

Calgary



Information on Phased Tax Program for Multi-Residential (MR) Tax Payers

Combined Meeting of Council

2020 April 27

ISC: Unrestricted





Multi-Residential Issue

What is a multi-residential property:

Any residential property with four or more legal self-contained dwelling units which are used or intended to be used for permanent living accommodations

- This does not include condominiums, manufactured homes or cooperative housing. While apartment buildings are sometimes thought of as commercial operations, they fall into the residential tax class.

Assessment & Tax Implications issues:

1) Shift within residential class:

- Multi-Residential properties have increased in overall value by 12% as a result of growth and market value increases (assessment for residential class as a whole decreased by 4%)
- Multi-residential properties: approximately 1,994 taxable accounts
- Multi-residential high-rises: approximately 152 accounts
- Some high-rise properties may see increases as high as 40%
- Municipal property tax per unit estimated to increase by \$9-\$25/month

2) Residential municipal property tax increase of 7.51% inclusive of rebate, due to “provincial budget flow through” and shift in tax responsibility from 49%/51% res/non-res to 52%/48% res/non-res.

Impacts of COVID-19

The recent Ministerial Orders issued in response to the COVID-19 situation includes rent freezes, the inability to collect late fees, payment plan requirements and reduced eviction powers. All these measures are intended to provide support and relief for tenants of MR properties.



Multi-Residential High Rise 6-Year Trend

BELTLINE - 98 units	2015	2016	2017	2018	2019	2020
Assessment	17,865,920	17,885,760	15,184,400	13,250,000	13,280,000	16,470,000
Assessment Change Year over Year		0.11%	-15.10%	-12.74%	0.23%	24.02%
Residential Municipal Tax Rate	0.0035409	0.003709	0.0039633	0.0039014	0.0042108	0.0047137*
Municipal Taxes	\$ 63,261	\$ 66,338	\$ 60,180	\$ 51,694	\$ 55,919	\$ 77,635
Provincial Tax Rate	0.0022135	0.0024648	0.0025375	0.0024559	0.0024432	0.0027428
Provincial Taxes	\$ 39,546	\$ 44,085	\$ 38,530	\$ 32,541	\$ 32,446	\$ 45,174
Total Taxes	\$ 102,807	\$ 110,423	\$ 98,710	\$ 84,235	\$ 88,365	\$ 122,809
Tax Change Year over Year		7.41%	-10.61%	-14.66%	4.90%	38.98%
\$Tax Change Year over Year		\$ 7,616	\$ (11,712)	\$ (14,476)	\$ 4,130	\$ 34,444
Taxes per Unit per month	\$ 87.42	\$ 93.90	\$ 83.94	\$ 71.63	\$ 75.14	\$ 104.43
Tax Change per Unit per month		\$ 6.48	\$ (9.96)	\$ (12.31)	\$ 3.51	\$ 29.29

*Please note that the 2020 Residential Municipal Tax Rate reflects the Council approved one-time 1.5% rebate used to offset the 1.5% 2020 budget tax rate increase

Multi-Residential Engagement Strategy

- Oct. 3, 2019: Invited over 200 low-rise and high-rise property owners to 2020 Pre-Roll Symposium.
- Oct. 17, 2019: Over 150 property owners attended an Assessment presentation at the Calgary Residential Rental Association (CRRRA) Luncheon.
- Face-to-Face communications: We continue to collaborate with agents/property owners on multi-residential values. We have to date:
 - 150 signed agreements, including 49 high-rise – securing \$3.27B in assessed value
 - 138 low-rise/high-rise complaints – 11% of low-rise/high-rise total



Previous NR phased tax programs

Previous Phased Tax Programs (PTP):

Intended to address the tax shifts resulting from disproportional market value changes experienced by different sectors within a tax class. (i.e. Within non-res – office vs. retail/industrial in 2019).

For 2020, 96% of residential properties' revenue neutral taxes will stay within +/-10% of last year's taxes. In 2019, 30% of non-residential properties' revenue neutral taxes stayed within +/-10%, thus need for PTP.

A small number of multi-residential properties, a subset of residential properties are experiencing a significant increase.



2020 Multi-Residential Information

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



Pros

1. MR owners facing the greatest municipal tax increases will receive tax relief.
2. PTP is not new to Administration as it is very similar in principle to the non-residential PTP initiative.
3. PTP does not require an application.



Cons

1. Fairness & Equity

- a) Owners of units similar in style to multi-residential units, such as condominiums and cooperative housing, will not qualify for MR PTP. Therefore, there will be instances where a multi-residential unit receives PTP tax relief while its single residential counterpart will not.
- b) Tax Treatment of MR in other jurisdictions*

Municipality	2019 SR Municipal Tax Rate	2019 MR Municipal Tax Rate	Difference MR vs SR (%)
Calgary	0.0042108*	0.0042108*	0%
Edmonton	0.0064737	0.0074448	15%
Red Deer	0.0069476	0.0069476	0%
Lethbridge	0.0086116	0.0128929	50%
Medicine Hat	0.0067302	0.0087125	29%

Typically in jurisdictions that have a different tax rate for MR, it is usually higher. Some rationale for this is that MR properties are in between res and NR as they are investment properties. Property owners are also able to write off property tax as an expense.

