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## **Tax Shift Assessment Working Group: Final Report & Recommendations**

Presented to:  
Priorities & Finance Committee  
October 8, 2019

## **Tax Shift Assessment Working Group (TSAWG)**

- I. Creation & Mandate
- II. Composition & Meetings
- III. Evolution of the Discussion
- IV. Two Main Questions
- V. Recommendations
- VI. Supporting Materials
- VII. Specific Scenarios



## **I. Creation & Mandate**

On May 27 2019, the following motion was adopted by Council:

- In accordance with the Procedure Bylaw 35M2017, as amended, Appendix B, B.9. (a), (c), (e) and (l), Council direct Priorities and Finance Committee (PFC) to form a tax shift response working group by June 30, 2019, with a mandate to assess the best options for greater tax parity between assessment classes, based on an analysis of root problems that include but are not limited to disparity in proportional share of operating budget and absence of zero-based budgeting on an annual basis.



## **I. Creation & Mandate**

Council also directed that PFC add an agenda item to its June 4, 2019 meeting that enabled committee to:

- I. appoint a PFC member to lead the working group and determine which other members of Council would be part of the working group;
- II. determine which members of Administration would be part of the working group; and
- III. enable the lead of the working group to reach out to external stakeholder groups and bring back a list of names for the working group to finalize by June 30, 2019.

## **I. Creation & Mandate**

The tax shift response working group was to provide updates to PFC at each meeting until November 2019, at which time final recommendations would be presented to inform Council's budget deliberations so that an informed tax shift decision can be made as part of the budget process, providing certainty and predictability for property owners by November 29, 2019.

## I. Creation & Mandate

Provide certainty, predictability and stability in what to expect from property tax assessments.

## II. Composition & Meetings

- Dr. Paul Fairie – Researcher, University of Calgary
- Robyn Ferguson – Manager, Property Tax Services, MNP
- Dave Mewha – Senior Director, Property Tax, Altus Group
- Nelson Karpa – Director/City Assessor, City of Calgary
- Mayor Naheed Nenshi
- Councillor Druh Farrell
- Councillor Jeromy Farkas
- Councillor Jyoti Gondek

## II. Composition & Meetings

1. July 2, 2019
2. July 19, 2019
3. July 31, 2019
4. August 27, 2019
5. September 13, 2019
6. October 1, 2019



### **III. Evolution of the Discussion**

- Tax reform is a complex issue for any municipality, particularly in the Calgary context
- We need longer term (often partnership-based) solutions as well as short term recommendations for immediate action

### **III. Evolution of the Discussion**

- We began by clarifying each other's perspective of the situation and "pain" points
- With an understanding of each stakeholder's reality, there was discussion of longer and shorter term ideas

### **III. Evolution of the Discussion**

- Longer term ideas included:
  - Changes to the MGA that allow the City to address anomalies in assessment, such as downtown assessment impact not mirrored elsewhere
  - Decoupling real estate value from measurement of citizen wealth, to be more in line with income tax systems

### III. Evolution of the Discussion

- Longer term ideas included:
  - Explore how Bill 7 could offset impacts to businesses in construction-impacted areas
  - Consideration of subclasses within non-residential and residential classes
  - Debate appropriateness of variable mill rates within classes based on Council values



### **III. Evolution of the Discussion**

- Ultimately, TSAWG understood its mandate to provide recommendations that offer immediacy of action
- Longer term ideas have been shared within the meeting notes and this presentation for the Financial Task Force to take up as part of its work

### **III. Evolution of the Discussion**

- We also understood that all members were not in agreement on the values that should drive Council's budget and tax decisions

### **III. Evolution of the Discussion**

- “What kind of city do we want to be?”
- “The drycleaner needs help more than the mall.”
- We cannot offload tax burden to homeowners.”
- “We have to show we are open for business.”

## IV. Two Main Questions

1. What do we want?

This is a values-based question for Council, one that TSAWG can inform but not one it can answer.

2. How do we do it?

This is a question of math, formulae and tools. This is where TSAWG weighed in with options and outcomes.



## **V. Recommendations**

1. TSAWG recommends that Council make a values-based decision on the proportional share of operating budget responsibility between residential and non-residential property tax classes. This is to be informed by the scenarios provided.

## V. Recommendations

2. TSAWG recommends that Council be provided with assessment values and number of properties in both residential and non-residential property tax assessment classes for November 2019 and future budget seasons to make informed decisions based on past actuals and projected assessment amounts.

## **V. Recommendations**

3. TSAWG recommends that Council strike a similar working group each year in the spring to ensure that stakeholder perspectives inform property tax assessment and budget decisions.

## V. Recommendations

4. TSAWG recommends that the Financial Task Force liaise with the working group lead or any other members as required to fully understand the discussion items that are longer term solutions for tax reform.



