

Chief Financial Officer's Report to  
Combined Meeting of Council  
2020 April 27

ISC: UNRESTRICTED  
C2020-0486

## Information on Phased Tax Program for Multi-Residential Tax Payers

### EXECUTIVE SUMMARY

On 2019 November 29, Council approved a one-time 1.5 per cent rebate to offset the 1.5 per cent 2020 budget tax rate increase, effectively reducing the property tax rate increase to 7.51 per cent for residential properties and the tax rate decrease to 11.27 per cent for non-residential properties. Council also approved to shift a portion of the tax share from non-residential to residential properties to ease the property tax burden for non-residential property owners and businesses.

The combined effect of a) the increased residential property tax rate, and b) significant multi-residential (MR) year over year value increases will result in substantial property tax increases for MR property owners. Furthermore, the COVID-19 crisis and the accompanying provincial Ministerial Orders<sup>1</sup> have introduced even more potential for financial strain for MR property owners.

Administration is providing information on two MR PTP options that would provide tax relief to MR properties facing the largest municipal tax increases. There are some risks and operational concerns. Administration acknowledges that a MR PTP would create the “bow wave” effect by providing tax relief in the short term using one-time funding and postponing a tax increase into the future.

### ADMINISTRATION RECOMMENDATION:

That Council:

1. Receive this report for the Corporate Record to provide Council information related to a phased tax program for multi-residential properties.
2. Direct that Attachment 2 remain confidential pursuant to section 27(Privileged information) of the *Freedom of Information and Protection of Privacy Act* to be reviewed by 2035 April 27.

### PREVIOUS COUNCIL DIRECTION / POLICY

Previously Council has approved Non-Residential Phased Tax programs (NR PTP) to provide property tax relief to properties facing the largest municipal tax increases as well as the delay of property tax penalties in light of COVID-19.

### BACKGROUND

For the purposes of an MR PTP, MR properties are defined as four or more legal self-contained dwelling units which are used or intended to be used for permanent living accommodations, together with any other buildings or amenity areas located on the property that are ancillary to

<sup>1</sup> Government of Alberta. "COVID-19 Orders and Legislation." Alberta.ca. Accessed April 14, 2020. <https://www.alberta.ca/covid-19-orders-and-legislation.aspx>; specifically referring to Ministerial Order no. SA:003/2020; Ministerial Order no. SA:005/2020; Ministerial Order no. SA:006/2020; and Ministerial Order no. SA:20/2020 [herein referred to as the “Ministerial Orders”].

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the dwelling units, but does not include condominiums, manufactured homes, or cooperative housing.

An MR PTP - information is provided given the following:

1. The MR property assessment roll has increased by approximately 12 per cent between 2019 and 2020, whereas single residential (SR) decreased approximately 4 per cent. This increase in value for MR properties is a result of higher rental rates and lower vacancy rates. The majority of the impact of the recent tax share reallocation<sup>2</sup> will be felt by residential properties experiencing the greatest increase in market value. As a result, many MR property owners will see a large increase in tax responsibility in 2020, with an expected increase as high as 40 per cent for some properties in the downtown and beltline. The actual increase in municipal property tax per unit is estimated at about \$9-\$25 per month when comparing 2020 to 2019 values. It is important to note that Calgary tenants may not experience rental changes until their rental agreements renew or after the Government of Alberta Ministerial Orders expire.

The recent increase in value of MR properties is a marked departure from 2017-2019, where, many MR properties within the downtown and beltline saw a decrease in assessed value and (typically) a decrease in property tax responsibility as well.<sup>3</sup> It is further noted that the MR population is small relative to the total residential base, representing only 5 per cent of the total. High-rise properties, representing approximately 2 per cent of the residential base, are seeing the largest increases to assessed value.

2. COVID-19 introduces a further complexity, as a) the economic circumstances are such that tenants may be unable to provide the same levels of rent, and b) the Government of Alberta introduced several Ministerial Orders<sup>4</sup> directed at temporarily suspending or altering the ability of property owners to enforce certain rights for the purposes of providing relief to tenants struggling to pay rent during this trying time.

Thus, the increase in property tax responsibility may cause owners financial hardship.

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<sup>2</sup> 52 per cent residential and 48 per cent non-residential.

<sup>3</sup> Refer to Attachment 1 page 3 for a 6-year MR trend

<sup>4</sup> Government of Alberta. "COVID-19 Orders and Legislation." Alberta.ca. Accessed April 14, 2020.

<https://www.alberta.ca/covid-19-orders-and-legislation.aspx>; specifically referring to Ministerial Order no. SA:003/2020; Ministerial Order no. SA:005/2020; Ministerial Order no. SA:006/2020; and Ministerial Order no. SA:20/2020 [herein referred to as the "Ministerial Orders"].

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### INVESTIGATION: ALTERNATIVES AND ANALYSIS

Information on MR PTP options are:

Option #	% Cap on 2019 Municipal Property Tax Increase for Multi-Res Properties	2020 Multi-Residential Taxable Population	Estimated Number of Qualified PTP Properties	Estimated Program Cost
1	7.51% (current increase net of rebate)	1,994	1,595	Up to \$4,000,000
2	10.00%	1,994	1,364	Up to \$3,300,000

There are several pros and cons associated with each scenario. These can be found in Attachment 1 on pages 6 to 8.

### Stakeholder Engagement, Research and Communication

On 2019 October 3, Assessment hosted the pre-roll symposium where over 200 low-rise and high-rise property owners were invited to attend. On 2019 October 17 Assessment presented at the Calgary Residential Rental Association (CRRRA) luncheon which had over 150 property owners in attendance.

As of 2020 April 16, Assessment has 150 signed MR agreements which include 49 high-rise properties – securing \$3.27 billion in assessed value. This represents approximately 31 per cent of the entire MR base.

Feedback from the CRRRA, as well as several MR institutional owners and non-profit housing organizations was taken into consideration in the preparation of this report

### Strategic Alignment

This information is being provided to align with two fundamental Council Priorities:

- A Prosperous City
- A Well Run City

This information supports strategies within the 10 Year Economic Strategy for Calgary and the Community Economic Resilience Program; in particular “Review the economic situation for financial impacts while mitigating and responding to impacts on Action Plan”, “Focus on value for money in service delivery”, “Continue to provide services to Calgarians”, “Proceed with strategic infrastructure investment”, and “Work with partners to identify and respond to what is required”.

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### **Social, Environmental, Economic (External)**

An MR PTP, though not directly providing relief to the tenants, would help provide relief to MR property owners who then in turn may pass the benefit onto their tenants.<sup>5</sup>

### **Financial Capacity**

#### ***Current and Future Operating Budget:***

A 2020 MR PTP would require up to \$3,300,000 to \$4,000,000 in funding. A possible funding source could be the Fiscal Stability Reserve.

#### ***Current and Future Capital Budget:***

There are no capital budget impacts identified in this report.

### **Risk Assessment**

Administrations information on options for 2020 tax relief would provide the highest level of benefit to those impacted by the largest tax increases due to the reassessment process and renter protection measures recently enacted by the Province.

Further information on legal risks to be considered is included in confidential Attachment 2.

#### **REASON(S) FOR RECOMMENDATION(S):**

To provide Council relevant information regarding a potential MR PTP.

### **ATTACHMENT(S)**

1. Attachment 1 - Information on Phased Tax Program For Multi-Residential Tax Payers Presentation
2. Attachment 2 - Confidential Legal Considerations

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<sup>5</sup> See con #2 in Attachment 1 page 7