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City of Kelowna

MEMORANDUM

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DATE: February 18, 2003  
FILE: 1950-01  
  
TO: City Manager  
  
FROM: Deputy Director of Finance  
  
RE: **2003 Residential Assessment Analysis**

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**RECOMMENDATION:**

THAT Council receive the report from the Deputy Director of Finance titled, '2003 Residential Assessment Analysis' dated February 5, 2003 for information.

**BACKGROUND AND COMMENTS:**

The BC Assessment Authority is an independent body created by the Provincial Legislature and is charged with the responsibility of preparing an Assessment Roll for all of the properties in British Columbia. Annual assessment rolls have been prepared since 1994 (bi-annual in years prior) and reflect a 'market value based' valuation system. This approach to property assessment is used extensively throughout North America and has been implemented in both Ontario and Saskatchewan over the past few years. BC Assessment has been cited as a model for other Canadian provinces.

Relatively strong demand in the Kelowna housing sector, buoyed by low mortgage rates, has resulted in rising selling prices, the primary determinant for residential assessment change. The average residential class assessment has increased for 2003 by 5.8% based on market value change. This is significantly higher than that experienced over the past 5 years as shown in the information below:

2003	5.8%
2002	1.4%
2001	1.9%
2000	.2%
1999	(.8%)

In periods of rising residential assessment increases, it is common for property owners to misinterpret the magnitude of their property tax burden on the basis of their assessment change. In simple terms, when the City communicates a projected municipal property tax increase of 2.2%, there are two critical points to bear in mind:

- This is the impact on a residential property experiencing an assessment increase in 2003 of 5.8%
- It represents only the general municipal tax requirements for the City and does not include:
  - User fee based levies such as garbage collection, the landfill levy and sewer charges (where applicable)
  - Parcel tax levies for water and sewer
  - Other local services such as specified area and local improvement charges
  - Levies from other taxing authorities – School, Regional District, Hospital, BC Assessment – which Council does not control.

Residential properties with an assessment increase higher than 5.8% will experience a higher municipal tax increase than that projected for the average and likewise, an assessment change lower than 5.8% will result in a lower tax increase or perhaps a tax decrease. The attached Appendix 'A' presents the municipal portion property tax impact at varying assessment changes. Appendix 'B' shows the municipal portion impact on the average assessed value for a single family home as provided by BC Assessment.

Finance has undertaken an analysis that reflects the market value results for areas of the City as follows:

<b>Overall Average</b>	<b>5.8%</b>
Glenmore	6.5%
City Centre	5.1%
Waterfront	16.9%
Rutland	3.8%
Mission	5.9%
All Others	4.3%

There are variations within each area, however we believe that the results, on average, are reflective of market increases.

Appendix 'C' provides groupings for varying levels of assessment change. As expected, the number of properties grouped closely around the average 5.8% increase is high relative to the total, with 2/3 of all residential properties experiencing a market increase of between 0% and 8%.

A further analysis, to include tax rates from other taxing authorities and reflecting tax demand required as a result of Council's final budget deliberations, will be presented in early May.

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Paul Macklem

cc: Director of Finance & Corporate Services