

2022 Preliminary Assessment Roll

RECOMMENDATION(S):

That the Executive Committee recommend that Council receive this report for the Corporate Record to inform mid-cycle budget adjustment discussions in November.

HIGHLIGHTS

- The purpose of this report is to provide Council with preliminary information on 2022 assessment values and the associated revenue neutral property tax implications to help support and inform mid-cycle budget adjustments.
- **Why does this matter?** As property assessment is the legislated mechanism to distribute property tax responsibility, the value of the assessment roll has important implications for The City's budget, tax rates, and tax bill calculations.
- **What does this mean to Calgarians?** Preliminary assessment roll information helps Council and property owners to plan and budget for the upcoming year.
- Based on market changes, the residential assessment roll is estimated to increase 7 per cent and the non-residential assessment roll is estimated to decrease 2 per cent.
- Overall, non-residential market changes between retail (0%), office (-5%) and industrial (-2%) properties are relatively consistent this year, minimizing tax shifting within the non-residential class.
- Property taxes will likely increase for some non-residential properties, particularly industrial large format warehouses, as a result of the prior year's one-time 2021 Phased Tax Program rebate not in effect for 2022 (known as the "bow wave" effect).
- Strategic Alignment to Council's Citizen Priorities: A well-run city

DISCUSSION

Assessment annually prepares market value assessments for each property in Calgary as of July 1 of the previous year for the purposes of distributing property taxes in accordance with the *Municipal Government Act* (MGA). The 2022 assessment roll will be finalized and assessment notices will be mailed to property owners in early 2022 January. Following a customer review period, the municipal tax rate will be finalized in the spring and tax bills are mailed in May. For additional information on the assessment process, see Attachment 1.

The taxable assessment roll varies on a year-to-year basis due to changes in market value and growth. Below is a summary of the **preliminary** taxable 2022 assessment roll values compared to 2021.

Table 1: Preliminary 2022 Assessment Roll Values Year-to-Year

Assessment Class (Property Type)	2021 Taxable Assessment (Millions)	2022 Est. Taxable Assessment	% Change
Taxable Residential	208,943	222,939	7%
Taxable Non-Residential	57,012	55,802	-2%
Total	265,955	278,741	5%
Taxable Farm Land	103	98	-5%
Total	266,058	278,839	5%

* Note preliminary values excluding growth and are subject to change.

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Based on market changes, the total assessment base is estimated to increase year-over-year. Residential is estimated to see a 7 per cent increase while non-residential is estimated to see a decrease of 2 per cent.

Estimated 2022 revenue neutral tax rates have been calculated using the specific changes in each assessment class. Information on the revenue neutral tax process can be found in Attachment 2. Using the estimated revenue neutral tax rate, the tax implications, assuming no changes to the total tax collected or tax share, are estimated as follows:

Table 2: 2022 Preliminary Assessment Roll Summary with Revenue Neutral Taxes

Assessment Class	2021 Taxable Assessment (Millions)	2021 Municipal Rate	2021 Municipal Tax (Millions)	2022 Est. Taxable Assessment (Millions)	Est. 2022 Revenue Neutral Tax Rate	Est. 2022 Municipal Tax (Millions)
Taxable Residential	208,943	0.0048250	\$ 1,008	222,939	0.0045221	\$ 1,008
Taxable Non-Residential	57,012	0.0165130	\$ 941	55,802	0.0168712	\$ 941
Total	265,955		\$ 1,950	278,741		\$ 1,950
Taxable Farm Land	103	0.0144322	\$ 1	98	0.0153165	\$ 1
Total	266,058		\$ 1,951	278,839		\$ 1,951
<i>* Note preliminary values excluding growth and are subject to change.</i>						

Table 3: Preliminary Assessment Roll Summary with Revenue Neutral Taxes – Residential

Residential Property Type	2021 Taxable Assessment (Millions)	2021 Municipal Rate	2021 Municipal Tax (Millions)	2022 Est. Taxable Assessment (Millions)	Est. 2022 Revenue Neutral Tax Rate	Est. 2021 Municipal Tax (Millions)
Single Residential	195,401	0.0048250	\$ 943	209,487	0.0045221	\$ 947
Multi-Residential	10,621	0.0048250	\$ 51	10,694	0.0045221	\$ 48
Other	3,120	0.0048250	\$ 15	2,758	0.0045221	\$ 12
<i>* Note preliminary values excluding growth and are subject to change.</i>						

Table 4: Preliminary Assessment Roll Summary with Revenue Neutral Taxes – Non-Residential

Non-Residential Property Type	2021 Taxable Assessment (Millions)	2021 Municipal Rate	2021 Municipal Tax (Millions)	2022 Est. Taxable Assessment (Millions)	Est. 2022 Revenue Neutral Tax Rate	Est. 2022 Municipal Tax (Millions)
Office	13,492	0.0165130	\$ 223	12,742	0.0168712	\$ 215
Retail	18,069	0.0165130	\$ 298	17,996	0.0168712	\$ 304
Industrial	17,105	0.0165130	\$ 282	16,680	0.0168712	\$ 281
Other	8,571	0.0165130	\$ 142	8,384	0.0168712	\$ 141
<i>* Note preliminary values excluding growth and are subject to change.</i>						

Illustrative examples highlighting the specific revenue neutral tax impacts to various property types can be found in Attachment 3. Properties that have increased in value relative to the typical change will see revenue neutral tax increases and properties that have decreased in value relative to the typical change will see revenue neutral tax decreases.

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While the median single residential assessment is expected to increase 9 per cent from 445,000 to 485,000, the revenue neutral tax change is about a 2 percent increase. On the other hand, the market change for the median single residential condominiums is flat, meaning a revenue neutral tax decrease of more than 6 per cent.

For non-residential, overall office values are expected to decrease about 5 per cent as vacancy rates remain high whereas industrial and retail properties remain relatively stable with -2 and 0 per cent market changes respectively. The hotel sector continues to struggle with the impacts of the pandemic continuing to be a factor.

Industrial large format warehouses (100,000 square feet or more) are expected to experience an increase in property taxes for 2022 as a result of the “bow wave” effect of the 2021 Phased Tax Program (PTP).¹ Excluding PTP, the revenue neutral tax change would be about 6 per cent.

The overall non-residential market changes between retail, office and industrial properties are relatively consistent this year thus minimizing tax shifting within the non-residential class.

Administration is acting on recommendations 12 and 35 of the Financial Task Force 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

A summary of communication and stakeholder engagement activities planned and undertaken in preparation for the 2022 tax year are detailed in Attachment 4.

Stakeholder engagement is ongoing. As more information is exchanged during the stakeholder engagement process, some assessments may change as is the norm every year.

IMPLICATIONS

Social

Market value assessment is used because it is a fair, equitable, and transparent process based on the real estate market; however, The City recognizes that a fair and equitable distribution of tax responsibility does not always align with individuals’ ability to pay. Regardless of any change in assessed value, eligible residential property owners experiencing financial hardship can apply through Fair Entry to access the Property Tax Assistance Program and other subsidized programs and services. Property tax exemptions are also provided to qualifying properties.

¹ A bow wave is the term used to describe the impact of using one-time solutions such as reserves. This type of solution only mitigates one year and causes the gap to re-occur the following year.

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Environmental

Not applicable.

Economic

This preliminary assessment roll update is provided to Council and the public to inform tax related decisions. Consistent with Financial Task Force recommendations #4 and #27, this report provides as much information as possible on the distribution of the tax responsibility across property types and proactively provides Council and the public with information on anticipated tax shifts, recognizing that tax implications of changes in the assessment base have external economic impacts and risks.

Service and Financial Implications

Changes in the assessment roll can impact City finances. Each year City Council approves the budget needed to support City services. To determine the amount of revenues required from property taxes, The City takes the overall budgeted expenditure and subtracts all other sources of revenue such as licence fees, permits, user fees and provincial grants. The balance is the amount to be raised through municipal property taxes. The amount to be raised from each property class is then divided by the taxable assessment to determine the municipal tax rates.

RISK

Assessment roll information and related estimates provided in this report are preliminary and subject to change. Other risks related to this report include:

1. Some non-residential properties are likely to see an increase in their 2022 property taxes as a result of the “bow wave” effect of the 2021 Phased Tax Program. This may prompt stakeholder requests for property tax relief.
2. Assessment tribunal activity (i.e. formal complaints) may increase due to financial hardship, assessment shifts and expected tax shifts, and new market information unknown to Assessment. This can be mitigated by encouraging property owners to contact Assessment during the Customer Review Period after Assessment Notices are mailed in 2022 January.

ATTACHMENT(S)

1. Property Assessment Process
2. Revenue Neutral Tax Explanation
3. 2022 Illustrative Examples
4. Stakeholder Engagement and Communications

Department Circulation

General Manager/Director	Department	Approve/Consult/Inform
David Duckworth	City Manager's Office	Inform
Carla Male	Chief Financial Office	Approve
Eddie Lee	Chief Financial Office	Approve