- 2. No Guaranteed Relief for Tenants. Residential leases are typically gross; therefore, the responsibility to pay property taxes lies with the property owner who absorbs any cost fluctuation. There is no way to ensure property owners will pass on the savings to their tenants, even though this is part of the intention of the program.



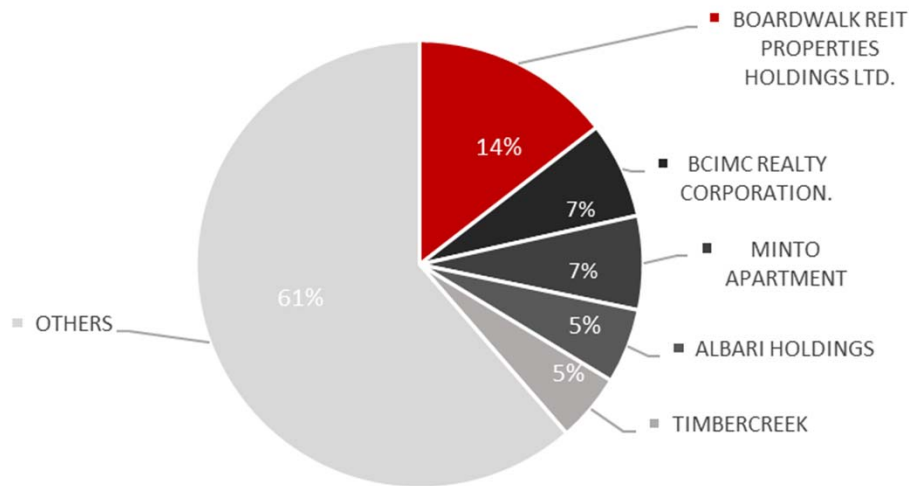
Cons, Continued

3. Creating the “Bow Wave.” The “bow wave” effect, similar to that relating to the non-residential PTP, is likely to manifest as a result of this program.
4. Transparency. Tax responsibility will not be tied exclusively to assessed value; therefore, this program will reduce the degree to which the property tax system is transparent, as it will allow for two comparable residential units to pay different amounts of tax.
5. Legal Risk. This program may increase the likelihood of a legal challenge by someone who does not benefit from the program. See Confidential Attachment 3 for further details.
6. Administration. PTP is a manual process administered by Assessment and Finance and as such comes with a high administrative cost.
7. Beneficiary Composition. Properties owned by large institutions are expected to make up approximately 55 and 60 per cent of the beneficiaries under the 7.51 per cent and 10 per cent programs, respectively.



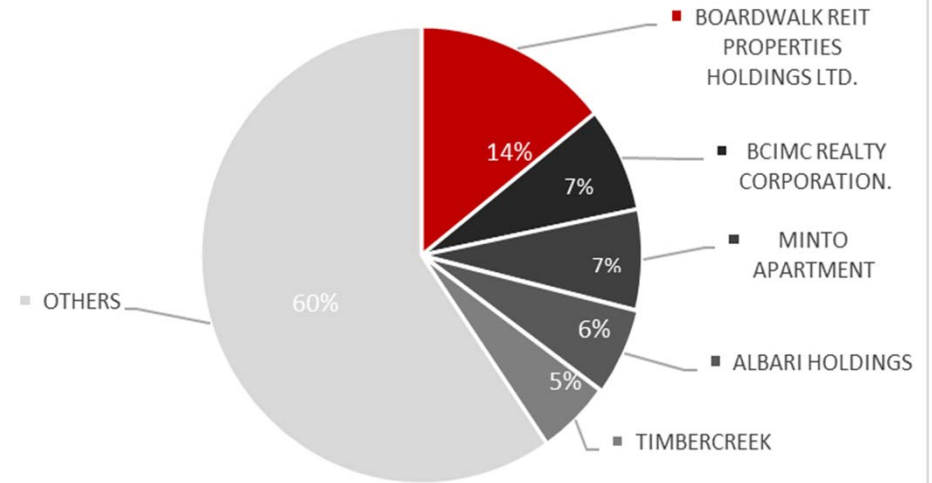
Top 5 Beneficiaries of Multi-Residential PTP

Summary of 2020 Multi-Residential PTP Recipients
@ 7.51% Cap on Municipal Tax Increase



Total Cost to the Program is Estimated at Approx. \$4 M

Summary of 2020 Multi-Residential PTP Recipients
@ 10.00% Cap on Municipal Tax Increase



Total Cost to the Program is Estimated at Approx. \$3.3 M

Non-profits will receive about 1% of the MR PTP