CITY OF MISSION

STAFF REPORT

To: Chief Administrative Officer **Date:** April 7, 2025

From: Parissa Bhullar, Manager of Financial Services

Subject: **Tax Distribution**

Recommendation(s)

That Council direct staff to levy 2025 property taxes in accordance with **one** of the following options outlined in the report that could include:

1. Maintaining the status quo - applying the tax increase equally amongst all classes; **OR**

2. Amending the tax share to be collected from each class - adjust business class to (a) 20% or (b) 25%; **OR**

3. Equalizing the tax rates for Classes 4, 5 and 6; **OR**

4. Using the Provincial ratios and maintaining Class 2 at $40.

Purpose

To update Council on the property tax distribution options available for the City.

Background

British Columbia's property assessment and taxation framework is recognized as one of the best due to the segregation of assessment and taxation functions that ensure objectivity and credibility. The annual market valuation approach ensures currency, equity, and transparency. Attachment A provides a background of the property assessment and property taxation framework.

Predictability and stability are two desirable attributes of a property tax system whereby all property classes can plan their expenditures within reasonable limits. Changes in property taxes are related to two main factors: relative changes in assessment values of a property and Council-directed tax increases as part of the annual financial plan update.

Over the past several years, based on Council direction, the same tax rate increase has been applied evenly amongst the property classes.

As part of the 2025 budget deliberations and considering the economic global uncertainty, a review of the tax distribution model provides an opportunity to plan and determine whether we continue with the current model or look at other options available to levy property taxes.

Discussion and Analysis

The required tax levy to be collected is determined by Council as part of the financial plan process, and tax rates are lowered to reflect assessment increases to ensure "revenue neutrality". However, relative assessment increases for individual properties could shift the tax burden from one property to another in any given year. The City does not generate higher tax revenue as a result of rising property values.

While there are a number of Provincial programs available for eligible residential (Class 1) properties (e.g. s 19(8) of the Assessment Act, Property Tax Deferment and Home Owner Grant), those measures do not apply to other classes.

Tax Distribution Approaches

There are two common approaches to tax distribution:

- Tax Share Approach – distribution of the tax levy across residential and non-residential property classes is determined by Council each year, including any tax shift decisions, subject to adjustments arising from non-market changes on the Assessment Roll (e.g., new construction, transfer of properties among classes). This approach ensures that the tax share is set by Council policy, not driven by market conditions.

- Tax Rate Ratio Approach – class multiples are used to fix the ratios between Class 1 – residential tax rate and the other property classes tax taxes. This often leads to significant year-over-year tax shifts between residential and no-residential property classes arising from differential market value changes among these classes.

The Province of BC has established tax rate ratios for local governments annually for the other taxing authorities. This results in significant year-over-year class tax shifts arising from different market value changes. At the request of UBCM, the Province has granted local governments the authority to determine their own tax distribution approach as of 1983. Since then, it has been Council policy to use the “tax share” approach.

Policy options for Council to consider in tax-rate setting:

1. Maintain status quo – equal tax increase amongst all tax classes
2. Tax share to be collected from each class
3. Equalize the rates for Class 4, 5 and 6
4. Match ratios to Provincial ratios, except Class 2 which will maintained at $40

This report and analysis does **not** factor in the rates levied by other taxing authorities (School Tax, MFA, BCAA and FVRD).

Property Assessment Distribution

The property assessment for Mission consists primarily of residential properties, with some utilities, light industry, business, managed forest, recreational and non-profit and farm. There is no major industry in Mission. The distribution of the property assessments is as follows:

2024 Revised Roll	Distribution of General Purpose Tax Levy									
BC Assessment Roll	Residential	Utilities	Supportive Housing	Light Industry	Business	Managed Forest	Recreational and Non-profit	Farm		Total
	Class 1	Class 2	Class 3	Class 5	Class 6	Class 7	Class 8	Class 9		
Taxable Value	14,804,197,774	10,682,870	2	305,276,800	1,252,460,585	127,300	39,375,000	2,802,127		16,414,922,458
% of assessment	90.19%	0.07%	0.00%	1.86%	7.63%	0.00%	0.24%	0.02%		100.00%

Based on the 2024 Revised Roll, the following analysis summarizes several different options for Council consideration. Based on a $1.1M assessed valuation, the general tax levy (including the drainage utility) has been calculated in the following options:

Option 1: Maintain Status Quo

Option 1 highlights that 73% of tax share levy is collected from the residential class and 22% from business. The remaining 5% is collected from the other classes.

