Calgary

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Attachment 2

The City of Calgary

Non-Residential Assessment Subclasses Scoping Report

Assessment and Tax
Corporate Planning and Financial Services
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1. Executive Summary

This report has been undertaken in accordance with the Financial Task Force (FTF)'s final report to Council, which recommends that The City of Calgary investigate how non-residential subclasses may be used to mitigate tax distribution changes, including to support targeted, temporary tax relief. Property assessment subclasses are a tool used in some jurisdictions to achieve public policy objectives. Subclasses divide up a property assessment class to intentionally re-distribute municipal property tax responsibility from one group to another within a class, but they are not designed to change municipal tax revenues overall in a revenue neutral system.

This scoping report explores various subclass techniques used across Canada to determine whether Calgary should pursue the legislative authority to implement such methods to provide temporary tax relief. To understand if non-residential subclasses would be a useful tool to mitigate the negative impacts of tax volatility in Calgary, Administration conducted research and analyzed historical data to test if subclasses based on property type, geographic location or business type could have addressed the impacts of the significant tax shift that gave rise to the FTF report. While residential subclasses could also be implemented to provide temporary tax relief, the FTF report only focuses on non-residential subclasses. As such, residential subclasses are not investigated in this scoping report.

This investigation shows that non-residential subclasses could potentially be useful and reduce costs for targeted properties; however, there are significant costs and limitations to be considered in weighing if subclasses are the best tool to address tax shift problems, including:

- Requires Changes to Enabling Legislation: Currently, the non-residential subclass options available to Alberta municipalities under the current legislation are highly restricted and none would serve as a viable option for reducing tax volatility or providing effective targeted tax relief.
- Requires Capital Expenditure: Currently, The City of Calgary's Assessment and Tax systems are not designed or able to administer subclasses; updating the systems would require time, staff resources and capital investment.
- Increases Administrative Costs: When subclasses are introduced and more tax rates are created, tax administration and communications become more complicated; additional

research would be required to identify the impacted parties, the extent of the impact, as well as potential consequences, and the impact would need to be continually monitored to ensure the subclasses are achieving their intended purpose.

- Adds Complexity and Reduces Transparency: Variable tax rates generally reduces transparency; the higher the number of tax classes, the more complicated the system becomes, which could lead to increased assessment complaints and the need to allocate additional communication and customer service resources to educate and respond to taxpayers
- Reduces Equity: If used to address tax shifts resulting from disproportional changes in assessed values, subclasses can create "horizontal inequities" where those whose market value assessments decrease or remain the same (i.e. those who have become relatively less wealthy) directly subsidize taxpayers whose assessments have increased (i.e. those who have become relatively wealthier).[1]
- Perpetuates Tax Volatility: When subclasses are used to provide tax relief to one group of properties, the other group of properties which assumes the higher tax responsibility could experience a significant year-over-year tax increase.
- Creates Perceptions of Unfairness: The public may perceive The City's use of subclasses as unfair in providing favourable tax treatment to some but not others, regardless of wealth (i.e. picking winners and losers).
- Impairs Economic Neutrality: The use of non-residential subclasses for targeted tax relief could reduce economic efficiency as it could lead taxpayers to invest more heavily in the subclass with lower tax rates than in the subclass with higher tax rates, or it could even incentivize property owners and/or their tenants to relocate to other jurisdictions.

Subclasses could be a useful tool if used strategically to address a clearly defined problem. Expanded flexibility on non-residential subclasses could provide Council with an additional policy tool to support the downtown and promote financial resiliency, in alignment with Council's focus areas. Non-residential subclasses could potentially be used to mitigate tax volatility issues and to provide targeted tax relief in Calgary, but significant changes to Alberta's subclass legislation would first be required. Enabling legislation providing Council with the flexibility required to implement non-residential subclasses to respond to local needs and interests may

[1] Wealth as measured by property value or "property related wealth": IAAO "Standard on Property Tax Policy: A Criterion for Measuring Fairness, Quality, Equality and Accuracy" (January 2020), Kansas City, Missouri. International Association of Assessing Officers.

be beneficial should the need arise. Before Council decides to implement non-residential subclasses, significant research and analysis should be undertaken in advance to proactively identify potential impacts. Once subclasses are implemented, there must be resources allocated to continually monitor them and evaluate if the subclasses are achieving their intended purpose.

2. Introduction

The primary purpose of this report is to address recommendation #12 of the FTF Report which recommends that The City of Calgary investigate how non-residential subclasses may be used to mitigate tax distribution changes, including to support targeted, temporary tax relief.
The full recommendation is as follows:

> Work with the provincial government to allow the legislator's intent on the definitions for non-residential subclasses for implementation by municipalities.
>
> - Make them usable for The City and expand the tools available for responses when tax circumstances that are unique to certain non-residential taxpayer groups emerge.
> - The main goal is to support targeted, temporary relief and not to target subclasses for permanently high taxation. The change cannot materially increase tax for any group. During economic cycles, some taxpayer groups are more adversely affected.
> - Provide capacity for relief because the current sub-class definition makes for a blunt tool for property tax relief.
> - Another goal is to support the general direction of tax policy for the long-term.
> - Implement a review mechanism to confirm that the taxation arising from the assessment sub-classes do not target a specific sub-class for higher taxation.

This scoping report considers the impact that several subclass methods could have had on non-residential properties within Calgary during the period of the downtown tax shift. Within the report, two subclass strategies are investigated. The first explores how subclasses can be used to address tax shifts resulting from disproportional market value changes experienced by the different sectors of the non-residential property inventory. The second explores how subclasses can be used to provide targeted, temporary tax relief to specific non-residential property groups. The distinction between these two strategies is that whereas the first is intended to address disproportional year-over-year tax shifts impacting any group of non-residential properties, the second strategy is intended to provide tax relief to specific property groups.

2.1 Calgary's Assessment System

The City's current assessment and tax system, as determined by provincial legislation, consistently applies all principles of an effective framework for taxation systems while remaining one of the simplest across Canada. The City is bound by provincial legislation to prepare annual assessment and tax rolls. This is coupled with Calgary City Council's budget cycles that include annual adjustments to consider changes to assessments and tax responsibilities for different types of non-residential properties.

There are differences in the frequency in which municipalities across Canada conduct property assessments which are used to determine tax responsibilities. These are due to differences in legislation, preferences of policy makers, and structures of institutions that are responsible for conducting property assessments. These differences reflect different preferences for balancing two competing objectives: certainty (less frequent assessments) and equity (more frequent assessments). The provinces of Ontario and Saskatchewan, for example, in the normal course of business, undertake property assessments every four years, which provides a high degree of predictability for taxpayers during the four-year assessment cycle, but does not eliminate the risk of substantial tax adjustments between assessment cycles.

In contrast, The City of Calgary annually prepares assessments for properties within city limits for taxation purposes as section 285 of the Municipal Government Act (MGA) requires Alberta municipalities to prepare annual assessments for all properties within their jurisdiction. To meet this requirement, The City conducts assessments each year that reflect market values in accordance with provincial legislation. Annual assessments allow The City to monitor, analyze, and anticipate changes in Calgary's economy and real estate markets and ensures property taxes are equitably levied based on current economic conditions. The Financial Task Force (FTF) Report highlighted the processes in place for annual assessments as a strength of our current system and recommended maintaining them. Council adopted this recommendation, #26 in the Report, on July 27, 2020, affirming The City of Calgary's support and preference for Alberta's annual assessment system.

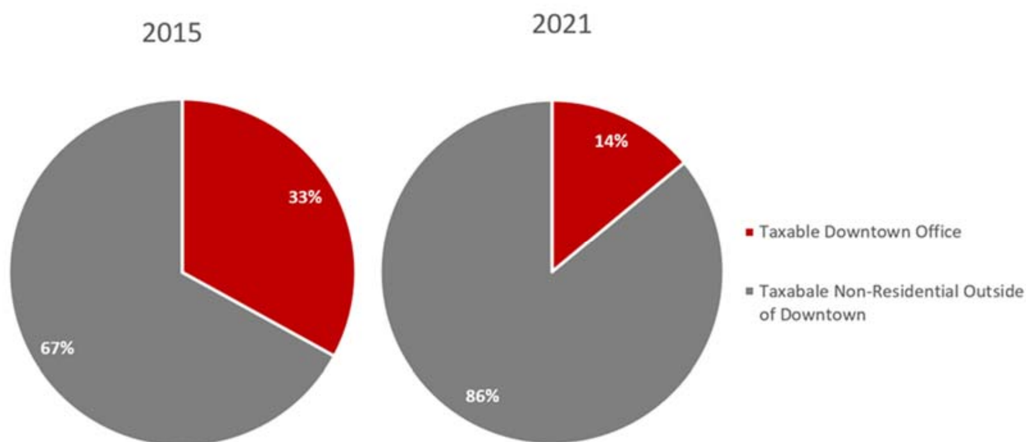
In accordance with the *Matters Relating to Assessment and Taxation Regulation, 2018 (MRAT)*, current assessments must reflect the value of a property as of July 1 of the previous year and are used in tandem with the Council-set tax rates to determine tax responsibilities for a given year. Tax bills are mailed in mid-May and are due at the end of June each year. The above combined have led to a system that:

- is equitable and relatively simple compared to other major cities,
- ensures both horizontal and vertical equity through implementing one rate for all non-residential taxpayers.
    - This ensures that those who are in similar circumstances hold the same tax responsibilities as their peers, while those with different circumstances hold less or more tax responsibility.
    - Yearly assessments also allow The City to ensure that assessments and tax rolls reflect the current market conditions as closely as possible,
- does not discriminate against sub-sectors of non-residential properties and;
- encourages collaboration with non-residential taxpayers by maintaining a predictable timeline and easily navigable tax rules and bills, while minimizing administrative costs.

