

**To:** Chief Administrative Officer  
**From:** Kerri Onken, Deputy Treasurer/Collector  
**Subject:** **2022 Tax Rates Bylaw**

**Date:** May 2, 2022

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### Recommendation(s)

Council consider and resolve:

1. That Council has hereby considered its proposed tax rates for each property class in conjunction with its objectives and policies regarding the distribution of property taxes among the tax classes, as set out within its 2022 to 2026 Financial Plan Bylaw, Bylaw 6071-2021.
2. That the City of Mission Annual Tax Rates Bylaw 6093-2022 be given three readings.**Purpose**

The purpose of this report is to present the City's Annual Tax Rates Bylaw to Council for its consideration. This bylaw is listed under the Bylaws for Consideration section of this agenda.

### Background

Pursuant to Sections 165 and 197 of the *Community Charter*, Council must pass a financial plan bylaw and a tax rates bylaw before May 15<sup>th</sup> of each year (May 16<sup>th</sup> for 2022 as May 15<sup>th</sup> is a Sunday). Council adopted the 2022 to 2026 Financial Plan Bylaw 6071-2021 on December 20, 2021 that included a 5.96% increase in the property tax levy. The municipal tax rates and drainage utility rates have now been established in a proposed bylaw which is listed on the agenda under the Bylaws for Consideration section for consideration of three readings.

Per the *Community Charter*, tax rates also need to be established for "the amounts to be collected for the year by means of rates established by the municipality to meet its taxing obligations in relation to another local government or other public body". In other words, the tax rates bylaw needs to include the tax rates for the Fraser Valley Regional District and Fraser Valley Regional Hospital District tax rates, which are based on the Regional District's approved budgets and requisition for the City of Mission. See Schedule A of Attachment A for these rates set out in the proposed bylaw.

The tax rates set by other taxing authorities, namely School taxes, BC Assessment and Municipal Finance Authority are not included in our tax rates bylaw as these rates are set directly by these authorities. Those authorities have provided their tax rates for Mission and these rates, along with the proposed rates for the City's Bylaw, are included in Attachment B for communication purposes only.

## Discussion and Analysis

### Tax Rates

The various municipal tax rates included in proposed Bylaw 6093-2022, which is now being brought forward for consideration of three readings and adoption, are consistent with Council's financial plan and the 5.96% property tax levy increase.

It should be noted that the average assessed value of a residential property in Mission increased by approximately 34.68% for property tax calculation between 2021 and 2022 due to market conditions. The municipal tax rates included in this bylaw have reflected this increase in assessed value by first modifying the 2021 tax rates to generate the same amount of property taxes in 2022, before calculating the 2022 approved increase of 5.96%. In other words, the City automatically adjusts its tax rates to ensure that the increase in assessed value as a result of market changes does not result in additional property tax revenue. There is a common misconception that market changes in assessed values on their own generate additional property tax revenue, but that is, in fact, not true.

The net impact on a residential home in Mission valued at \$767,000 (*last year's average assessed home adjusted by the market increase*) and using the tax rates in this bylaw will see an estimated increase to the property taxes from all sources of \$246.71. The following chart shows the breakdown between municipal, drainage and other taxing authorities.

RESIDENTIAL CLASS PROPERTY	Estimated 2022 Tax Notice	2021 Tax Notice	Increase (Decrease) in Dollars	Increase (Decrease) Percentage
<b><u>For Residential Properties Connected to Water &amp; Sewer</u></b>				
Municipal Services	1,591.29	1,470.64	120.65	
Police Services	768.94	756.75	12.19	
<b>Subtotal - Municipal Property Taxes</b>	<b>2,360.23</b>	<b>2,227.39</b>	<b>132.84</b>	<b>5.96%</b>
Drainage Utility Levy	166.88	145.42	21.46	<b>14.76%</b>
Fraser Valley Regional Library	93.45	92.11	1.34	<b>1.5%</b>
<b>Municipal, Drainage &amp; Library Property Taxes</b>	<b>2,620.56</b>	<b>2,464.92</b>	<b>155.64</b>	<b>6.3%</b>
<b><u>Taxes Collected on Behalf of Other Taxing Authorities</u></b>				
Provincial School Taxes	1,122.20	1,041.51	80.69	<b>7.7%</b>
Fraser Valley Regional District	61.66	60.32	1.34	<b>2.2%</b>
Fraser Valley Regional Hospital District	98.94	94.49	4.45	<b>4.7%</b>
BC Assessment Authority	36.05	31.52	4.53	<b>14.4%</b>
Municipal Finance Authority	0.21	0.15	0.06	<b>40.0%</b>
<b>Other Taxing Authorities</b>	<b>1,319.06</b>	<b>1,227.99</b>	<b>91.07</b>	<b>7.4%</b>
<b>Estimated Property Taxes from all Sources</b>	<b>\$3,939.62</b>	<b>\$3,692.91</b>	<b>\$246.71</b>	<b>6.7%</b>

The only change to the Flat Rate Utility charges on the property tax notice is to the Sewer User Fees of \$9.24. All other flat rate charges are unchanged from 2021.