1 - Status quo	Residential Class 1	Utilities Class 2	Business Class 6	Managed Forest Class 7	Recreational and Non-profit Class 8	Farm Class 9		Total
Tax Rate	2.56907	40.00000	9.14861	13.75041	5.00172	28.55784		
Share of tax levy	73.48%	0.83%	22.14%	0.00%	0.38%	0.15%		100.00%
Tax levy on $1.1M assessed value	2,826	44,000	10,063	15,125	5,502	31,414		

Option 2a or 2b: Tax share to be collected from each class – adjust business class to 20% and 25%

Option 2 provides an analysis of the taxes levies if the business class share of taxes decreased to 20% (option 2a) and increased to 25% (option 2b). The monetary impact of these changes to a $1.1M business class property would be an increase or decrease of $1,100, offset by a $93 increase or decrease in a residential class property with an assessment of $1.1M.

2a - Specified tax share - 20% from Business,shift to Residential	Residential	Utilities	Light Industry	Business	Managed Forest	Recreational and Non-profit	Farm		Total
Tax Rate	2.65367	40	5.12863	8.14861	13.75041	5.00172	28.55784		
Share of tax levy	75.89%	0.83%	3.02%	19.72%	0.00%	0.38%	0.15%		100.00%
Tax levy on $1.1M assessed value	2,919	44,000	5,641	8,963	15,125	5,502	31,414		
$ net change	93	-	-	(1,100)	-	-	-		

2b - Specified tax share - 25% from Business,shift to Residential	Residential	Utilities	Light Industry	Business	Managed Forest	Recreational and Non-profit	Farm		Total
Tax Rate	2.48446	40	5.12863	10.14861	13.75041	5.00172	28.55784		
Share of tax levy	71.06%	0.83%	3.02%	24.56%	0.00%	0.38%	0.15%		100.00%
Tax levy on $1.1M assessed value	2,733	44,000	5,641	11,163	15,125	5,502	31,414		
$ net change	(93)	-	-	1,100	-	-	-		

Option 3 – Equalize the rates for Class 4, 5 and 6

Option 3 provides an analysis of equalizing the rates for classed 4, 5 and 6. By averaging the light industry and business class rates to 7.13862, the light industry would see a monetary increase of $2,211 and business would decrease by $2,211. Residential would also be impacted by a monetary impact of $141.

3 - Cap rates for Class 4, 5 and 6	Residential	Utilities	Light Industry	Business	Managed Forest	Recreational and Non-profit	Farm		Total
Tax Rate	2.69766	40	7.13862	7.13862	13.75041	5.00172	28.55784		
Share of tax levy	77.15%	0.83%	4.21%	17.27%	0.00%	0.38%	0.15%		100.00%
Tax levy on $1.1M assessed value	2,967	44,000	7,852	7,852	15,125	5,502	31,414		
$ net change	141	-	2,211	(2,211)	-	-	-		

Option 4 – Use Provincial Ratios, maintain Class 2 at 40

Option 4 would use the provincial ratios, with the exception of class 2 remaining at the cap of $40. The residential general tax levy will increase by $153 and light industry by $4,488. The remaining classes would all have reductions in the levy.

4 - Ratios - same as Province, Class 2 cap at 40	Residential	Utilities	Light Industry	Business	Managed Forest	Recreational and Non-profit	Farm		Total
Tax Rate	2.70854	40	9.209036	6.635923	8.12562	2.70854	2.70854		
Share of tax levy	77.46%	0.83%	5.43%	16.06%	0.00%	0.21%	0.01%		100.00%
Tax levy on $1.1M assessed value	2,979	44,000	10,130	7,300	8,938	2,979	2,979		
$ net change	153	-	4,488	(2,764)	(6,187)	(2,522)	(28,434)		

In addtion to the analysis above for Option 4, Attachment B provides a comparison of Mission's tax ratios relative to the Provincial ratios (used to determmine the taxes levied for other taxing authorities) and a comparison of the tax ratios used in neighbouring muniicpalities.

It is important to note the assessment base differs in each municipality; therefore, a review of the ratios is a general guideline only.

When comparing tax share across municipalities it is important to note that a number of factors contribute to such differences:

- Council strategic objectives and priorities
- Service levels
- Revenue sources: property taxes, utilities fees, user fees, grant funding
- Mix of residential and non-residential properties on the Assessment Roll (% of assessment in each different classes)

Financial Implications

There is no budgetary impact on the total tax revenue for the City as the taxes levied are in accordance with the annual financial plan. It is important to note that irrespective of the tax distribution (allocation amongst classes), the total taxes collected will remain unchanged from what is adopted as part of the annual financial plan.

Communication

No communication is required as part of this report.

Summary and Conclusion

Council is being asked provide direction as to the allocation of the 2025 tax levy, whether that is to maintain the status quo and increase each class equally, or select from one of the other options presented, or to consider an alternate method for the allocation of the tax levy.

Report Prepared by:	Parissa Bhullar, Manager of Financial Services
Reviewed by:	Doug Stewart, Director of Finance
Approved for Inclusion:	Mike Younie, Chief Administrative Officer

Attachment(s)

Attachment A:	Property Assessment and Taxation Framework
Attachment B:	Tax Ratios 2024