2.2 Background

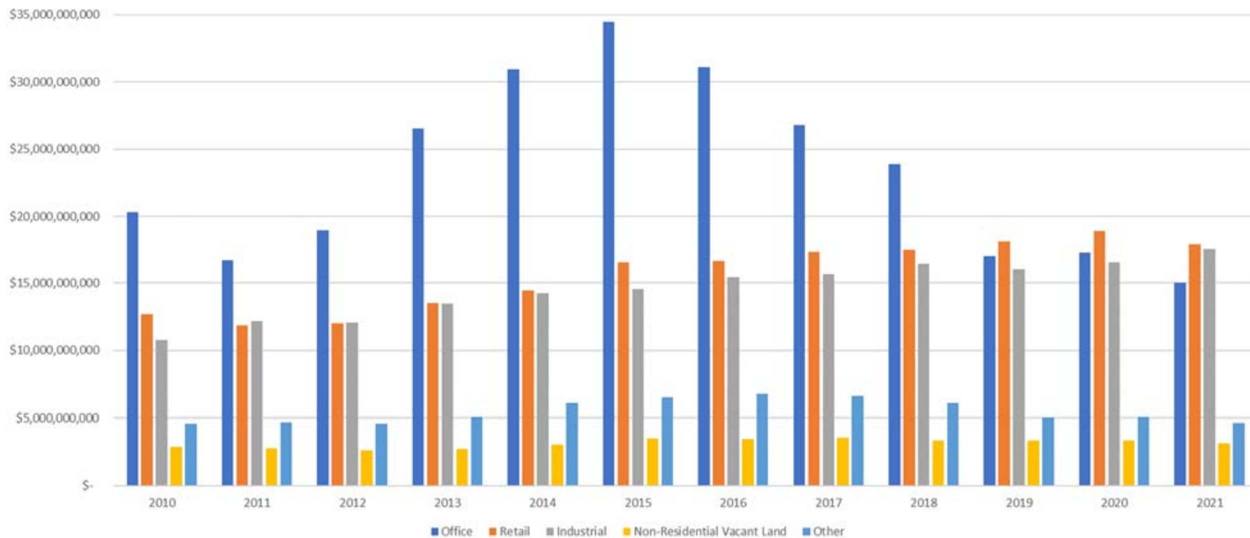
Between 2015-2019, assessed values of non-residential properties in Calgary's downtown core, mainly comprised of office properties, saw a dramatic decrease. This trend has continued to 2021, illustrated in Figure 1.

Figure 1 - Share of Non-Residential Assessed Values 2015 versus 2021



However, the pace of the decrease has slowed significantly since 2019. According to Avison Young's Q1 2022 report on Calgary's office market, the vacancy rate in downtown Calgary now sits at 28.9 per cent with an estimated 13 million square feet of vacant office spaces.[2]

Figure 2 - Assessed Value by Property Type 2010-2021[3]



As the income generating potential of these downtown office properties fell, their associated market values fell leading to a reduction in tax responsibility. As a result, all other non-residential properties outside of Calgary's downtown comprised a higher share of the total non-residential assessment base and a greater share of the tax responsibility was shifted to other property types within the non-residential class, such as retail and industrial, as these property types performed relatively well. As a result, many non-residential taxpayers were adversely impacted by significant year-over-year tax increases.

To address the downtown tax shift, Council approved a series of Non-Residential Phased Tax Programs (PTP) from 2017 to 2021. Council's intent was to use one-time funding to buffer and mitigate the most extreme municipal property tax increases resulting from the tax shift. These tax relief programs were funded through The City's Fiscal Stability Reserve, unused funds from prior years' PTP and eventually savings generated through budget adjustments.

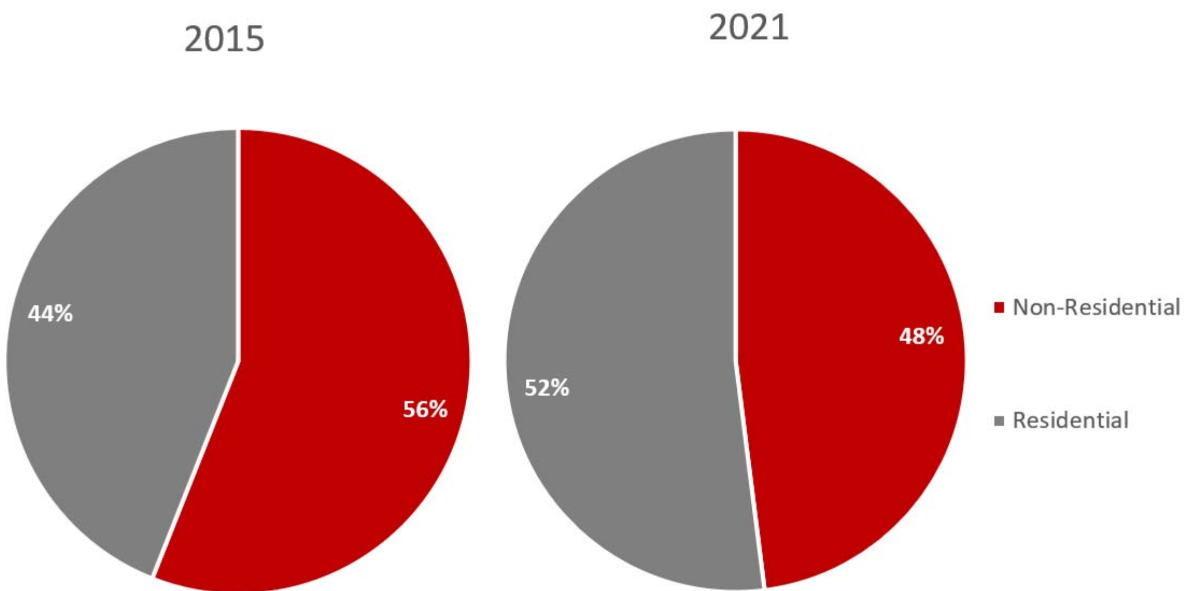
Since 2015, the overall tax share that is held by the non-residential properties has also been reduced to address part of the shift. On 2019 November 29, during Mid-Cycle Adjustments

[2] Avison Young. Q1 2022 AY Calgary Office Market Report. Retrieved May 2022 from https://www.avisonyoung.ca/web/calgary/market-report/-/ayr/view/calgary-office-market-report-q1-2022

[3] Data gathered from the City of Calgary's Annual Property Assessment Market Reports from 2010-2021

budget deliberations, Council decided to shift a portion of the tax share from residential to non-residential to ease the property tax responsibility for non-residential property owners. In 2021, non-residential properties were responsible for 48% of the overall property tax responsibility, down from roughly 56% in 2015 (includes business tax). Tax Share refers to the portion of overall municipal tax revenues that are collected from a property class, while a tax shift refers to a relative change in tax responsibilities held by a group of properties.

Figure 3 – Total Tax Share 2015 versus 2021



Annual assessments based on market values are seen as the ideal approach for tax systems. The International Association of Assessing Officers (IAAO) highlights this as one of the four core principles of property tax policy (International Association of Assessing Officers). Given that the City of Calgary has already adopted the FTF Report's recommendation to maintain annual assessments to anticipate an evolving economy and given that tax volatility has adversely impacted non-residential properties, this report focuses on the non-residential assessment class. This report focuses on the 2017-2021 time frame. The aforementioned tax shift continued during this period, so the selected time frame remains suitable for conducting the required analysis.

3. What are Subclasses and How do They Work?

Subclasses are one of the most common types of property tax tools that municipalities can use to provide tax relief and address tax volatility issues. The term subclass refers to dividing up a property assessment class to intentionally re-distribute municipal property tax responsibility from one group to another within a class. When enabled by legislation, subclasses are an optional tool for a municipality. If used, at least two subclasses must be created to differentiate tax rates within the class. For example, if subclasses are created to shift taxes from properties located in a specific urban area to all other properties within the same class, a subclass must be created for the properties located in the specified urban area and another for those that are not. In this example, the properties located in the specified urban area would be taxed at a lower rate than those outside the area. In a revenue neutral tax system, the same amount of taxes would be collected from that class of properties, despite the different tax rates applied to its subclasses.

Like property assessment classes, subclasses enable municipalities to shift tax responsibility between different types of property. Unlike property assessment classes, subclasses are typically applicable only to municipal property tax. Such is the case in Alberta.[4]

Subclasses can be used to target specific sectors of the real estate market in accordance with local property tax policies designed to address clearly defined problems and meet specific goals. They can be used to provide tax incentives to support municipal development plans by encouraging densification or by promoting investment in certain geographical areas. Subclasses can be used to provide favourable or even unfavourable tax rates to incentivize remediation or redevelopment of properties impacting the health, safety, or attractiveness of a specific area because of environmental contamination, neglect, or misuse. Subclasses can also be used to support economic development by providing tax incentives designed to attract investment in certain sectors of the real estate market. Subclasses can be used to provide targeted tax relief to properties impacted by variety of economic, social and environmental conditions as well. Subclasses are often intended to provide relief to tenants or businesses. However, subclasses are applied to the overall property assessment, which is in most cases issued to property owners, not tenants or businesses.

[4] MGA, section 359.2(4) and (8).

3.1 Legislative Context

The *Matters Relating to Assessment Sub-Classes Regulation (*MRAS*),* allows Council to create limited types of non-residential subclasses. The City has not used any of these to assign separate municipal tax rates:

1. Vacant property (understood to mean vacant, unimproved land)
2. Small business property[5]
3. Other non-residential property (properties that don't fall into the other two subclasses)

The City may consider use of all three subclasses prescribed in MRAS but must adopt at least two of the three (e.g. "small business property" and "other non-residential property") for the purposes of assigning separate tax rates within the class. If these subclasses are implemented, each non-residential property must be assigned at least one subclass.

Under the *City of Calgary Charter, 2018 Regulation,* The City may establish two additional non-residential subclasses:

1. Derelict properties

2. Contaminated" properties.[6]

A summary of available non-residential property assessment sub-classes can be found in Appendix 1 of this attachment.

In its report and recommendations, the FTF acknowledged the inflexibility of the current non-residential subclass legislation. Currently, Alberta municipalities have limited non-residential subclass options available to them and very little discretion in how those subclasses can be applied. To effectively be able to use subclasses to address a variety of circumstances that adversely affect certain non-residential taxpayer groups, municipalities require more flexibility. Changing market conditions and trends can impact the effectiveness of a subclass. For example, a specific geographical area or property type could experience a significant tax increase one year and remain stable or even decrease in the following years. A subclass

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[5] In 2019, The City explored the feasibility of implementing a small business subclass in PFC2019-0559. It was determined that the current small business subclass legislation was not a viable option for effectively providing targeted tax relief to small businesses. At the time this report was written, Administration identified six municipalities within Alberta that have established the Small Business Subclass. All are very small relative to Calgary.
[6] The *City of Calgary Charter, 2018 Regulation* modifies section 297 of the Municipal Government Act to include section 2.2(a) and 2.2(b) which enables Calgary to establish "derelict" and "contaminated property" subclasses for non-residential properties.

created to address an isolated short-term market event may not be required in subsequent years. As such, the legislation needs to provide municipalities with the ability to create non-residential subclasses based on a wide variety of attributes to effectively address tax distribution issues. Currently, Alberta municipalities do not have the legislative authority to implement the non-residential subclass options demonstrated in this report. Should Council choose to pursue new subclass powers, legislative changes will be required prior to implementation.

3.2 Jurisdictional Scan

Where enabled by legislation, subclasses are used for various purposes in jurisdictions across Canada. Some notable examples include:

- Utilizing new legislation that came into effect in 2021, The City of Toronto recently implemented subclasses to provide relief to small business and to support the sustainability and growth of creative enterprises and live music venues in Toronto.
- Similar to Toronto, the City of Ottawa and several other Ontario municipalities recently implemented subclasses to provide relief to small business.
- In Nova Scotia, Halifax's City Council is currently developing subclasses to provide "tiered tax relief" based on geographic areas, targeting existing business and industrial parks to create commercial zones with differential rates.

