

REGIONAL DISTRICT OF NANAIMO

**COMMITTEE OF THE WHOLE
TUESDAY, SEPTEMBER 12, 2006**

A D D E N D U M

PAGES

CORPORATE SERVICES

FINANCE

2-5

UBCM Resolution Regarding Home Owner Grant Program.



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SEP 11 2006		
CHAIR	BOARD	
<i>M. Mason</i>		
<i>N.A.</i>		

MEMORANDUM

TO: C. Mason
Chief Administrative Officer

DATE: September 7, 2006

FROM: N. Avery
Manager, Financial Services

FILE:

SUBJECT: UBCM resolution regarding Home Owner Grant program

PURPOSE:

To obtain Board support for a UBCM resolution requesting that the Province increase the threshold for home owner grants.

BACKGROUND:

The Home Owner Grant program was implemented in 1957 to assist property owners to pay their property taxes. In 2004 following the first year of significant property value increases in the Province of BC, the UBCM adopted a resolution on the Home Owner Grant program as follows:

“That the provincial government consider indexing the value limit of the Home Owner Grant each year consistent with the average residential property market value increase experienced in the Province of British Columbia.”

The Province responded to the resolution as follows:

“Each year the Minister of Finance reviews the Home Owner Grant threshold as part of the budget process. In 2004 the value threshold was increased from \$525,000 to \$585,000 so that approximately the same proportion of homes fell below the threshold in 2004 as in 2003. The threshold will be reviewed again prior to the preparation of the 2005 budget.”

The program currently provides a basic grant of up to \$570 for properties valued up to \$780,000 and a partial grant for properties valued between \$780,000 and \$894,000. The basic grant may reduce property taxes payable to no less than \$350.

For property owners 65 years or older the Home Owner Grant is a maximum of \$845 as long as taxes payable do not fall below \$100. This level of grant assistance is available in full up to \$780,000 and is partially available up to a maximum of \$949,000 when the grant is no longer applicable. (The grant under both levels is reduced when a property is valued at more than \$780,000. The reduction is \$5 for every \$1,000 of assessment above the initial threshold of \$780,000).

Directors have continued to hear concerns from their constituents that the relief offered by the Home Owner Grant program is not keeping pace with the continuing rise in property values and at the July 25th

Board meeting staff were requested to draft a resolution for submission to UBCM requesting an adjustment to the grant threshold to offer properties valued at more than \$894,000 some grant relief.

A resolution submitted to the UBCM must be accompanied by background documentation explaining the nature of the problem or concern and sponsors must be prepared to speak to their resolutions on the convention floor as resolutions are not "read" to the delegates. Resolutions should address topics that are of concern to local governments on a province-wide basis.

ALTERNATIVES:

1. Endorse the resolution as attached.
2. Amend the resolution prior to endorsing it.
3. Do not submit a resolution

FINANCIAL IMPLICATIONS:

The Home Owner Grant thresholds have been amended since 2004 as follows:

Year	Grant value	Full grant	Partial grant	Additional partial grant
2004	\$470	\$585,000 (11% increase)	\$632,000 (10.5% increase)	\$660,000 (10% increase)
2005	\$470	\$685,000 (17% increase)	\$779,000 (19% increase)	\$834,000 (26% increase)
2006	\$570 (21% increase)	\$780,000 (14% increase)	\$894,000 (14.8% increase)	\$949,000 (14% increase)

The average increase in property values in the Regional District of Nanaimo has been between 18% - 25% over this same time period, with increases in Electoral Areas B and E consistently at the upper end of that range. The BC Assessment Authority was able to advise that residential property values increased throughout the Province on average by 13% between 2004/2005 and by 18% between 2005/2006. The threshold values for the home owner grant while not increasing at exactly the same rates have increased at substantially the same amounts, particularly at the upper end of the value thresholds.

Staff also considered the number of properties which might be affected by the thresholds within our Regional District. The following table gives some indication of the number of properties with values exceeding both the initial grant threshold and the partial grant threshold:

Jurisdiction	Total residential properties with buildings	Greater than \$780,000	Greater than \$894,000	Greater than \$949,000
Nanaimo	26,801	100	30	45
Parksville	4,846	46	37	31
Qualicum Beach	4,002	94	58	54
Lantzville	1,318	59	36	29
Area A	2,188	40	22	19
Area B	2,678	65	40	33
Area C	735	4	2	1
Area E	2,600	238	130	107

Jurisdiction	Total residential properties with buildings	Greater than \$780,000	Greater than \$894,000	Greater than \$949,000
Area F	2,023	4	2	0
Area G	3,004	87	36	23
Area H	1,809	25	15	11
Totals	52,004	762 (1.5%)	408 (0.7%)	363(0.7%)

Overall there are relatively few properties which do not qualify for all or a portion of a home owner grant – however, the number of properties with a reduced or no home owner grant is considerably higher in Electoral Area E than elsewhere. This reflects in large part the desirable waterfront parts of Electoral Area E.

One other option available to older owners who find it difficult to pay their property taxes is to defer payment as provided by Provincial legislation. Deferred property taxes are subject to simple interest at a rate 2% below the rate at which the Province borrows, adjusted every six months. Currently that rate is 3%. The deferred taxes, interest and any administration fees are payable when the property is transferred to another owner.

Increasing the home owner grant threshold is not without contradictory consequences. The program is effectively “funded” by general revenues to which all taxpayers contribute to one degree or another. Enhancing the program by increasing the limit for higher valued properties shifts some of the “funding” back to all taxpayers. Despite this consequence there is a general societal benefit to long term property owners being able to stay in their chosen locations.

SUMMARY/CONCLUSIONS:

Staff were requested to draft a resolution for submission to UBCM and the AVICC regarding the threshold limit for a home owner grant which reduces the amount of property taxes payable. The current grant of \$570 is eliminated for taxpayers younger than 65 years of age at a property value of \$894,000; for owners 65 years or older the grant is eliminated at a threshold value of \$949,000.

The Province has stated that they are adjusting the thresholds so that about the same proportion of properties receive the grant as in the prior year. The program is funded from general Provincial revenues and any changes to enhance the program for higher valued properties results in all taxpayers “making up the difference.” In the Regional District, while the number of properties with partial or no grants is small in overall terms, it appears that the elimination of a grant is particularly onerous for long term residents who have no intention of disposing of their property to realize its current market value. As directed, staff have drafted a resolution for the Board’s consideration on this topic.

RECOMMENDATION:

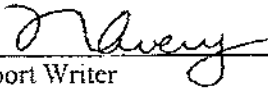
That the following resolution be submitted for consideration to the next meeting of the AVICC and/or the UBCM:

WHEREAS property values continue to increase at a rapid rate in the Province of BC;

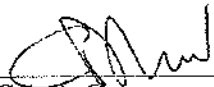
AND WHEREAS many long term property owners continue to suffer a loss of the Home Owner Grant due to market forces beyond their control;

AND WHEREAS there is a general societal benefit to assisting all property owners to be able to afford to live on the properties they have chosen;

THEREFORE BE IT RESOLVED THAT the Province be requested to reinstate a Home Owner Grant for properties in excess of the current limit of \$894,000.



Report Writer



C.A.O. Concurrence

COMMENTS: