

FINANCIAL MANAGEMENT COMMITTEE

*HIS WORSHIP, THE MAYOR
AND COUNCILLORS*

SUBJECT: BC HOME OWNER GRANT PROGRAM

RECOMMENDATION:

1. THAT Council request the UBCM to petition the Minister of Finance to undertake a Provincial review of the Home Owner Grant Program to determine if a more equitable distribution of the Grant across all regions of the Province can be achieved.

REPORT

The Financial Management Committee, at its meeting held on 2016 March 24, received and adopted the attached report providing information on the BC Home Owner Grant Program.

Respectfully submitted,

Councillor D. Johnston
Chair

Councillor C. Jordan
Vice Chair

Councillor P. McDonell
Member

Copied to:	Acting City Manager Director Finance
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TO: CHAIR AND MEMBERS
FINANCIAL MANAGEMENT COMMITTEE

DATE: 2016 March 24

FROM: DIRECTOR FINANCE

FILE: 7400-03

SUBJECT: BC HOME OWNER GRANT PROGRAM

PURPOSE: To provide information on the BC Home Owner Grant Program.

RECOMMENDATION:

1. **THAT** Financial Management Committee recommend Council request the UBCM to petition the Minister of Finance to undertake a Provincial review of the Home Owner Grant Program to determine if a more equitable distribution of the Grant across all regions of the Province can be achieved.

REPORT

This report is prepared in reference to correspondence received 2016 February 10 from the Minister of Community, Sport and Cultural Development, Peter Fassbender, regarding property tax assessment changes and the Provincial increase in the assessment threshold for qualified property owners to claim a full Home Owner Grant. Information is provided on the Province of BC Home Owner Grant Program and the City of Burnaby's experience, whereby there has been a decrease in the number of homeowners who are eligible to claim a 2016 Home Owner Grant in comparison to prior years.

1.0 PROVINCIAL HOME OWNER GRANT PROGRAM

1.1 Home Owner Grant

The Provincial Home Owner Grant reduces the amount of property tax homeowners pay for their principal residence. The Home Owner Grant may be greater if a property owner qualifies for the Home Owner Grant as a senior, veteran or person with a disability. Homeowners must pay at least \$350 in property taxes before claiming the Home Owner Grant to help fund services such as road maintenance and police protection.

1.2 The Home Owner Grant Amount is Based on Where You Live

Under the Home Owner Grant Program where you live in the Province determines the amount of grant qualified property owners will receive.

Property owners living within the regional districts of the Greater Vancouver Regional District, the Capital Regional District and the Fraser Valley Regional District are entitled to claim a Basic Grant of \$570, and \$845 for seniors aged 65 or older. These Grant amounts have not changed since 2006 and are less than those provided in Northern and Rural areas of the Province.

The Province defines a Northern and Rural area as a property that is not located in the Greater Vancouver Regional District, the Capital Regional District or the Fraser Valley Regional District. Eligible property owners within Northern and Rural areas are entitled to claim a Basic Grant of \$770. Eligible seniors aged 65 or older are entitled to claim a grant of \$1,045 (both grants were increased by \$200 in 2011).

If a homeowner meets all requirements of the Home Owner Grant Program but their property's assessment value or partitioned value is over the threshold for their region, they may qualify for a Home Owner Grant at a reduced amount.

1.3 The Home Owner Grant Threshold

On 2012 January 03, the Provincial Minister of Finance, Kevin Falcon clarified that,

"The Home Owner Grant is one way our Government can help support families in the face of challenging economic times. Homeowners who have seen their property values rise will continue to be protected as we increase the threshold."

"We continue to see challenging economic times around the world. By maintaining the Homeowner Grant, we continue to help families with the costs of owning their homes."

The Home Owner Grant Threshold has two key components:

The Assessment Value of the Threshold (\$1.2 million for 2016)

- the level below which all property homeowners within the Province with a lower assessment than \$1.2 M may be eligible to claim a full Home Owner Grant

% of Homeowners Who May Qualify for a Full Grant (91% for 2016)

- the percentage of homeowners in the Province whose property assessment fall below the threshold

1.3.1 Assessment Value of the Threshold

In 2016, the Province of BC announced a \$100,000 (9.1%) increase in the assessment value of the threshold for all eligible property owners bringing the 2016 threshold to \$1.2 million. While the increase to the threshold is welcomed, this is the first increase in the threshold since it was reduced in 2014 from a high in 2013 of \$1.29 million (see Table 1).

The increase in the Provincial Home Owner Grant threshold of 9.1% is also less than the average increase in property values in the Greater Vancouver Regional District which ranged from 15% to 25% for a single family home as reported by BC Assessment.

In all regions, Home Owner Grants may be greater if a property owner qualifies for the Grant as a senior, veteran or person with a disability. Both the Basic Grant and other grants are reduced by \$5 for each \$1,000 of assessed value over \$1.2 million. The resulting calculation determines the upper threshold limit for a partial claim.

In comparison to Northern and Rural areas, both the Basic, Seniors and Added Grants are \$200 less in the Greater Vancouver Regional District, the Capital Regional District and the Fraser Valley Regional District. The upper thresholds differ by \$40,000 more in the Northern and Rural areas.