A detailed summary can be found in Appendix 2 of this attachment.

Lesson for Calgary

Subclass design is highly dependent on enabling legislation. In 2020, the Government of Ontario announced its intentions to introduce a new small business subclass in the province's Municipal Act and the City of Toronto Act, which came into force in 2021. Prior to 2021, the legislated criteria required to establish a small business subclass was very similar to Alberta's in that it could only be based on the number of employees. The added flexibility of the new legislation provided Ontario municipalities with an opportunity to implement a small business subclass.

There is no one-size-fits-all solution; subclasses are designed to meet the specific needs and interests of a community. While many major Ontario municipalities implemented a small business subclass in 2021, many smaller municipalities did not due to their smaller non-residential tax base.

Subclasses must be carefully designed to ensure they achieve the intended public policy outcome and do not result in unintended consequences. Toronto's small business subclass is highly refined with an eligibility criteria that incorporates location, property type, lot size, gross building area and value range. Highly refined subclass criteria can limit the number of unintended beneficiaries; however, it can also reduce economic efficiency as it could lead taxpayers to invest more heavily in the subclass with lower tax rates than in the subclass with higher tax rates.

Subclasses inherently result in winners and losers and can be contentious. The public perception of unfairness resulting from certain properties receiving favourable tax treatment is another risk associated with implementing subclasses.

There are also significant operational considerations to determine if a subclass is feasible. For instance, if external information that is not readily available is required to administer a subclass, such as employee counts or business revenues, there could be significant costs associated with obtaining and verifying the required information. Municipalities should conduct cost-benefit analyses before determining whether to implement subclasses.

4. Potential Subclass Options

4.1 Methodology

To address recommendation #12 of the FTF Report, various subclass options were explored and tested to determine which options could have mitigated the negative impacts of the downtown tax shift. The goal was to identify subclasses that met the following criteria:

- Based on objective attributes that are easy to identify and measure
- Would be feasible to implement based on available data sources and collection methods
- Could be used to provide targeted, temporary property tax relief when tax circumstances that are unique to certain non-residential taxpayer groups emerge
- Could be adapted to provide tax relief to different property groups as market conditions change
- Could be adjusted to reduce the number of unintended beneficiaries

For the purposes of this report, two non-residential subclass strategies have been explored:

1.) The use of subclasses to address tax shifts resulting from disproportional market value changes experienced by the different sectors of the non-residential inventory
2.) The use of subclasses to provided targeted, temporary tax relief to specific non-residential property groups

The distinction between these two strategies is that whereas the first is intended to address disproportional year-over-year tax shifts impacting all non-residential properties, the second strategy is intended to provide tax relief to specific property groups impacted by disproportional year-over-year tax shifts. For example, if industrial and retail properties both experienced significant year-over-year tax increases, the first strategy could be used to redistribute a portion of the taxes to other non-residential property groups. So, in this example, subclasses would be used to adjust the year-over-year tax changes to provide more balance to the overall tax distribution amongst all non-residential properties. However, if the goal is to provide tax relief to a specific group of properties or their tenants for any variety of reasons including significant year-over-year tax changes, the second option could be used. For example, if the goal was only to provide tax relief to properties occupied by businesses that are less resilient to changing market or economic conditions, as opposed to larger corporations with more resources to adapt to such changes, a small business subclass could be created to provide targeted relief.

Subclass Attributes

The list of different attributes that could be used to define a property assessment subclass is exhaustive. The attributes could be based on a wide variety of physical characteristics and conditions, such as building type, geographical location, year of construction, frontage or lot size. The attributes could also be based on non-physical attributes, such as residency status, historical designation, type of operating license or number of occupants. As an example, under Alberta's current subclass legislation the number of full-time employees across Canada is the primary requirement for determining whether a property would qualify for a small business subclass. A subclass can be defined by a single attribute or a combination of attributes. For example, the definition used in Toronto's recently enacted small business subclass incorporates assessed value, location, lot size and gross building area.

Should Council choose to pursue additional subclass powers, there are numerous strategies that could be pursued in Calgary based on how subclasses have been used in other jurisdictions across Canada. An analysis of the subclass legislation and associated bylaws in other assessment jurisdictions across Canada was undertaken to identify a number of different attributes commonly used to define property assessment subclasses. While not all the identified attributes could have effectively been used to address the tax volatility issues resulting from the downtown tax shift, many would serve to provide targeted and temporary relief to specific property groups. Below is a non-exhaustive list of some of the most common attributes that are used to define non-residential property assessment subclasses across Canada:

- Property Type (e.g. retail, office, industrial, etc.)
- Sub-Property Type (e.g. shopping centres, arts venues, etc.)
- Property Use/Occupant (e.g. small business, non-profits, etc.)
- Building area
- Structure type (e.g. highrise)
- Lot size
- Frontage
- Location
- Assessed Value (e.g. value ranges)
- Change in Assessed Value

Subclass Tax Rate Differentials

In exploring potential subclass options for addressing tax volatility issues, the primary goal is to provide meaningful tax relief to properties most adversely impacted by year-over-year tax changes. However, in doing so the impacts to the properties assigned a higher tax rate to subsidize that tax relief also needs to be considered. Ideally, the applied subclass tax rate differentials should provide meaningful tax relief but not over-burden the properties not targeted for tax relief. As such, the goal is to strike a balance between the tax relief provided and the increased tax responsibility for the properties not targeted for tax relief.

The subclass options explored were tested in relation to the 2017-2021 time frame. The office property values, particularly in the downtown, experienced a sharp and rapid decline between 2017 and 2019 while the values for other non-residential property types, namely retail and industrial, remained relatively stable. Between 2020 and 2021, the office market started to stabilize based on marginal year-over-year changes in the assessed values. As such, there would have been less of a need to provide targeted tax relief to address extreme year-over-year tax changes in 2020 and 2021. To address the change in market conditions, a higher subclass

tax rate differential was applied in years 2018 and 2019 to address the disproportional tax increases that were more prevalent during that period. Because values started to stabilize in 2020 and 2021, the differential was reduced in those years, and tax rate increases were phased-in for the groups targeted for tax relief to reduce the impacts of the “bow-wave” effect. This phasing strategy was adopted to address the change in market conditions during periods where certain property groups are adversely impacted by year-over-year tax changes. However, it should be noted that in other Canadian jurisdictions the assigned tax rates differentials are more static as subclasses aren’t typically used to provide temporary tax relief.

4.2 Subclass Example 1: Property Type

Summary

To demonstrate how the first subclass strategy could be used, several non-residential subclass models were designed for the purpose of responding to the aforementioned downtown tax shift. The intention was to identify potential subclasses that could have been used to address the year-over-year tax shifts that occurred between 2017 and 2021. The subclass options that were explored were based upon the following attributes: property type, value ranges, gross building area and location. The analysis predictively showed a strong correlation between property type and the year-over-year tax shifts. As such, it is reasonable to conclude that subclasses based on property type could have mitigated some of the impacts of the downtown tax shift.

Design

Because downtown properties account for the largest portion of the value in Calgary’s office sector, the tax shift that manifested in 2015 was largely driven by the downtown offices. For the purposes of this report, a simple property type subclass model was explored where all offices, regardless of location, were grouped into a single subclass. If property type subclasses were implemented to address tax volatility issues impacting a specific group of office properties, such as downtown offices, further refinements would be required. For example, the eligibility requirements for a subclass could incorporate both property type and location to address tax volatility issues impacting a specific property type in certain areas more than others.

Figure 4: Change in Total Assessed Value by Property Type from 2017-2021

	2017	2018	2019	2020	2021
Industrial	$11,300,688,238	$11,748,005,300	$11,579,248,080	$12,202,847,650	$13,309,975,810
Retail	$4,513,555,969	$4,518,682,628	$4,419,849,300	$4,656,607,586	$5,186,186,947
Office	$2,333,426,000	$2,141,123,000	$1,716,973,100	$1,844,723,973	$2,072,284,362
Other	$1,144,319,075	$1,202,477,746	$1,213,020,365	$1,353,263,660	$1,678,047,163

As with all forms of subclasses, the definitions used to determine which properties belong in which subclass should be based on objective attributes that are easy to identify and measure. There are many different types of non-residential properties and many ways to group or categorize them. In the example provided in this report, the four non-residential subclasses are based on the property type stratifications used by Assessment for valuation purposes. In several Canadian jurisdictions, specific property types and subsets are defined or endorsed in legislation. In Ontario, the *Ontario Regulation 282/98*, under the *Assessment Act*, provides a detailed criteria for determining which property types belong to which class or subclass. For example, the regulation provides a definition for an “office building” and specifies that the rentable area of an “office building” must exceed 25,000 square feet to qualify for the “Office Building Property Class” otherwise it would be assigned to “Commercial Property Class”.[7] In Alberta, “non-residential” is broadly defined in section 297(4)(b) of the *Municipal Government Act*. However, the *2021 Recording and Reporting Information for Assessment and Equalized Assessment Manual* published by Municipal Affairs includes six actual use code categories for non-residential properties. The non-residential actual use code categories include: Vacant Industrial, Industrial, Vacant Commercial, Commercial – Retail, Commercial – Office and Special Purpose.[8] For each category there is a list of specific uses provided. The full list has been provided in Appendix 3 of this attachment. For example, a motel falls under the “Commercial – Retail” property category. These categories or stratifications are intended to be used for assessment audit and equalized assessment purpose; however, these categories could potentially be used to establish the subclass criteria for different property types. There are also many different forms of mixed-use non-residential properties. For example, in Calgary there are many two-story buildings with retail units on the main level and office units on the second. In Alberta, multiple assessment classes can be assigned to a single property. For example, the

[7] Assessment Act, R.S.O. 1990, c.A.31, Ontario Regulation 282/98, S.11(2) & (3), https://www.ontario.ca/laws/regulation/980282#BK12 (accessed on 2022 March 17).
[8] Alberta Municipal Affairs. "2021 Recording and Reporting Information for Assessment and Equalized Assessment Manual." Pursuant to Ministerial Order no. MAG:017/21; S.3.5.2 Pg. 39.

retail units on the main floor of a residential tower would fall under the non-residential class and the residential units would fall under the residential class. The subclass criteria must also specify whether multiple subclasses can be assigned to a property and how the allocation should be determined.

