FAQ Parcel Tax and Property Tax

October 14, 2023

SUMMERLAND Recreation Centre Referendum

What is the difference between a parcel tax and property taxes?

A parcel tax is a type of tax that applies to each property or 'parcel' equally, regardless of value whereas property taxes are calculated based on the value of the property. Both parcel and property taxes are attributed to an individual property and are paid for by the property owner, just calculated differently and as such, these amounts will be shown separately on each property owner's property tax bill.

What is a leveled parcel tax?

A parcel tax is a type of tax that applies to each property or 'parcel' equally, regardless of value. If the referendum vote is yes to build a new recreation centre, we will be borrowing money as we build the facility, sort of like a 'draw' mortgage. Rather than having the parcel portion of the tax increase varying in size based on each borrowing during the build, our intent is to level out the parcel tax portion so it results in a more consistent annual increase.

Why was 50% of the funding of the proposed facility allocated to parcel tax and how is it implemented?

Council makes the determinations of how any tax implications should be levied upon ratepayers, which is done through their open public meetings. At its June 26, 2023 Council Meeting, Council made a resolution that the Loan Authorization (Recreation Centre) Bylaw No. 2023-016 receive first, second and third reading. Parcel taxes are a common tool to fund projects and have been used here and elsewhere for many years. There are considerations for each tax tool – for example, a parcel tax applies an equal amount to any parcel whereas a tax assessment approach applies tax based on the value of property. This project incorporates 50% of each tax tool so as to balance the tax increase as fairly as possible, and aims to incorporate the positive elements of both approaches.

At what point will the long term borrowing rate be locked in? Can the rate change during the 30-year term and at what point?

The specific borrowing rate will be associated with each draw (in 2024, 2025, 2026, 2027) on the 'mortgage' at the time it is made, and each comes to maturity in 10 year increments and subject to the borrowing rate at that time.

If the District is successful with the $25 million GICB grant and the amount required to borrow is decreased, will the amount to the taxpayers be reduced and the term remain as 30 years OR will the District consider the same estimated amount per resident and shorten the borrowing term?

Yes, the amount would be lessened by the amount of the grant, minus the amounts required to achieve the parameters of the grant (i.e. net zero building). However the term would remain 30 years. While the overall project cost estimate would increase by $8,531,548 to incorporate net-zero building components, with the GICB grant funding of $25 million, the overall project costs would be reduced to approximately $32.5 million, and that would result in a lower taxation rate per household proportionately.

Do both the property tax and parcel tax annual amount continue for 30 years or does the parcel tax drop off after 4 years?

The District of Summerland will continue to charge both the property and parcel taxes for 30 years.

How much would a new Recreation Centre cost the average taxpayer?

At its June 5, 2023 Council Meeting, Council directed staff, upon electoral assent, to include the expenditure to pay debt servicing costs for the Recreation Centre project through a 50% leveled parcel tax and a 50% property taxation increase.

At its June 26, 2023 Council Meeting, Council made a resolution that the Loan Authorization (Recreation Centre) Bylaw No. 2023-016 receive first, second and third reading. To ensure the full amount of annual debt servicing costs are funded, staff would create an Accumulated Reserve Loan account to internally borrow sufficient funds to pay annual debt servicing costs, in excess of the annual leveled parcel tax amount and annual taxation increases, from 2024 to 2027, with full repayment of the Accumulated Reserve Loan account by year end 2027.

Estimated annual tax increases below have been calculated based on the District's borrowing rate with the Municipal Finance Authority's (MFA) 30-year indicative lending rate, as of June 19, 2023. In order to collect the required funds to cover the estimated annual debt payments, taxation increases of 3.76%, 3.77%, 3.77% and 3.76% would be needed in order to cover 50% of the estimated debt payment. The other half of the debt would be covered through a leveled parcel tax. Should interest rates change during any of the four estimated debt draws throughout construction, the projected tax rate increases would need to be adjusted (either up or down depending on how the interest rate moves) in order to ensure the appropriate amount is collected through taxation to cover off the actual debt payments.