## **VI. Supporting Materials**

1. TSAWG meeting notes (5 sets)
2. Property Tax Situation – one-page brief
3. 2020 TSAWG Illustrative Examples
4. Illustrative Workbook Explanation

## VII. Specific Scenarios

The 2020 TSAWG Illustrative Examples document provides scenarios that describe what would happen with different proportional shares of operating budget between classes, as well as different budget increases.

## VII. Specific Scenarios

- There are 3 proportion scenarios:
  - 49% residential/51% non-residential (current state)
  - 50% residential/50% non-residential
  - 52% residential/48% non-residential
- There are 3 budget increase scenarios:
  - 3.03% increase (current One Calgary proposed increase)
  - 1.5% increase
  - 0% increase

## **!!DISCLAIMER!!**

- The scenarios presented are EXAMPLES only and based on estimates. These are not actual tax bills for 2020.
- These scenarios DO NOT include the provincial portion of the property tax bill.

## VII. Example 1: 49/51 res to non-res (status quo)

Residential with One Calgary 3.03% budget increase

3.03% Budget Increase - 49% Res/51% NR Split			
<b>Examples</b>			
<b>Typical Single Residential Home</b>	<b>2019</b>	<b>2020 Estimate</b>	<b>YOY Change</b>
Assessment	475,000	455,000	-4.21%
Municipal Tax Rate	0.0042108	0.0045291	
Municipal Taxes	2,000	2,061	3.03%
Monthly Payment	167	172	3.03%
<b>Typical Single Residential Condo</b>	<b>2019</b>	<b>2020 Estimate</b>	<b>YOY Change</b>
Assessment	255,000	240,000	-5.88%
Municipal Tax Rate	0.0042108	0.0045291	
Municipal Taxes	1,074	1,087	1.23%
Monthly Payment	89	91	1.23%



## VII. Example 1: 49/51 res to non-res (status quo)

\$5 mill non-res property with One Calgary 3.03% budget increase

3.03% Budget Increase - 49% Res/51% NR Split			
<b>Examples</b>			
<b>Non-Residential \$5m Property</b>	<b>2019</b>	<b>2020 Estimate</b>	<b>YOY Change</b>
Assessment	5,000,000	5,000,000	0.00%
Municipal Tax Rate	0.017775	0.0164527	
Municipal Taxes	88,875	82,264	-7.44%
Less PTP	(16,214)		
Actual Municipal Taxes	72,661	82,264	13.22%

## VII. Example 1: 49/51 res to non-res (status quo)

Retail/strip mall property with One Calgary 3.03% budget increase

Retail - Strip Mall	2019	2020 Estimate	YOY Change
Assessment	3,250,000	3,650,000	12.31%
Municipal Tax Rate	0.017775	0.0164527	
Municipal Taxes	57,769	60,052	3.95%
Less PTP	(11,780)		
Actual Municipal Taxes	45,988	60,052	30.58%

## VII. Example 1: 49/51 res to non-res (status quo)

Industrial property with One Calgary 3.03% budget increase

Industrial - Warehouse	2019	2020 Estimate	YOY Change
Assessment	4,970,000	5,390,000	8.45%
Municipal Tax Rate	0.017775	0.0164527	
Municipal Taxes	88,342	88,680	0.38%
Less PTP	(13,083)		
Actual Municipal Taxes	75,259	88,680	17.83%

## VII. Example 2: 52/48 res to non-res (maximum shift)

Residential with 0% budget increase

0% Budget Increase - 52% Res/48% NR Split		
2019	2020 Estimate	YOY Change
475,000	455,000	-4.21%
0.0042108	0.0046939	
2,000	2,136	6.78%
167	178	6.78%
2019	2020 Estimate	YOY Change
255,000	240,000	-5.88%
0.0042108	0.0046939	
1,074	1,127	4.92%
89	94	4.92%

## VII. Example 2: 52/48 res to non-res (maximum shift)

\$5 mill non-res property with with 0% budget increase

0% Budget Increase - 52% Res/48% NR Split		
2019	2020 Estimate	YOY Change
5,000,000	5,000,000	0.00%
0.017775	0.0146015	
88,875	73,008	-17.85%
(16,214)		
72,661	73,008	0.48%



## VII. Example 2: 52/48 res to non-res (maximum shift)

Retail/strip mall property with 0% budget increase

2019	2020 Estimate	YOY Change
3,250,000	3,650,000	12.31%
0.017775	0.0146015	
57,769	53,295	-7.74%
(11,780)		
45,988	53,295	15.89%

## VII. Example 2: 52/48 res to non-res (maximum shift)

Industrial property with 0% budget increase

2019	2020 Estimate	YOY Change
4,970,000	5,390,000	8.45%
0.017775	0.0146015	
88,342	78,702	-10.91%
(13,083)		
75,259	78,702	4.58%