When subclasses are used, at least two must be created for the purposes of assigning separate tax rates within the class. Each non-residential property must be assigned at least one subclass. For the purposes of this report, the non-residential property inventory has been stratified into four property groups: retail, industrial, office and other. “Other” refers to the remaining non-residential properties that do not fall into the other three major property types. For testing purposes, each property group was assigned to a separate subclass:

Subclass 1 – Retail
Subclass 2 – Industrial
Subclass 3 – Office
Subclass 4 – Other

The analysis shows that no single property type subclass could have been consecutively used from 2018 to 2021 to effectively address the most extreme municipal property tax increases resulting from the tax shift. For example, from 2018 to 2020, industrial and retail property values had increased or remained relatively stable in relation to office values. In 2021, industrial values increased the most in relation to the other property types. A subclass with a lower tax rate for industrial properties could have potentially addressed some of the disproportional tax increases experienced by that property group in 2021. However, if an industrial subclass with a lower tax rate was created in 2019, an even larger share of the tax responsibility would have been shifted to the retail sector. As such, it has been determined that a subclass for the four property groups would have been required to address the year-over-year tax shifts that occurred between 2018 and 2021.

As discussed in Section 2.2 (illustrated in Figure 2 on page 8), office property values experienced a sharp and rapid decline between 2017 and 2019 while the values for other non-residential property types, namely retail and industrial, remained relatively stable. Between 2020 and 2021, the office market started to stabilize based on marginal year-over-year changes in the assessed values. Based on these historical trends, tax rates assigned to the retail, industrial and “other” subclasses would have needed to have been lower than the office subclass in 2018 and 2019 to address the downtown tax shift. Because the office values started to stabilize in

2020 and 2021, it might be assumed that lower tax rates for the other three non-residential property groups would no longer be required. However, as previously discussed, a subclass designed to address tax shifts also holds the potential to create a “bow wave” like a phased tax program. Although the lower tax rates assigned to the retail, industrial and “other” properties in 2018 and 2019 would have helped to reduce the year-over-year tax increases, it would have deferred those tax increases to subsequent years. As such, the retail, industrial and “other” subclasses would have still needed to have been assigned a lower tax rate in 2020 and 2021 to address the tax volatility that would have been largely driven by the previous years’ subclass tax rate decisions. To avoid perpetuating the “bow wave” effect for future years, phased tax rate increases would have needed to have been applied to the retail, industrial and “other” subclasses in 2020 and 2021. For this example, no tax rate differential has been applied in 2021. This demonstrates how a “bow wave” effect could manifest when a subclass is introduced and subsequently removed. The assigned tax rates and differentials applied in this example are summarized below:

Figure 5: Actual Non-Residential Tax Rates versus Selected “Property Type” Subclass Tax Rates

	2017	2018	2019	2020	2021
Actual Municipal NR Tax Rates	0.0138819	0.0153234	0.0177750	0.0158278	0.0165130
Subclass Adjusted Municipal NR Tax Rates					
Subclass 1: Retail	0.0138819	0.0148034	0.0170338	0.0156130	0.0165130
Difference vs. Actual Tax Rate (%)	-	-3.4%	-4.2%	-1.4%	0.0%
Subclass 2: Industrial	0.0138819	0.0148034	0.0170338	0.0156130	0.0165130
Difference vs. Actual Tax Rate (%)	-	-3.4%	-4.2%	-1.4%	0.0%
Subclass 3: Office	0.0138819	0.0162833	0.0195887	0.0163938	0.0165130
Difference vs. Actual Tax Rate (%)	-	6.3%	10.2%	3.6%	0.0%
Subclass 4: Other	0.0138819	0.0148034	0.0170338	0.0156130	0.0165130
Difference vs. Actual Tax Rate (%)	-	-3.4%	-4.2%	-1.4%	0.0%
Difference between Subclasses (%)	-	10.0%	15.0%	5.0%	0.0%

Results

For context, the year-over-year tax changes between 2018 and 2021 weren’t solely driven by changes in assessment value. Business tax consolidation and Council’s budget decisions also influenced tax changes during this period. The business tax consolidation process occurred over a 7-year period with 10 percent being transferred to the non-residential property tax rate in 2014 and 2015 and 20 percent being added in 2016, 2017, 2018, and 2019. When business tax was eliminated in 2019, tax revenue previously collected through business assessment was collected through non-residential property assessments resulting in a non-residential property

tax increase of 4.6% in both 2018 and 2019. As a result of Council's decision to shift a larger portion of the tax responsibility to the residential class in 2019, many NR properties experienced a significant tax decrease in 2020. The table below summarizes the average non-residential tax changes between 2018 and 2021, inclusive of the impacts of business tax consolidation and Council's budget decisions during that period.

Figure 6: Unadjusted Average Municipal Tax Change by Property Type

	Average Municipal Tax Change (%)			
	2018	2019	2020	2021
Industrial	3.4%	6.8%	-13.4%	4.5%
Office	-2.3%	3.6%	-17.4%	-6.4%
Retail	-1.2%	5.3%	-14.3%	-1.8%
Other	5.6%	15.1%	-2.4%	8.5%
All NR Properties	1.7%	9.8%	-12.2%	1.7%

*Exclusive of PTP and one-time Council Rebates

To isolate the impacts of these decisions, the following examples focus on the net year-over-year municipal tax change to better demonstrate how the application of subclasses based on property type could have addressed tax volatility driven by assessment changes during this period.

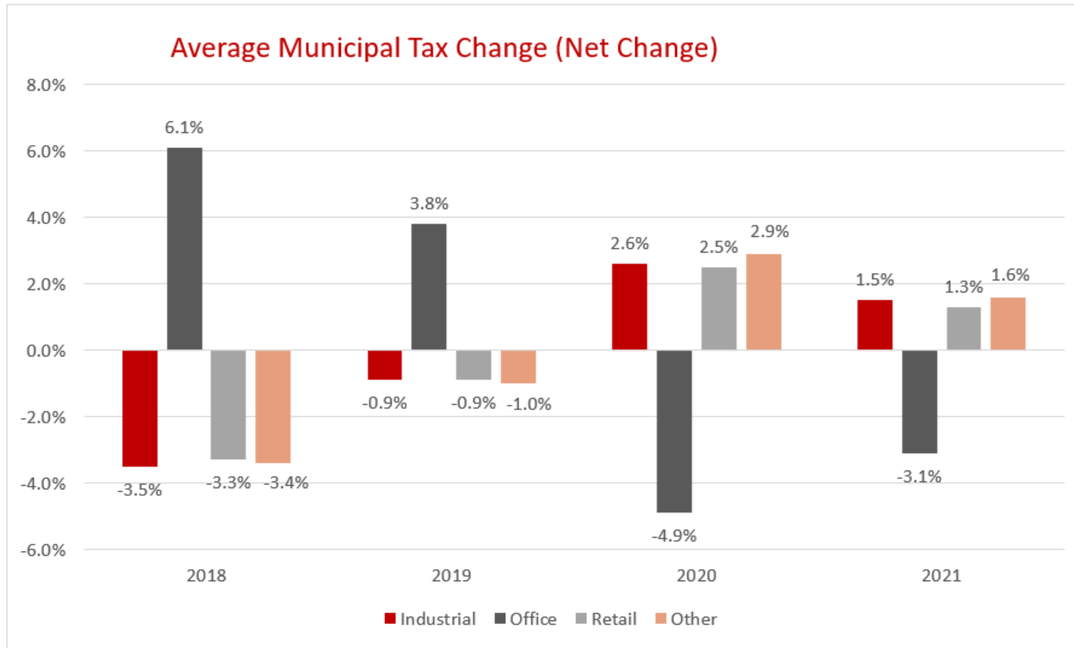
The results of applying the subclass tax rate differentials provided above (*Figure 5*) to the four property type subclasses are summarized below (*Figures 7 & 8).*

Figure 7: Impact of Property Type Subclasses – Shift in Tax Responsibility

Year	2018	2019	2020	2021
Applied Office Subclass Tax Rate Differential (%)	10.0%	15.0%	5.0%	0.0%
Tax Responsibility Shifted to Office ($)	$22M	$31M	$10M	$0
Average Municipal Tax Change (Net Change)				
Industrial	-3.5%	-0.9%	2.6%	1.5%
Office	6.1%	3.8%	-4.9%	-3.1%
Retail	-3.3%	-0.9%	2.5%	1.3%
Other	-3.4%	-1.0%	2.9%	1.6%
All NR Properties	**-1.6%**	**0.0%**	**1.2%**	**-0.6%**

*Exclusive of PTP and one-time Council Rebates

Figure 8: Impact of Property Type Subclasses – Net Municipal Tax Change (%)



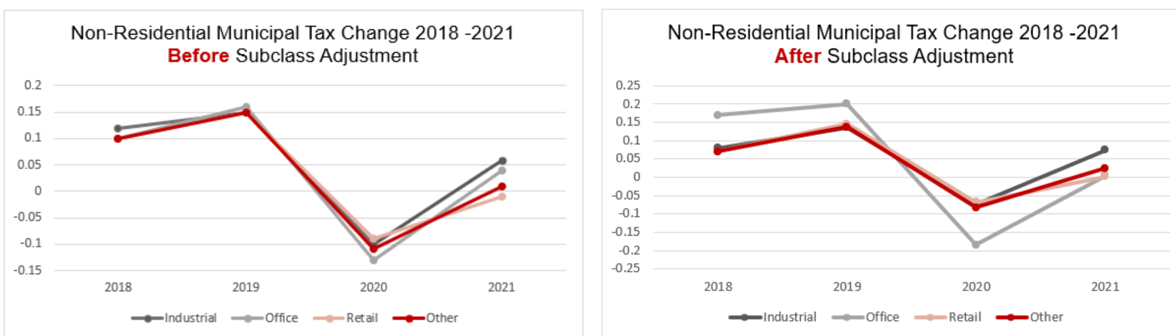
*Exclusive of PTP and one-time Council Rebates

(Detailed summary statistic are provided in Appendix 4.1)

The associated "Property Type Subclass Illustrative Examples" provided in the Council Report Attachment 3 show how different property types could have been impacted if property type subclasses were implemented to address the downtown tax shift.

A comparison of the before and after total tax change, inclusive of the impacts of business tax consolidation and Council's budget decisions, are illustrated below:

Figure 9: Impact of Property Type Subclasses – Before and After Municipal Tax Change (%)



*Exclusive of PTP and one-time Council Rebates

*Exclusive of PTP and one-time Council Rebates

In years 2018 and 2019, the results show that transferring a portion of the tax responsibility to the office subclasses would have reduced the year-over-year tax increases for the other the property groups and provided more balance in the overall tax distribution within the non-residential class. In this example, industrial, retail and the “other” non-residential property groups clearly benefited from the lower tax rate in 2018 and 2019. However, the office group incurred significant costs to subsidize the benefits during that period.

This example demonstrates that like the non-residential Phased Tax Programs, once created, a subclass could be difficult to remove because of the potential “bow wave” effects that could manifest in future years. In this example, when the subsidy provided to the industrial, retail, and other property groups was reduced in 2020 and eliminated in 2021, , the office properties experienced significant year-over-year tax decreases while the other property groups experienced a proportionally higher year-over-year tax increase. The applied subclass tax rate phasing strategy did reduce the impact of the “bow-wave” effect but did not fully eliminate it.