This would equate to the following estimated annual increases for the below noted assessed homes*:

	Tax Rate Leveling & 50% Parcel Tax Leveling Estimated Annual Tax Increases				
	2024	2025	2026	2027	Total
Assessed Value - $ 600,000	114.17	116.00	117.74	119.41	**467.34**
Assessed Value - $ 899,173	136.23	138.97	141.57	144.08	**560.87**
Assessed Value - $1,100,000	151.03	154.39	157.57	160.64	**623.65**

*The 'Total' amount listed in the table above is the estimated cumulative increase in property and parcel taxes for the listed assessed value homes, for the purpose of constructing a new Recreation Centre, between 2024 – 2027.

Based on the above table, a home assessed at $600,000 would pay the following annual amounts during the four year construction phase: 2024 - $114.17; 2025 – $230.17; 2026 - $347.91; 2027 - $467.34.

After 2027, no additional property or parcel tax increases for this capital project are anticipated. The term of the loan with the MFA would be 30 years **(annual payments continue for 30 years).** This borrowing is similar to a conventional home mortgage. The District will be on a fixed term for the first 10-years of the borrowing with subsequent re-financing terms of five or ten years.

Do the estimated annual tax amounts/increases reflect BOTH property and parcel tax? What is the breakdown?

Yes, the estimated annual tax amounts/increases reflect both property and parcel tax. See chart below for breakdown:

Assessed Value - $600,000
50% Tax Rate & 50% Parcel Tax Leveling
Estimated Annual Payments

	2024	2025	2026	2027
Parcel Tax	$ 69.93	$ 139.87	$ 209.80	$ 279.74
Property Tax	44.24	90.31	138.12	187.60
Total Increase	**$ 114.17**	**$ 230.18**	**$ 347.92**	**$ 467.34**
Incremental Annual Increase Over the Previous Year	**$ 114.17**	**$ 116.00**	**$ 117.74**	**$ 119.41**

Assessed Value - $899,173
50% Tax Rate & 50% Parcel Tax Leveling
Estimated Annual Payments

	2024	2025	2026	2027
Parcel Tax	$ 69.93	$ 139.87	$ 209.80	$ 279.74
Property Tax	66.30	135.34	206.98	281.13
Total Increase	**$ 136.23**	**$ 275.21**	**$ 416.78**	**$ 560.87**
Incremental Annual Increase Over the Previous Year	**$ 136.23**	**$ 138.97**	**$ 141.57**	**$ 144.08**

Assessed Value - $1,100,000
50% Tax Rate & 50% Parcel Tax Leveling
Estimated Annual Payments

	2024	2025	2026	2027
Parcel Tax	$ 69.93	$ 139.87	$ 209.80	$ 279.74
Property Tax	81.10	165.56	253.20	343.91
Total Increase	**$ 151.03**	**$ 305.43**	**$ 463.00**	**$ 623.65**
Incremental Annual Increase Over the Previous Year	**$ 151.03**	**$ 154.39**	**$ 157.57**	**$ 160.64**

Additional charts for properties with assessed values of $300,000 and $1,800,000:

Assessed Value - $ 300,000
50% Tax Rate & 50% Parcel Tax Leveling
Estimated Annual Payments

	2024	2025	2026	2027
Parcel Tax	$ 69.93	$ 139.87	$ 209.80	$ 279.74
Property Tax	22.12	45.15	69.06	93.79
Total Increase	**$ 92.05**	**$ 185.02**	**$ 278.86**	**$ 373.53**
Annual Increase Over the Previous	**$ 92.05**	**$ 92.97**	**$ 93.84**	**$ 94.67**

Assessed Value - $ 1,800,000
50% Tax Rate & 50% Parcel Tax Leveling
Estimated Annual Payments

	2024	2025	2026	2027
Parcel Tax	$ 69.93	$ 139.87	$ 209.80	$ 279.74
Property Tax	132.71	270.92	414.34	562.77
Total Increase	**$ 202.65**	**$ 410.79**	**$ 624.14**	**$ 842.51**
Annual Increase Over the Previous	**$ 202.65**	**$ 208.14**	**$ 213.35**	**$ 218.36**

A video is available to explain the 50% tax rate and 50% tax leveling estimated cumulative increases on the website www.summerland.ca/recreationcentre - click on the Information Engagement Page link.

Or click directly on the VIDEO HERE.

