

## **2021 Preliminary Assessment Roll and Related Estimates**

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### **RECOMMENDATION:**

That the Priorities and Finance Committee recommend that Council receive this report for the Corporate Record to inform their discussion during the November budget deliberations.

### **HIGHLIGHTS**

- Administration is providing an overview of the 2021 preliminary assessment roll and related estimates to provide Council preliminary information on the assessment values and the associated property tax implications for residential and non-residential (non-res) properties.
- What does this mean to Calgarians? Assessment is a mechanism for the distribution of property taxes. Having a better understanding of these assessments will help Calgarians understand the individual tax implications for their property.
- Why does this matter? By providing as much information to Council as possible, Council can be well-informed for The City's budget discussions in November. All non-res and residential property owners will have a better understanding of their 2021 assessment values and will be able to better plan and budget for the upcoming year.
- The majority of the property assessment base is decreasing in total value year-over-year, apart from industrial type properties, generally speaking.
- The non-res taxable base is estimated to decrease overall by 5 per cent. Industrial (+5 per cent), Office (-10 per cent), Retail (-9 per cent) and Other (-6 per cent)
- Office, retail and hotel properties, as types of properties in the non-res assessment class, are expected to see both decreases in assessment value and overall property taxes year-over-year before the "bow wave" effects of the 2020 Phased Tax Program (PTP). In some cases when the impacts of the 2020 PTP is taken into account, the taxes increase from year-over-year.
- Industrial properties, as part of the non-res assessment class, are expected to see an increase in both assessment value and overall property taxes year-over-year both before and after the "bow wave" effects of the 2020 PTP.
- The residential taxable base is estimated to decrease overall by 3 per cent. A typical detached home (-2 per cent), typical residential condo (-4 per cent), multi-residential (multi-res) low-rise (-6 per cent) and multi-res high-rise (+12 per cent).
- Multi-res high-rise properties, as part of the residential assessment class, are expected to see significant increases in both assessment value and property taxes year-over-year.
- Risks associated with the 2021 reassessment include the tax responsibility shifting within the non-res class to industrial and increased assessment tribunal activity and potential losses.
- There is also foreseeable stakeholder advocacy for tax relief for both non-res and multi-res properties, particularly larger properties in both groups.
- Recommendations 2, 4 and 27 of the Financial Task Force (FTF) C2020-0742 speak to increased communication and information around assessment and tax implications to support the decision making process.

## 2021 Preliminary Assessment Roll and Related Estimates

### DISCUSSION

Assessment is currently in the process of estimating the market value for each property in Calgary as of 2020 July 1 for the purposes of distributing the 2021 property taxes in a fair and equitable manner and in accordance with the Municipal Government Act (MGA). The municipal portion of property tax pays for City services including police, fire, roads, parks and many other services that help make life better everyday for Calgarians. For additional information on the assessment process, see Attachment 1.

The taxable assessment roll can vary on a year-to-year basis, largely due to changes in market value and physical growth. Below is a summary of the preliminary 2021 assessment roll values compared to the 2020 assessment roll values.

Assessment Class	2020 Taxable ASMT (Millions)	2021 Est. Taxable ASMT (Millions)	% Change
<b>Taxable Residential</b>	210,505	204,965	-2.6%
<b>Taxable Non-Residential</b>	59,729	57,121	-4.4%
<b>Total</b>	<b>270,235</b>	<b>262,086</b>	<b>-3.0%</b>
<b>Taxable Farm Land</b>	5	28	456.0%
<b>Total</b>	<b>270,240</b>	<b>262,113</b>	<b>-3.0%</b>

*\*Note that these are preliminary values and are subject to change*

The total assessment base is estimated to decrease year-over-year for both the residential and non-residential assessment classes. The substantial increase in the farm land assessment class is a result of a recent court decision which changed the legal interpretation of farm land.<sup>1</sup> This change will have a marginal effect on tax revenue.