For the purposes of this report, a simple property type-based subclass model was explored where all properties were grouped into four major property type categories regardless of location, size, value range or any other attributes. If a property type subclass model was implemented to address tax volatility issues, further refinements would likely be required. For example, the eligibility requirements for a subclass could also incorporate location to address tax volatility issues impacting a specific property type in certain areas more than others.

4.3 Subclass Example 2: Location

Summary

As previously noted, several non-residential subclass models were designed for the purpose of testing whether they could have addressed the year-over-year tax shifts that occurred between 2017 and 2021. Location was one of the subclass options that was explored. The analysis predictably showed a strong correlation between location and the year-over-year tax shifts. Because the tax volatility experienced between 2015 and 2021 was largely driven by the sharp and rapid decline in downtown office value, if implemented, location-based subclasses could have addressed some of the resulting tax volatility issues.

Design

Property assessment subclasses can be based on geographical boundaries. In fact, many forms of variable taxation models utilize geographical boundaries to allocate taxes between different groups. For example, the qualification requirements for Toronto's small business subclass are different for properties located in the downtown, on the central waterfront, and in designated growth centres or avenues. The geographical boundaries are based on the differences in property values in different locations (e.g. downtown properties have higher values). However, the same tax rate is applied to all properties that qualify for the small business subclass in Toronto, regardless of location. A major challenge with subclasses is how they are defined and how the boundaries are drawn. The designated areas referenced in Toronto's small business subclass bylaw are based on Toronto's *Official Plan.*[9]

Assessment classes, if permitted through legislation, can also be based on geographical boundaries. For example, in Halifax, the assessment legislation allows for multiple commercial tax rates based on designated areas, frontage, lot size, building area or any combination of these options.[10] Halifax's Council has recently voted to create new commercial assessment classes defined by geographical boundaries or "zones" and aims to have the new system by its 2023/2024 fiscal year. The "zones" will be based on existing designated business and industrial areas. The new commercial classes zones are intended to be used to assign lower tax rates to smaller businesses in the downtown and higher tax rates to larger big box retailers in suburban areas.

When relocating taxes from one group to another based on geographical boundaries as Halifax intends on doing with their new commercial zones, there could be unintended consequences. As previously discussed, it is important to identify the impacts to the "other" properties that are not being targeted for tax relief. For example, in Calgary, downtown office vacancy rates have increased substantially since 2015. One of the goals of Calgary's Downtown Strategy is to lower office vacancy rates. If Calgary were to assign higher tax rates to downtown properties, it could serve as a disincentive for the tenants and businesses The City is seeking to attract to the area.

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[9] *Halifax Regional Municipal Charter*, https://nslegislature.ca/sites/default/files/legc/statutes/halifax%20regional%20municipality%20charter.pdf (accessed on 2022 March 17).

[10] City of Toronto, "*Official Plan*" https://www.toronto.ca/city-government/planning-development/official-plan-guidelines/official-plan/ (accessed on 2022 March 8)

As a taxation strategy, it could provide temporary targeted relief to properties outside of the downtown, but it could also undermine Calgary's long-term economic goals as an unintended consequence. However, because the tax volatility experienced between 2015 and 2021 was largely driven by the downtown, it is reasonable to assume that a subclass based on geographical boundaries could have been utilized to address the redistributive effect of the decreasing assessed values in the downtown office inventory that negatively impacted many non-residential property owners and the associated tenant base outside of the downtown core.

A simple non-residential subclass model that includes two subclasses was created to determine if location-based subclasses could have reduced tax volatility issues between 2018 and 2021. In the model, all the non-residential properties in the Downtown were assigned to a "Downtown" subclass and the remaining properties were assigned to a "Non-Downtown" subclass. The Downtown boundaries used in the analysis are based on the Downtown non-residential zones used for assessment purposes. Like Toronto's small business subclass, the Downtown non-residential zones used in this example are based on the designated Downtown areas established in The City of Calgary's Land Use Bylaw (1P2007).

As discussed in Section 2.2 (illustrated in Figure 2 on page 8), office property values experienced a sharp and rapid decline between 2017 and 2019 while the values for other non-residential property types, namely retail and industrial, remained relatively stable. Between 2020 and 2021, the downtown office market started to stabilize based on marginal year-over-year changes in the assessed values. Based on these historical trends, tax rates assigned to "Non-Downtown" subclass would have needed to have been lower than the "Downtown" subclass in 2018 and 2019 to address the downtown tax shift. Because the downtown office values started to stabilize in 2020 and 2021, it might be assumed that lower tax rates for the "Non-Downtown" property group would no longer have been required. However, as previously discussed, a subclass designed to address tax shifts also holds the potential to create a "bow wave" like a phased tax program. Although the lower tax rates assigned to the "Non-Downtown" properties in 2018 and 2019 would have helped to reduce the year-over-year tax increases, it would have deferred those tax increases to subsequent years. As such, the "Non-Downtown" subclass would have still needed to have been assigned a lower tax rate in 2020 and 2021 to address the tax volatility that would have been largely driven by the previous years' subclass tax rate decisions. To avoid perpetuating the "bow wave" effect for future years, phased tax rate

increases would have needed to have been applied to the “Non-Downtown” subclass in 2020 and 2021. To minimize the impact of the “bow wave” effect resulting from 10% differential applied in 2019, tax rate increases were phased in for 2020 and 2021. This example also demonstrates how a “bow wave” effect could manifest when a subclass is introduced and subsequently removed. The assigned tax rates and differentials applied in this example are summarized below:

Figure 10: Actual Non-Residential Tax Rates versus Selected “Location” Subclass Tax Rates

	2017	2018	2019	2020	2021
Actual Municipal NR Tax Rate	0.0138819	0.0153234	0.0177750	0.0158278	0.0165130
Subclass Adjusted Municipal NR Tax Rates					
Subclass 1: Downtown	0.0138819	0.0159094	0.0192820	0.0164838	0.0168590
Difference vs. Actual Tax Rate (%)	-	3.8%	8.5%	4.1%	2.1%
Subclass 2: Non-Downtown	0.0138819	0.0151143	0.0173540	0.0156602	0.0164369
Difference vs. Actual Tax Rate (%)	-	-1.4%	-2.4%	-1.1%	-0.5%
Difference between Subclasses (%)	-	5.0%	10.0%	5.0%	2.5%

Results

As discussed in the previous example, the year-over-year tax changes between 2018 and 2021 weren’t solely driven by changes in assessment values. Business tax consolidation and Council’s budget decisions also influenced tax changes during this period. The table below summarizes the average non-residential tax changes between 2018 and 2021 for downtown and non-downtown properties, inclusive of the impacts of business tax consolidation and Council’s budget decisions during that period.

Figure 11: Unadjusted Average Municipal Tax Change by Location

	Average Municipal Tax Change (%)			
	2018	**2019**	**2020**	**2021**
Downtown	-0.8%	0.4%	-14.7%	-3.3%
Non-Downtown	1.9%	10.5%	-12.0%	2.1%
All NR Properties	1.7%	9.8%	-12.2%	1.7%

*Exclusive of PTP and one-time Council Rebates

To isolate the impacts of these decisions, the following examples focus on the net year-over-year tax change to better demonstrate the how the application of subclasses based on location could have addressed tax volatility driven by assessment changes during this period.

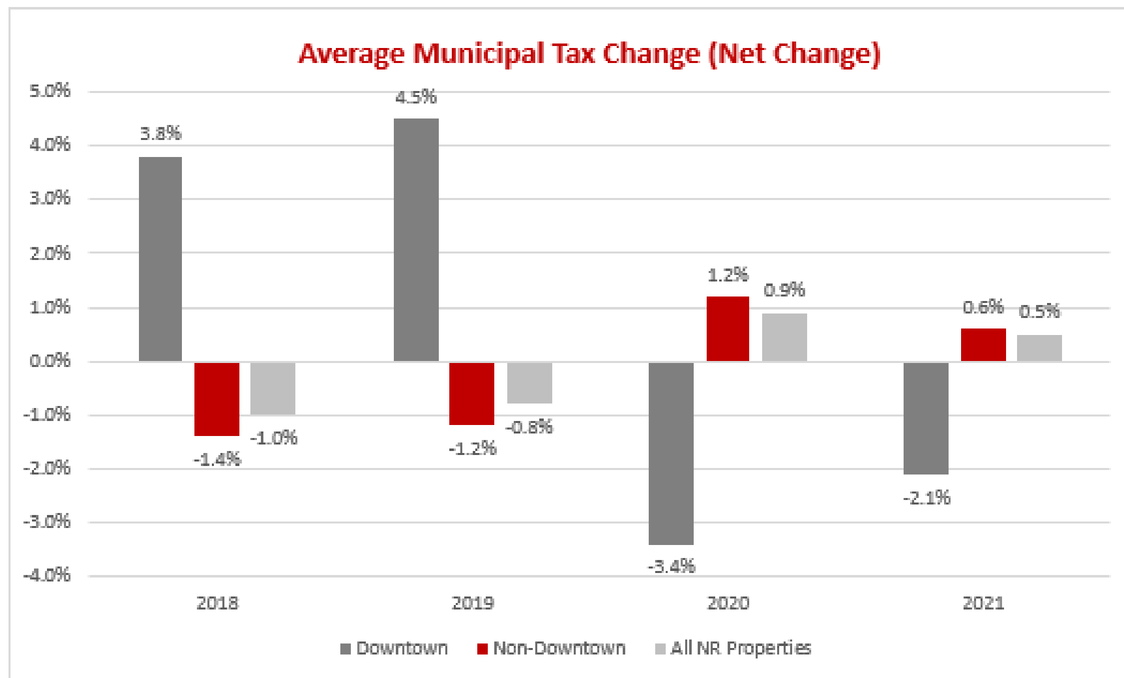
The results of applying the subclass tax rate differentials provided above (*Figure 10*) to the two location-based subclasses are summarized below (*Figures 12 & 13*).