RESIDENTIAL CLASS PROPERTY	Estimated 2022 Tax Notice	2021 Tax Notice	Increase (Decrease) in Dollars	Increase (Decrease) Percentage
<b>Estimated Property Taxes from all Sources</b>	<b>\$3,939.62</b>	<b>\$3,692.91</b>	<b>\$246.71</b>	<b>6.7%</b>
<b>Municipal Utility Charges</b>				
Water User Fees	512.64	512.64	0.00	0.0%
Sewer User Fees	473.16	463.92	9.24	2.0%
Refuse User Fees	102.96	102.96	0.00	0.0%
Recycling & Composting User Fees	184.20	184.20	0.00	0.0%
<b>Municipal Utilities</b>	<b>1,272.96</b>	<b>1,263.72</b>	<b>9.24</b>	<b>0.7%</b>
<b>Total Property Taxes &amp; Utility Charges</b>	<b>\$5,212.58</b>	<b>\$4,956.63</b>	<b>\$255.95</b>	<b>5.2%</b>
<i>Before home owner grant</i>				
<b>Municipal, Policing, Drainage &amp; Utilities Only</b>	<b>3,800.07</b>	<b>3,636.53</b>	<b>163.54</b>	<b>4.5%</b>

The net change for Municipal, Policing, Drainage and Utility charges (charges under municipal jurisdiction) totals \$163.54 over 2021, a 4.5% increase.

### Cedar Valley Local Improvements

The Cedar Valley Local Improvement is a parcel charge of \$403.52 for sewer lines extended to the Cedar Valley area 20 years ago. This charge is levied on 102 properties in the Cedar Valley area. The 2022 property tax notice is the final year for this charge.

### Downtown Business Improvement Levy

Included in the tax rate bylaw is a Business Improvement Area (BIA) levy on classes 5 (light industry) and class 6 (business/other) properties within the Downtown Business Improvement Area. As specified under the District of Mission Business Improvement Area Establishment Bylaw 5793-2018, this levy is for the purpose of funding a Business Promotion Scheme to carry out certain works and services and to market and promote business within the BIA.

The Downtown BIA contains 115 properties located from approximately Murray Street to Birch Street and from Railway Avenue to 2<sup>nd</sup> Avenue. Bylaw 5793-2018 empowers Council to collect monies from these properties for the years 2019 to 2023 based on the class 5 and 6 assessed value of land and improvements for general municipal purposes. This bylaw was adopted by Council on April 1, 2019 as requested by the Downtown Business Association.

The money collected under Section 4 of this bylaw is for funding the Business Promotion Scheme and is to be used for the following activities and expenditures:

- (a) encouraging business;
- (b) street beautification;
- (c) insurance, licenses, accounting fees and dues;
- (d) office expenses, rent, and administrative support;
- (e) downtown revitalization, maintenance and beautification; and
- (f) business training and conferences.

For 2022, the BIA levy will generate \$106,773, which will be passed on to the Mission Downtown Business Association on July 31, 2022 for the Business Promotion Scheme.

## Non-Market Construction

BC Assessment provides the City with assessment information collected about each property in Mission from many sources including:

- Building permits issued
- Land title office
- Real estate transactions
- Property owner-initiated updates
- Site visits
- Aerial and street front imagery
- Council reports on development activities

Around October 31<sup>st</sup> of each year, the non-market construction estimate is provided for the following year, which includes approximately 80 to 90 percent of the information BC Assessment collects - the new lots and buildings from development activity, as well as additions to existing properties like garages, balcony or major renovations. By January 1<sup>st</sup>, the Completed Roll (market and non-market information) is provided. By March 31<sup>st</sup>, the Revised Roll is provided which includes any assessment appeals settled by mid-March. The Revised Roll usually includes a higher non-market construction value than was estimated in October which will provide new taxation revenue. In the past this additional tax revenue, between \$60,000 and \$90,000, has offset the tax revenue lost from assessment appeals completed between April and December 31<sup>st</sup> of the year.

The City uses the non-market construction estimate provided in October each year, to estimate the new construction revenue projections during the budget discussions. The report provided by BC Assessment on November 8, 2021 estimated Mission had approximately \$173 million of new inventory that would be added to the 2022 roll, with a projected \$400,000 of new tax revenue. By March, 2022, an additional \$51 million (30% increase) of new inventory was added.