The majority of property types will see an overall decrease in the estimated assessment base for 2021, with the notable exception of industrial and multi-res high-rise properties. As a hypothetical example, taking into account the specific changes within each property type and Council's direction for a 0 per cent tax rate increase, the estimated 2021 revenue neutral tax rates have been calculated. Information on the revenue neutral tax process can be found in Attachment 2. Using the estimated revenue neutral tax rate, the tax implications are estimated as follows<sup>2</sup>:

Assessment Class (Property Type)	2020 Taxable ASMT (Millions)	2020 Municipal Rate	2020 Municipal Tax (Millions)	2021 Est. Taxable ASMT (Millions)	Est. 2021 Revenue Neutral Tax Rate	Est. 2021 Tax (Millions)
<b>Taxable Residential</b>	210,505	0.0047795	\$ 1,006	204,965	0.0049084	\$ 1,006
<b>Taxable Non-Residential</b>	59,729	0.0158278	\$ 945	56,702	0.0166688	\$ 945
<b>Total</b>	<b>270,235</b>		<b>\$ 1,951</b>	<b>261,667</b>		<b>\$ 1,951</b>
<b>Taxable Farm Land</b>	5	0.0206458	\$ 0.1	28	0.0146730	\$ 0.4
<b>Total</b>	<b>270,240</b>		<b>\$ 1,952</b>	<b>261,695</b>		<b>\$ 1,952</b>

*\*Note that these are preliminary values and are subject to change*

<sup>1</sup> *Associated Developers Ltd v Edmonton (City)*, 2020 ABCA 253 (CanLII), <<http://canlii.ca/t/j8dwt>>.

<sup>2</sup> 2020 September 30 memo to Council used the 2021 Est. Taxable assessment X 2020 Tax rate, these charts use the 2021 Est. Taxable assessment X the 2021 revenue neutral tax rate.

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Residential Property Type	2020 Taxable ASMT (Millions)	2020 Municipal Rate	2020 Municipal Tax (Millions)	2021 Est. Taxable ASMT (Millions)	Est. 2021 Revenue Neutral Tax Rate	Est. 2021 Tax (Millions)
Single Residential	197,619	0.0047795	\$ 945	192,531	0.0049084	\$ 945
Multi-residential	9,693	0.0047795	\$ 46	9,494	0.0049084	\$ 47
Other	3,193	0.0047795	\$ 15	2,940	0.0049084	\$ 14

*\*Note that these are preliminary values and are subject to change*

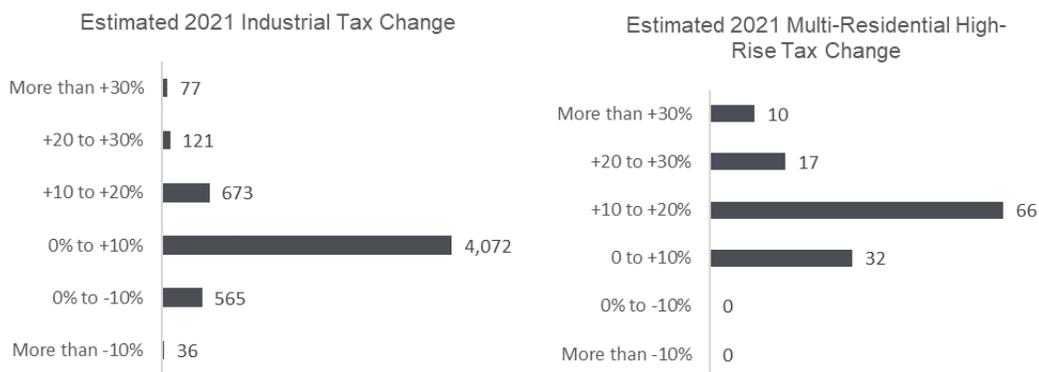
Non-Residential Property Type	2020 Taxable ASMT (Millions)	2020 Municipal Rate	2020 Municipal Tax (Millions)	2021 Est. Taxable ASMT (Millions)	Est. 2021 Revenue Neutral Tax Rate	Est. 2021 Tax (Millions)
Industrial	16,171	0.0158278	\$ 256	17,050	0.0166688	\$ 284
Office	15,461	0.0158278	\$ 245	13,904	0.0166688	\$ 232
Retail	19,753	0.0158278	\$ 313	17,915	0.0166688	\$ 299
Other	8,344	0.0158278	\$ 132	7,833	0.0166688	\$ 131

*\*Note that these are preliminary values and are subject to change*

Illustrative examples highlighting the specific impacts to various property types can be found in Attachment 3. Two property types that will be facing large tax increases for 2021 are industrial and multi-res high-rise properties.