Figure 12: Impact of Location Subclasses – Shift in Tax Responsibility

Year	2018	2019	2020	2021
Applied Downtown Subclass Tax Rate Differential (%)	5.0%	10.0%	5.0%	2.5%
Tax Responsibility Shifted to Downtown ($)	$10M	$20M	$8M	$4M
Average Municipal Tax Change (Net Change)				
Downtown	3.8%	4.5%	-3.4%	-2.1%
Non-Downtown	-1.4%	-1.2%	1.2%	0.6%
All NR Properties	-1.0%	-0.8%	0.9%	0.5%

*Exclusive of PTP and one-time Council Rebates

Figure 13: Impact of Location Subclasses – Net Municipal Tax Change (%)



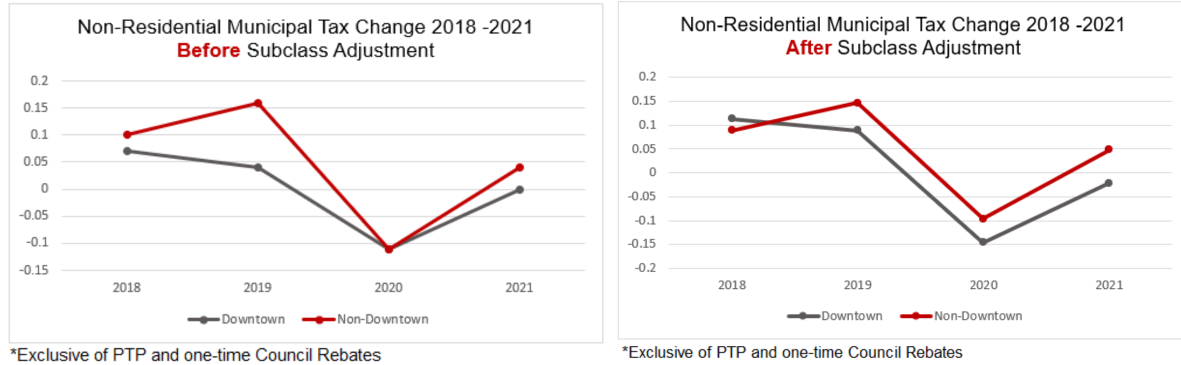
*Exclusive of PTP and one-time Council Rebates

(Detailed summary statistic are provided in Appendix 4.2)

The associated “Location Subclass Illustrative Examples” provided in the Council Report Attachment 3 show how different property types could have been impacted if property type subclasses were implemented to address the downtown tax shift.

A comparison of the before and after total tax change, inclusive of the impacts of business tax consolidation and Council's budget decisions, are illustrated below:

Figure 14: Impact of Location Subclasses – Before and After Municipal Tax Change (%)



In years 2018 and 2019, the results show that transferring a portion of the tax responsibility to the "Downtown" subclass would have reduced the year-over-year tax increases for properties in the "Non-Downtown" subclass and provided more balance in the overall tax distribution within the non-residential class. In this example, properties in the "Non-Downtown" subclass clearly benefited from the lower tax rate between 2018 to 2020. However, properties in the "Downtown" subclass incurred significant costs to subsidize the benefits during that period.

As with the previous example, this example also demonstrates that like the non-residential Phased Tax Programs, once created, a subclass could be difficult to remove because of the potential "bow wave" effects that could manifest in future years. In this example, when the subsidy provided to the "Non-Downtown" subclass was reduced in 2020 and 2021, the downtown properties experienced significant year-over-year tax decreases while other properties experienced a proportionally higher year-over-year tax increase. The applied subclass tax rate phasing strategy did reduce the impact of the "bow-wave" effect but did not fully eliminate it.

For the purposes of this report, a simple geographical based subclass model was explored where all property types were grouped into one of two subclasses based on location. If a geographical subclass model was implemented to address tax volatility issues, further refinements would likely be required. For example, the eligibility requirements for a subclass could also incorporate property type to address tax volatility issues impacting a specific property

type in certain areas more than others. An example of a more refined subclass criteria is discussed in the following sub-section.

4.4 Subclass Example 3: Small Business Subclass

Summary

The prolonged economic downturn in Calgary has strained the business community. The impacts of the COVID-19 pandemic created additional hardships for local businesses and many non-residential property owners. A variety of programs have been introduced by all levels of government intended to provide financial relief to both business and property owners. However, these conditions have diversely impacted different types of businesses and properties. For example, while many different types of retail properties experienced a decline in value, many types of industrial properties increased in value. Subclasses can serve as a tool to provide targeted tax relief to businesses and properties most adversely impacted by changing market and economic conditions. As discussed in section 3.1, Alberta's current small business subclass legislation does not provide the same flexibility that exists in Ontario's legislation and is not a viable option for large municipalities such as Calgary. One of the primary reasons is that The City does not currently have the required data to administer the subclass (i.e. the number of full-time employees a business has across Canada) and the time and costs associated with obtaining and monitoring that type of information would be significant. However, despite the strict legislative criteria, the small business subclass was still intended to be a tool that municipalities could use to provide targeted tax relief to small business impacted by significant tax increases.

As discussed in section 3.2 and detailed in Appendix 2 of this attachment, Ontario recently enacted new small business subclass legislation which provides far more flexibility than what is currently available to municipalities in Alberta. The new legislation enables municipalities to implement a small business subclass based on a variety of attributes including, but not limited to, site area, total floor area, property type and assessed value. The subclass was primarily designed as a tool that municipalities could use to address tax shifts and offset losses of revenue resulting from extraordinary situations that businesses had no control over. If Alberta's small business subclass legislation was amended to provide the same level of flexibility that is

provided to municipalities in Ontario, it would enhance Calgary's ability to provide targeted tax relief to small businesses impacted by disproportional tax increases.

Design

The City of Toronto is one of the municipalities that implemented a small business subclass in 2022. Toronto's small business subclass provides a 15 per cent municipal tax reduction to qualifying properties. The Ontario Provincial Government has also provided a 15 reduction to the education requisition taxes for qualifying properties for the 2022 tax year. Toronto uses a pre-determined criteria approach to administer the subclass, meaning properties that qualify are not required to apply or take any action to receive the tax rate reduction. The eligibility requirements are summarized below:

Property Location	Qualification Criteria
Downtown, central waterfront of designated growth areas	• Must be within the commercial or new commercial tax class* • Current Assessed Value must be $7M or less • Lot size must be 7,500 square feet or less • Commercial Condos cannot have a gross floor area over 2,500 square feet
All other areas	• Must be within the commercial or new commercial tax class* • Current Assessed Value must be $1M or less

* Excludes properties assigned to the Office Building, Shopping Centre, Parking Lots, Vacant Land tax classes, properties assigned to the Creative Co-location Facility or Vacant Land subclasses, and properties with an active demolition permit.[11]

The primary goals of Toronto's small business subclass are to address disproportional property tax increases, to preserve Toronto's main streets and to provide broad tax relief for small business. In developing its small business subclass, the City of Toronto acknowledged that one of the shortcomings of the criteria is that it cannot distinguish between "classical" small businesses and larger corporate franchises.[12]

A small business subclass model was created to ascertain whether a subclass with similar criteria could have mitigated some of the negative impacts associated with the Downtown tax shift. The qualification criteria applied in this example is designed to reflect the same criteria

[11] City of Toronto "Small Business Subclass", Accessed 2022 March 10. https://www.toronto.ca/services-payments/property-taxes-utilities/small-business-tax-class/
[12] City of Toronto, "Small Business Tax Subclass Public Consultation Session". Attended virtually on August 11, 2021.

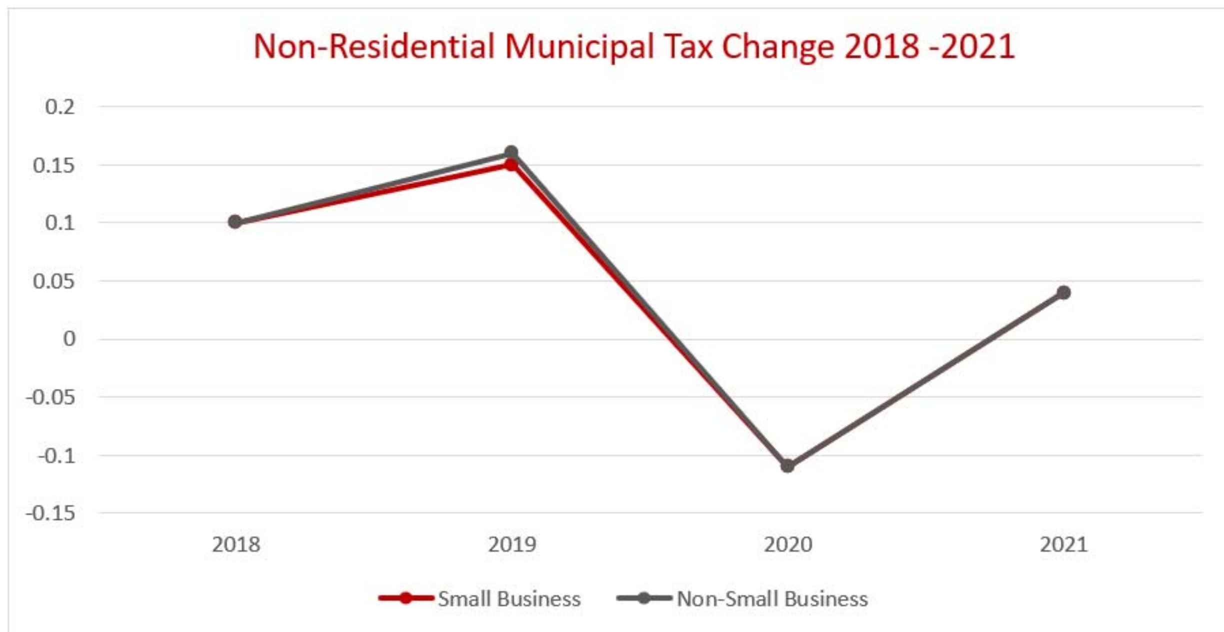
applied in Toronto's small business subclass bylaw.[13] The specific eligibility requirements used in the example are as follows:

Property Location	Qualification Criteria
Downtown and Beltline	• Must be within the non-residential class • Current Assessed Value must be $5M or less* • Lot size must be 7,500 square feet or less • Commercial Condos cannot have a gross floor area over 2,500 square feet
All other areas	• Must be within the non-residential class • Current Assessed Value must be $1M or less

* Adjusted down from $7M to $5M to better account for lower property values in Calgary.

As shown in the graph below, between 2017 and 2021 there wasn't a significant difference between the typical tax shift experienced by properties that would qualify for the small business subclass, as defined above, and those that wouldn't.