Property Class	New Inventory Assessment	Percentage Increase from November
Residential	37,588,087	23%
Utilities	282,600	435%
Light Industry	4,687,001	109%
Business/Other	8,488,905	519%
Farm	(50,869)	336%
	<u>\$ 50,995,724</u>	

This additional inventory of \$51 million will generate an extra \$232,124 of property tax revenue than what was estimated in the 2022 financial plan for the general operating fund and an extra \$24,763 of drainage levy in the drainage fund. The additional revenue is generated from non-residential properties which have a higher tax rate per \$1,000 of assessed value. This additional revenue will be used to reduce budget pressures that will occur from supplemental assessment notices issued in 2022 that will reduce the assessment base and thus property taxes generated as assessment appeals are processed.

## Objectives and Policies of Tax Rate Bylaw

Local governments must formally consider their proposed tax rates for each property class in conjunction with the objectives and policies as set out under Section 165(3.1) (b) [distribution of property taxes among property classes] of the *Community Charter* (included as Schedule A in the 2022 to 2026 Financial Plan Bylaw 6071-2021), before adopting their annual property tax rates bylaw. The City's property tax distribution for 2022, which is similar to prior years, is in line with the property tax distribution chart included as part of the financial plan bylaw.

The percentage of property tax proposed to be collected from each class in 2022 is shown in the chart below.

2022 PROPERTY TAX DISTRIBUTION	
PROPERTY CLASS	% OF MUNICIPAL PROPERTY TAXES COLLECTED FROM EACH TAX CLASS
Residential	74.9%
Utilities	0.7%
Social Housing	0.0%
Major Industry	0.0%
Light Industry	3.1%
Business / Other	20.7%
Managed Forest	<0.1%
Recreational / Non-Profit	0.4%
Farm	0.2%
<b>TOTAL</b>	<b>100.0%</b>

To show that the municipal tax rates for 2022 have been considered in conjunction with Council's tax class property tax distribution policies and objectives, Council needs to pass a formal motion stating this.

## Financial Implications

During the 2022 budget discussions, staff used the assessment estimate for non-market construction provided November 8, 2021. By March, 2022, an additional \$51 million (30% increase) of new inventory was added to the City's 2022 assessment roll. The additional inventory will generate an extra \$232,124 of property tax revenue for the general operating fund and an extra \$24,763 of drainage levy in the drainage fund. The additional revenue is generated mostly from non-residential properties which have a higher tax rate per \$1,000 of assessed value. This additional revenue will be used to reduce budget pressures that will occur from supplemental assessment notices issued in 2022 that will reduce the assessment base and thus reduce the property taxes generated as assessment appeals are processed.

## Communication

The public will be notified of the 2022 tax rates when the 2022 tax notices are received by Mission property owners.

## Summary and Conclusion

Pursuant to Sections 165 and 197 of the *Community Charter*, Council must pass a tax rates bylaw before May 15<sup>th</sup> of each year (May 16<sup>th</sup> for 2022 as May 15<sup>th</sup> is a Sunday). Council must also consider its proposed tax rates for each property class in conjunction with its objectives and policies regarding the distribution of property taxes among the tax classes, as set out within its 2022 to 2026 Financial Plan Bylaw [Bylaw 6071-2021].

The municipal tax rates and drainage utility rates have now been established in proposed Bylaw 6093-2022, and this bylaw is listed on the agenda under the Bylaws for Consideration section for consideration of three readings.

It should be noted that the average assessed value of a residential property in Mission increased by approximately 34.68% for property tax calculation between 2021 and 2022 due to market conditions. The municipal tax rates included in this bylaw have reflected this increase in assessed value by first modifying the 2021 tax rates to generate the same amount of property taxes in 2022, before calculating the 2022 approved increase of 5.96%. See Attachment C for details on estimated increase on property tax and utility charges and increases from other taxing authorities.

During the 2022 budget discussions, staff used the assessment estimate for non-market construction provided November 8, 2021. By March, 2022, an additional \$51 million (30% increase) of new inventory was added. This additional inventory will generate an extra \$232,124 of property tax revenue for the general operating fund and an extra \$24,763 revenue in the drainage fund. The additional revenue is generated mostly from non-residential properties which have a higher tax rate per \$1,000 of assessed value. This additional revenue will be used to reduce budget pressures that will occur from supplemental assessment notices issued in 2022 that will reduce the assessment base and thus reduce the property taxes generated as assessment appeals are processed.

**Report Prepared by:** Kerri Onken, Deputy Treasurer/Collector

**Reviewed by:** Doug Stewart, Director of Finance

**Approved for Inclusion:** Mike Younie, Chief Administrative Officer

## Attachment(s)

Attachment A: Annual Tax Rates Bylaw 6093-2022

Attachment B: 2022 Tax Rates (Dollars of Tax per \$1,000 Taxable Value)

Attachment C: Estimated Increase in Property Tax and Utility Charges on Average Home