Industrial properties, particularly large format warehouses, are expected to see a substantial increase in property taxes for 2021.<sup>3</sup> The total taxes paid by industrial properties are estimated to increase by about 7 per cent before the “bow wave” effect of the 2020 PTP. Approximately 16 per cent of industrial properties will experience a property tax increase of more than 10 per cent year-over-year as a result of the redistribution.

The multi-res high-rise property type is also expected to see an increase in property taxes for 2021.<sup>4</sup> About 53 per cent of taxable high-rise accounts will see a property tax increase between 10 and 20 per cent. A summary of the industrial population and multi-res high-rise population is as follows:



Risks associated with these tax implications can be found in both the risk section below and in Attachment 4.

<sup>3</sup> This is largely due to the fact that the assessment base of other non-residential properties is decreasing in value; whereas, industrial properties are holding stable or, in some cases, increasing in value.

<sup>4</sup> This is because the rest of the residential property assessment base values will remain stable or decrease, while the high-rise assessment base will increase in value.

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In contrast with the above, office, retail and hotel properties are expected to see decreases in overall property taxes year over year.<sup>5</sup>

Administration is acting on recommendations 12 and 35 of the FTF to investigate the use of multi-year property assessment averages to reduce volatility in assessment values as well as advocate for legislative change around subclasses if determined to be beneficial.

### **STAKEHOLDER ENGAGEMENT AND COMMUNICATION (EXTERNAL)**

- Public Engagement was undertaken
- Public Communication or Engagement was not required
- Public/Stakeholders were informed
- Stakeholder dialogue/relations were undertaken

Assessment has undertaken a number of communication and engagement tactics in preparation for the 2021 tax year as per Attachment 5 – Table 1. In addition, Assessment in partnership with Customer Service & Communications, has designed a robust communications plan for the upcoming year as per Attachment 5 – Tables 2 to 4.

The stakeholder engagement process is ongoing; therefore, the findings from said engagement have not yet been determined. It is expected that as more information is taken in during the stakeholder engagement process, some assessments may change as is the norm every year.

### **IMPLICATIONS**

#### Social

The City offers a Property Tax Assistance Program for eligible residential property owners experiencing financial hardship, which property owners can apply for through the Fair Entry Program. Information on the program can be found at:

[www.calgary.ca/csps/cns/seniors/property-tax-assistance-program.html](http://www.calgary.ca/csps/cns/seniors/property-tax-assistance-program.html)

#### Environmental

Not Applicable.

#### Economic

The production of an assessment roll, that is then used to determine municipal and provincial property taxes, allows The City to distribute and collect taxes which then pay for services and amenities for the benefit of the citizens of Calgary. Because assessment plays a key role in the distribution of property taxes, and it is expected that assessment (and thus tax) shifts will occur in 2021, the associated tax implications will have external economic impacts. These impacts and risks are discussed in the Discussion and Risk section, as well as in Attachment 4.

#### Service and Financial Implications

Each year, Council determines the amount of money needed to operate their municipality. Assessment is a mechanism to fairly and equitably distribute the required property taxes and

<sup>5</sup> But see Attachment 2 to review the concept of Revenue Neutral Tax.

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does not in and of itself create taxes. However, as a mechanism to distribute taxes, there is a direct link between assessment and property taxes.

**No anticipated financial impact to The City**

N/A

No applicable opportunity cost.

**RISK**

Attachment 4 speaks to each risk at length. In summary, the largest risks presented to The City have been identified as follows:

1. Property tax shifts are expected to result from 2021 assessment shifts.
2. Assessment tribunal activity is expected to increase, potentially resulting in increased tax loss.
3. Foreseeable stakeholder advocacy for tax relief.

**ATTACHMENT(S)**

1. Property Assessment Process
2. Revenue Neutral Tax Explanation
3. 2021 Illustrative Examples
4. Risk Analysis
5. Stakeholder Engagement and Communications

Department Circulation

General Manager (Name)	Department	Approve/Consult/Inform (Pick-one)
Carla Male	Chief Financial Officer	Approve
David Duckworth	City Managers Office	Inform
		Choose an item.
		Choose an item.