Figure 15: Small Business Property versus Non-Small Business Property Municipal Tax Change (%)



*Exclusive of PTP and one-time Council Rebates

[13] City of Toronto. (2021). BY-LAW 924-2021. Accessed 2022 March 10. https://www.toronto.ca/legdocs/bylaws/2021/law0924.pdf

Based on these trends, it's clear that a small business subclass wouldn't have been an effective tool for providing broad-based tax relief to non-residential properties impacted by extreme year-over-year tax shifts as was the intention in the previous two examples. However, it could serve to provide targeted tax relief to Calgary's small businesses. It is reasonable to assume that the tenants that commonly occupy small and less valuable properties are less resilient to changing market or economic conditions compared to the larger corporations who occupy larger more valuable properties with more resources to adapt to changing market and economic conditions. As such, this subclass has been designed to provide targeted tax relief to small business properties to address the change in market conditions during period of the downtown tax shift. As was done in Toronto for 2022, a 15 per cent municipal tax reduction has been applied to the properties that would qualify for the small business subclass. The assigned tax rates and differentials applied in this example are summarized below:

Figure 16: Actual Non-Residential Tax Rates versus Selected "Small Business" Subclass Tax Rates

	2017	2018	2019	2020	2021
Actual Municipal NR Tax Rate	0.0138819	0.0153234	0.0177750	0.0158278	0.0165130
Subclass Adjusted Municipal NR Tax Rates					
Subclass 1: Small Business	0.0138819	0.0133954	0.0155498	0.0138418	0.0144460
Difference vs. Actual Tax Rate (%)	-	-12.6%	-12.5%	-12.5%	-12.5%
Subclass 2: Non-Small Business	0.0138819	0.0154050	0.0178817	0.0159177	0.0166133
Difference vs. Actual Tax Rate (%)	-	0.5%	0.6%	0.6%	0.6%
Difference between Subclasses (%)	-	15.0%	15.0%	15.0%	15.0%

Results

As discussed in the previous examples, the year-over-year tax changes between 2018 and 2021 weren't solely driven by changes in assessment values. Business tax consolidation and Council's budget decisions also influenced tax changes during this period. The table below summarizes the average non-residential tax changes between 2018 and 2021 for properties that would qualify for the small business and those that would not, inclusive of the impacts of business tax consolidation and Council's budget decisions during that period.

To isolate the impacts of these decisions, the following examples focus on the net year-over-year tax change to better demonstrate how the application of subclasses based on property type could have served to address tax volatility driven by assessment changes during this period.

The results of applying the subclass tax rate differentials provided above (*Figure 16*) to the two property type subclasses are summarized below (Figures 17 & 18).

Figure 17: Impact of Small Business Subclasses – Shift in Tax Responsibility

Year	2018	2019	2020	2021
Applied Small Business Subclass Tax Rate Differential (%)	-15.0%	-15.0%	-15.0%	-15.0%
Tax Responsibility Shifted to Other Properties ($)	$5M	$6M	$5M	$6M
Average Municipal Tax Change (Net Change)				
Small Business Properties	-11.5%	-0.1%	-0.1%	-0.2%
Other	0.7%	0.4%	0.2%	0.4%
All NR Properties	-3.8%	0.2%	0.1%	0.3%

*Exclusive of PTP and one-time Council Rebates

Figure 18: Impact of Small Business Subclasses – Municipal Tax Change (%)

Year	2018	2019	2020	2021
Applied Small Business Subclass Tax Rate Differential	-15.0%			
Tax Responsibility Shifted to Non-SB ($)	$5M	$6M	$5M	$6M
Municipal Tax Change	# of Properties			
≤ 0%	-31	-47	-131	-271
> 0% to 5%	-88	-28	47	-46
> 5% to 10%	-1374	-51	14	178
> 10% to 15%	1338	-95	24	69
> 15%	155	221	46	70
Total	12996	13273	13574	13976

(Detailed summary statistic are provided in Appendix 4.3)

Properties that would qualify for the small business subclass clearly would have benefited from the lower tax rate, but properties that wouldn't have qualified would have incurred the costs of those benefits. However, in this example, the typical increase experienced by properties that did not qualify was not nearly as significant as the increases for the office properties in the property type subclass example or the downtown properties in the location subclass example because a much larger portion of the non-residential inventory is subsidizing the lower tax rate assigned to small business.

The associated "Small Business Subclass Illustrative Examples" provided in the Council Report Attachment 3 show how different property types could have been impacted if property type subclasses were implemented to address the downtown tax shift. A demonstration of the impacts of a property that would have qualified for the small business subclass one year and not the next based on an increase in value has been provided in the illustrative examples (Attach 5). It is important to consider those types of impacts as some properties would incur significant year-over-year tax changes when they no longer qualify for the small business subclass as a result of changes in assessed value.

Implementing a small business subclass such as Toronto's would have served to stabilize the distribution of taxes for a very specific group of non-residential properties between 2018 and 2021. Because the subclass is only designed to target small business properties, a large portion of the non-residential inventory would still have been negatively impacted by the tax shift. However, if the goal is to provide tax relief to properties occupied by businesses that are typically less resilient to extreme year-over-year tax shifts a similar small business subclass model could be developed and implemented to provide targeted relief.

5. Analysis

Before Council decides whether to implement non-residential subclasses, significant research, public consultation, and values-based analysis should be undertaken in advance to proactively identify potential impacts. The following subsections discuss the potential benefits, risks and administrative considerations associated with the development and implementation of non-residential subclasses. This analysis also evaluates the types of subclasses discussed in this report in relation to the principles of taxation that were originally presented in the Tax Distribution Scoping Report prepared by the Financial Task Force Implementation Team in December 2021 to assess the feasibility of the provided options.[14]

5.1 Benefits

Before implementing non-residential subclasses, significant research, public consultation, and values-based analysis must be undertaken to proactively identify potential impacts and to

[14] Financial Task Force Implementation Team. Tax Distribution Scoping Report. Calgary: The City of Calgary, 2021. Web Page. <https://pubcalgary.escribemeetings.com/filestream.ashx?DocumentId=190999>.

ensure the policy achieves the outcomes desired by Council. Once subclasses are implemented, there must be resources allocated to continually monitor and evaluate if the subclasses are achieving their intended purpose. Assessment classes are often broadly defined and designed to encompass a wide range of property types and uses in a variety of different jurisdictions. However, municipalities face unique challenges and have diverse interests. Because of the broad nature of assessment classes, they are not an effective tool for addressing local challenges specific to certain types of municipalities and regions. In contrast, subclasses can provide municipalities with the flexibility required to respond to local needs and interests. Subclasses also give municipalities additional flexibility in determining how to meet their revenue requirements.

As previously stated, subclasses also serve as a tool that municipalities can use to incentivize and disincentivize certain behaviours. For example, if a municipality is seeking to promote growth in a particular sector of the real estate market, it could implement a subclass that provides a lower tax rate to the properties in that sector to attract investors. Or if a municipality desires to address issues with neglected properties that negatively impact property values and or the inhabitants of a certain area, it could implement a subclass for those types of properties and assign it a higher tax rate to incentivize the owners to redevelop.

Subclasses can also be a useful tool to reduce volatility in tax levies, in that they can be used to alleviate a portion of the municipal property tax responsibility from properties facing significant tax increases by re-allocating it to others which can serve to provide more balance in the overall tax distribution within a class.

There are a variety of different methods for funding tax relief programs. Calgary’s Phased Tax Programs, for example, were resourced through The City’s Fiscal Stability Reserve, unused funds from prior years’ PTP and eventually savings generated through budget adjustments. If assessment subclasses are used to provide tax relief by assigning a lower rate to a group of properties within a class, the tax relief would be funded through a tax increase on the other group of properties within the same class. As such, subclasses could serve to reduce the strain that tax relief programs put on municipal reserves. They could also assist in mitigating potential service impacts resulting from budget adjustments intended to fund tax relief programs

Although introducing subclasses would make property tax administration more complex, it would still maintain the independence of the appraisal processes.[15] Subclasses would have no impact on the annual assessment cycle, the legislated valuation requirements, or The City's ability to adhere to appraisal industry standards and best practices.

5.2 Risks and Challenges

If used to address tax shifts resulting from disproportional changes in assessed values, like a phased tax program, subclasses can lead to "horizontal inequities" where those whose market value assessments decrease or remain the same (i.e. those who have become relatively less wealthy) directly subsidize taxpayers whose assessments have increased (i.e. those who have become relatively wealthier). In essence, subclasses could result in assigning higher tax rates to those properties that have suffered the greatest losses in value. This appears to be at odds with Calgary's Downtown Strategy in that taxing downtown properties at higher rates could undermine the goal of attracting more investment in the downtown.[16] The public perception of unfairness resulting from certain properties receiving favourable tax treatment is another risk associated with implementing subclasses. The intended objective, no matter how reasonable it may be, could be publicly interpreted as a government dictating who the winners and losers should be, regardless of wealth.

Variable tax rates generally reduce transparency and renders the system more difficult to understand and administer. In short, non-residential subclasses would introduce additional complexities to the assessment system. Calgary has a relatively simple taxation system compared to major cities across Canada and increasing the current complexities of the system would require The City to allocate more resources as taxpayers come to understand the new system. This would increase administrative costs and may lead to further costs for customers who may need further support from The City or specialized third parties to understand or challenge their assessments. Also, depending on how a subclass is defined, the information used to determine which subclass a property falls under-- such as gross building area or lot size-- may be difficult for taxpayers to obtain or verify. As is the case with many complex tax

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[15] IAAO "Standard on Property Tax Policy: A Criterion for Measuring Fairness, Quality, Equality and Accuracy" (January 2020), Kansas City, Missouri. International Association of Assessing Officers.

[16] The City of Calgary, "*Calgary's Downtown Strategy*" https://www.calgary.ca/pda/pd/downtown-strategy/downtown-strategy.html (accessed on 2022 April 6)

systems, sophisticated parties may have a greater ability to devote resources to ensure they take advantage of potential benefits, while less sophisticated parties may not.

One of the biggest challenges with implementing subclasses is how they are defined. Deciding what belongs in a subclass is a challenge because the definition could be viewed as subjective or even arbitrary. Like assessment classes, property owners can also challenge the subclass applied to their property through a complaint to the Assessment Review Board. Although not legally binding, an Assessment Review Board decision on a class or subclass matter can incentivize others to appeal. If an owner receives a decision that confirms the applicability of a subclass applied to their property, they may file an application for judicial review with the Court of Queen's Bench, which could result in further appeals to the higher Courts. Not only could these challenges take years to be resolved, there is the risk of successful court challenges resulting in significant tax losses.

The use of non-residential subclasses for targeted, but not necessarily temporary, tax relief could reduce economic efficiency as it could lead taxpayers to invest more heavily in the subclass with lower tax rates than in the subclass with higher tax rates.[17] Worse yet, taxing a certain group of non-residential properties higher could serve as incentive for the owners and/or their tenants to relocate to other jurisdictions. For example, re-distributing taxes from small to large businesses may discourage large businesses from choosing to operate or to continue operations in Calgary. Further, large businesses looking to move to, or expand operations in, Calgary may choose to move to other jurisdictions, which may include surrounding municipal districts within the Calgary Economic Region. There's also a risk of unintentionally influencing property and business behaviour. For example, if a subclass was based on gross building area, it may influence some owners to avoid developing a property beyond a certain threshold, or to condominiumize a building to create smaller units solely to benefit from a lower tax rate.