For example, homeowners eligible for the Basic Grant whose properties are valued above the \$1,200,000 threshold would see their Home Owner Grant reduced by \$5 per \$1,000 of assessed value; with a total reduction in the Grant to zero at \$1,314,000 (e.g. $\$570 \div 5 \times \$1,000 = \$114,000 + \$1,200,000$); and \$1,354,000 in the Northern and Rural areas (see threshold assessment values in Table 1).

1.3.2 % of Homeowners Who May Qualify for a Full Grant

In 2016, the Minister of Finance set the threshold such that 91% of qualified property owners in BC will be eligible to claim the full Home Owner Grant. Since 2014 the percentage of homeowners eligible to claim the full Home Owner Grant has declined from 95.5% to 91%.

Table 1: 2012 – 2016 Provincial Home Owner Grant Thresholds

Greater Vancouver Regional District, Capital Regional District, and Fraser Valley Regional District					
ASSESSMENT VALUES	2012 (\$)	2013 (\$)	2014 (\$)	2015 (\$)	2016 (\$)
Threshold Level	1,285,000	1,295,000	1,100,000	1,100,000	1,200,000
Upper threshold BASIC \$570	1,399,000	1,409,000	1,214,000	1,214,000	1,314,000
Upper threshold Seniors \$845	1,454,000	1,464,000	1,269,000	1,269,000	1,369,000
Northern and Rural Areas					
ASSESSMENT VALUES	2012 (\$)	2013 (\$)	2014 (\$)	2015 (\$)	2016 (\$)
Threshold Level	1,285,000	1,295,000	1,100,000	1,100,000	1,200,000
Upper threshold BASIC \$770	1,439,000	1,449,000	1,254,000	1,254,000	1,354,000
Upper threshold Seniors \$1,045	1,494,000	1,504,000	1,309,000	1,309,000	1,409,000
% OF ELIGIBLE PROPERTIES IN BC BELOW THE THRESHOLD LEVEL	95.5%	95.5%	93.8%	93.0%	91.0%

2.0 IMPACT OF PROPERTY ASSESSMENTS AND HOME OWNER GRANT THRESHOLDS ON BURNABY HOMEOWNERS

The number of Burnaby homeowners eligible for the Home Owner Grant has steadily declined in recent years from a high of 92.5% in 2012 to a projected 78.49% in 2016, well below the Provincial target of 91% of homeowners. This decline is attributable to the significant increase in residential property values in the Greater Vancouver Regional District as compared to other areas.

The current practise of establishing one assessment threshold value for such disparate catchment areas inadequately adjusts for regional disparities in real estate values across the Province.

Table 2 shows the number of properties in Burnaby in 2016 eligible to qualify for the full Grant. In 2012, 92.5% (3% less than the Provincial average) of homeowners were below the established threshold value. In 2016 the percentage has decreased to 78.5% (12.5% less than the Provincial target).

The number of properties below the threshold has declined from 59,803 to 54,776 during the same period of time.

Table 2: Burnaby Eligible Properties below the Provincial Threshold (excludes vacant land)

Burnaby Eligible Residential Properties	2012	2013	2014	2015	2016
Number of Residential Properties	64,656	66,012	66,826	67,801	69,786
Number of Properties below Threshold	59,803	60,700	58,535	59,166	54,776
% of Properties Eligible for Grants	92.5%	92.0%	87.6%	87.3%	78.5%
Provincial % of Eligible Properties	95.5%	95.5%	93.8%	93.0%	91.0%

3.0 RECOMMENDATION

The BC Home Owner Grant threshold increases have not kept pace with residential property assessment increases being experienced across the Lower Mainland. The number of Burnaby properties that qualify for the Basic Home Owner Grant of \$570 has decreased from 92.5% in 2012 to 78.5% in 2016, while the Provincial target for these years was 95.5% and 91% respectively.

It is understood that the Home Owner Grant is part of a larger School Tax funding formula, and it is appreciated that it is challenging to create a system that is equitable when the process is based on disparate assessment values that vary significantly across the Province and can change substantially from year to year.

If the Province's intention is for 91% of property owners to qualify for the Home Owner Grant in 2016, in areas with significant increases in annual assessments, this level of participation will not be achieved with the current process.

Minister Fassbender in his correspondence of 2016 February 10 indicated that the Province can make appropriate adjustments to the threshold to ensure that homeowners can appropriately benefit from the full Home Owner Grant Program, while recognizing that a suitable threshold on assessed value is necessary to preserve fairness. It is therefore recommended that the Province be requested to undertake a full review to determine if the Home Owner Grant Program can be made more equitable for those living in areas where assessment values are increasing dramatically, while respecting areas of stable increases in property values.

Staff recommend that the Financial Management Committee recommend Council request the UBCM to petition the Minister of Finance to undertake a Provincial review of the Home Owner Grant Program to determine if a more equitable distribution of the Grant across all regions of the Province can be achieved.

A handwritten signature in black ink, appearing to read "Denise Jorgenson". The signature is fluid and cursive, with the first letter 'D' being particularly large and stylized.

Denise Jorgenson
DIRECTOR FINANCE

DJ/ew

Copied to: City Manager