available until the end of March. However, based on information available at December 2021, the following is the net new NMC breakdown for large new construction by neighbourhood:

Neighbourhood	Preliminary estimated net new NMC from large projects
Downtown	\$170,000
Fairfield	\$31,000
Burnside Gorge	\$171,000
Vic West	\$138,000

For awareness, initiatives that will carry forward to, or are part of, the draft 2022 Financial Plan include the following community/public realm projects:

Projects by Neighbourhood	Budget
Downtown:	
Central library branch feasibility study	\$ 200,000
New community space planning at 930 Pandora (serving Downtown and North Park)	TBD – budget available is \$2,432,000
New public washroom construction	\$1,260,000
New playground site analysis	\$1,300,000
Government Street Central Pedestrian Priority Project (seating, landscaping, artwork etc.) planning and design	Part of \$3,500,000
Mural at Johnson Street Bridge Underpass	\$20,000
Government Street North parklet (related to Bicycle Master Plan Implementation)	\$40,000
Government and Fisgard road mural (related to Bicycle Master Plan Implementation)	\$18,000
Fairfield:	
Fairfield Community Centre accessibility upgrades	\$100,000
Burnside Gorge:	
Doric Connector Pathway - planning and design	\$50,000
Gorge Road – landscaping and public seating	\$30,000
Vic West:	
Songhees Park expansion	\$3,000,000
Vic West skate park new feature	\$5,000
Banfield Park expanded swim dock	\$95,000

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FINANCIAL AND HUMAN RESOURCE IMPLICATIONS

Upon further evaluation of this potential policy change, due to the limitations of the data provided by BCA, much manual work is involved to find the required details and analyze the data; therefore, the level of staff time required to complete this analysis on an annual basis is significant.

In addition, due to staff capacity constraints to deliver all services, programs, services and projects already included in the draft Financial Plan, adding additional projects to the Plan would likely require removal of other projects.

As noted above, the draft Financial Plan already includes community/public realm projects that are funded from capital reserves which, in turn, receive funding from new assessed revenue. And each year, NMC funding is transferred to the Buildings and Infrastructure Reserve. Therefore, Council may consider that the City already allocates funding to neighbourhoods where new development occurs.

That said, should Council wish to implement a policy change and increase the level of investment in certain neighbourhoods, staff recommend that the transfer to the Buildings and Infrastructure Reserve be increased and that Council direct staff to include relevant projects in future financial planning processes for consideration.