If a subclass is created to provide targeted relief to a broader group of properties or owners, such as small business owners, there will likely be a higher number of unintended beneficiaries. Similar to the previous example, a small business subclass based on gross building area could provide financial relief to many small businesses and local owners. However, many large retail chains owned by large corporations or holding companies that occupy smaller spaces may also

[17] Kitchen, Harry, Enid Slack and Tomas Hachard. Property Taxes in Canada: Current Issues and Future Prospects. 2019. May 2021. <https://tspace.library.utoronto.ca/bitstream/1807/98034/1/Perspectives-27-Kitchen-Slack-Hachard-Property-Tax-Issues-Prospects.pdf>.

qualify. There's also the matter of benefit distribution to consider. If the hope and intent of a subclass is that property owners will pass on the tax benefit to small businesses who lease space, it's worth noting that there's no guarantee that the tax savings will actually be passed on to the tenants. The City does not have the ability to control or interfere with how private parties distribute costs amongst one another.

Depending on how subclasses are defined, external information could be required to determine which subclass a property falls under. Administration sends out thousands of Assessment Request for Information (ARFI) forms annually and expects that some owners will be non-responsive. Historically, ARFI response rates for non-residential properties are approximately 80 percent. If the information required to administer a subclass is obtained through the ARFI process, it is possible that The City may receive incomplete information, resulting in assessment roll corrections and/or sub-class complaints to the Assessment Review Board. In addition, property owners that know they will not qualify for a subclass based on the requested information may choose not to respond, provide inaccurate information, or fail to provide some information to benefit from a lower tax rate. If external information that is not already collected by The City is used to administer a subclass, such as employee counts or business revenues, there could be significant costs associated with obtaining and verifying the required information.

Non-residential subclasses shift the tax responsibility from one group within the class to another but will not always fully eliminate the impact of tax increases. Tax volatility can arise from shifts in property assessment values, as was the case when the downtown office values experienced a sharp and sudden decline in Calgary in relation to other non-residential property types. However, tax volatility can also arise from changes in the tax rates.[18] When a subclass is created, the group of properties assuming the higher tax responsibility could experience a significant year-over-year tax increase. In essence, a subclass designed to address the tax volatility experienced by one group of properties because of changing assessed values could create significant tax volatility issues for other properties taxed at higher rates as a result.

A subclass designed to address tax shifts also holds the potential to create a "bow wave" similar to what Calgary observed as a result of previous phased tax programs. For example, taxpayers that have deferred increases while receiving the benefit of being included in a subclass with a lower tax rate, would feel the cumulative impact of deferred increases at one time should they

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[18] Slack, Enid and Richard M. Bird. How to Reform the Property Tax: Lessons from around the World. August 2015. May 2021. <https://munkschool.utoronto.ca/imfg/uploads/325/1689_imfg_no.21_online_final.pdf>.

no longer qualify for that subclass. Furthermore, a subclass designed to address tax shifts combined with a revenue neutral approach to taxation, could lead to a similar situation if a property no longer qualifies for that subclass. In such a situation, properties that are no longer eligible would also pick up the added tax responsibility mentioned above. Like the non-residential phased tax programs, once created, a subclass could be difficult to remove and could lead to increased political pressure to create additional subclasses to provide targeted tax relief to other property groups that do not benefit from any existing subclasses.

5.3 Administrative Considerations

The simplest form of property tax systems has few tax rates. When more assessment classes or subclasses are introduced and more tax rates are created, tax administration become more complicated.[19] Municipalities that adopt variable tax rates by creating subclasses need to determine the appropriate differential. In Alberta, there is legislated 5:1 ratio limit for the differential between the highest non-residential tax rate and the lowest residential tax rate within the same tax year.[20] Thus, a municipality that intends on having multiple non-residential tax rates must ensure that none of those rates creates a tax ratio greater than 5:1. The current subclass legislation in Alberta states that the tax rate for the small business property sub-class must be between 75 and 100 percent of the Other non-residential property sub-class, providing for the shifting of the tax burden from properties occupied by small businesses to other non-residential properties.[21] Municipalities must also be cognizant of other limits on tax rate differentials that could exist within a class.

When determining what tax rate should be assigned to subclasses, a municipality must assess its tax policy goals and intent of the subclasses. If a tax rate assigned to a subclass is set too low in relation to the other tax rates applied in the same assessment class, it could result in significant tax increases for the other properties in the class. Alternatively, the intended purpose of the subclasses may not be met if there’s only a marginal difference between tax rates assigned within a single class. When a municipality creates subclasses, the properties being targeted, and the associated purpose is typically well understood. However, it is equally

[19] IAAO “Standard on Property Tax Policy: A Criterion for Measuring Fairness, Quality, Equity and Accuracy”, Kansas City, Missouri. International Association of Assessing Officers. January 2020.
[20] MGA, section 358.1(1).
[21] Matters Relating to Assessment Sub-Classes Regulation, Alta Reg 202/2017, section 3(2)(a)

important to identify the impacts to the “other” properties that are not being targeted for tax relief. When subclasses are created, there will always be a group that benefits and a group that does not. A municipality needs to undertake the necessary research to identify the impacted parties, the extent of the impact and the potential consequences before creating subclasses and when assigning tax rates to those subclasses. Once subclasses are created, they must be continually assessed to ensure the subclasses are achieving their intended purpose. Changes to economic and market conditions can seriously impact the effectiveness and purpose of subclasses. For example, subclasses created to provide tax relief to a specific property type impacted by increasing assessed values one year may not be required in future years if the values stabilize.

As previously discussed, a major challenge with subclasses is how they are defined. It is vital to ensure that subclasses are well defined. Ideally, the definitions should be based on objective attributes that are easy to identify and measure, such as location or size. If the definitions include any intangible attributes, they will be difficult for administrators and property owners to determine which properties fall within that class. A subclass definition must accurately represent the attributes of the targeted property group. A broad-based definition will likely include more unintended beneficiaries, whereas a more detailed definition could reduce the number of unintended beneficiaries.

Properties and boundaries are also subject to change. Therefore, the attributes used in a subclass definition should be easy to monitor and identify to ensure that only properties that continue to meet the definition are included in that subclass. The information required to determine if a property meets the requirements of a subclass definition should be readily available and there should be a mechanism in place to regularly obtain updated information, such as the existing assessment request for information process.

Implementing and maintaining a system of non-residential subclasses may require additional staff to administer. Legal support would be required for ensuring legislative compliance, developing legally sound definitions and the associated bylaws. Additional staff resources may be needed to obtain the information required to administer the subclasses as well as to measure and track the attributes used to determine which properties should be included in a subclass. The exact cost to resource this work would be contingent on the attributes used to define the subclasses. If the required information is not readily available or if staff members require

additional training to measure and track certain attributes, the administrative costs would be higher.

Implementing and maintaining a system of non-residential subclasses would also require programming changes. The City of Calgary's current Assessment and Tax systems are not designed or able to administer subclasses. Property Assessment currently relies on highly customized software called Calgary Integrated Assessment Office (CIAO). The system is a Computer Assisted Mass Appraisal System that is integrated with a Geographic Information System. The current system has been in use since 2002 and is near the end of its lifecycle. To address its current software challenges and proactively respond to the changing business environment, Property Assessment has established the CIAO+ Project to replace its current technology. CIAO+ is currently expected to be active and replace CIAO no earlier than 2024. The time and capital costs associated with building subclass functionality into the new Assessment system was out of scope when the project commenced but is currently being explored. Early and conservative estimates of the required capital investment for the Assessment software upgrades required to administer non-residential subclasses suggest that that the costs could be up to $575,000. This is a high-level estimate and actual costs may be significantly different.

Similarly, the current computer systems used by Tax would require significant modifications in order to effectively administer subclasses. The current tax system was designed to work with Assessment's current system. Because Assessment's current system wasn't designed to administer subclass, neither was the tax software. Like Assessment's current system, the tax software is also scheduled to updated over the coming years. The required changes and timeframe for the updates are largely contingent on the development of CIAO+ as both systems will need to be integrated. It is difficult to provide a reasonable time and cost estimate for the required updates to Tax's software without knowing what the subclass administration framework in CIAO+ will look like and how long it will take to develop. Because classes and subclasses are one of the regulated assessment compliant categories, the current computer system used by the Assessment Review Board for assessment complaints would only require minor modifications in order to effectively administer subclasses.

5.4 Principles of Taxation

This report will apply the same principles of taxation that were originally presented in the Tax Distribution Scoping Report prepared by the Financial Task Force Implementation Team in December 2021 to assess the feasibility of the options presented in this report.[22] These principles form the basis of evaluating effective property tax systems and embody considerations made by academics, municipalities and professional associations (Kitchen and Slack, Municipal Taxation in Nova Scotia; Jordan; Association of International Certified Professional Accountants). The principles for evaluation are:

- **Fairness: Ability to Pay**
  Within a property tax system, fairness is based on the ability to pay and is rooted in horizontal and vertical equity. A horizontally equitable system ensures taxpayers in similar circumstances pay a similar amount of tax while vertical equity means taxpayers in differing circumstances, pay a different amount of tax.
- **Fairness: Benefits**
  Fairness also relates to the benefits principle, namely that a system that is fair should require taxpayers to pay taxes according to the benefits they receive from services. In a properly functioning system, beneficiaries can be identified, and services are not redistributive in nature.
- **Neutrality**
  The neutrality principle dictates that taxes should impact economic and locational decisions as little as possible. This principle dictates that The City should offer competitive taxation and similar levels of service offerings as that which is offered by other municipalities to the extent to which this is possible.
- **Stability & Predictability**
  Taxation should provide a stable and predictable revenue source for The City while ensuing taxpayers are able to understand the impacts that come from property reassessment.
- **Accountability/Simplicity/Transparency**
  This broad principle highlights that a tax system should be designed in a way that makes it clear to all stakeholders which stakeholders are paying the tax. It should be designed

[22] Original Source: IAAO “Standard on Property Tax Policy: A Criterion for Measuring Fairness, Quality, Equity and Accuracy”, Kansas City, Missouri. International Association of Assessing Officers. January 2020.

in a way that encourages more accountability from City Council and City Administration in their determination of the balance between service levels and taxation levels. Rules for the system should be as clear and simple to understand as possible allowing the taxpayers to anticipate the tax consequences of a transaction in advance, including when, where and how tax is to be accounted.

- **Efficiency/Ease of Administration**
  The final principle dictates that a tax system should be easy to administer, with minimized compliance cost for the taxpayer as well as administrative costs for The City.

Unfortunately, all options discussed in this report erode multiple or all principles for evaluating a tax system when compared to Calgary's current system. While some options do address year over year tax volatility to varying extents and could be used to provide targeted temporary relief, they do so at the expense of one or more of these principles. If we take the property type subclass model presented in section 4.2 as an example, we can see that office properties would have been responsible for a much higher per cent of the total tax share than was the case from 2018 to 2021. While this would have decreased some tax volatility experienced by other non-residential property types outside of the downtown core for the last few years, it would also run counter to the fairness principles.

Figure 19: Options Evaluation: Principles of Taxation

Impact of Policy Options on Principles relative to Current System

	Subclass Example 1: Property Type	**Subclass Example 2: Location**	**Subclass Example 3: Small Business Subclass**
Fairness: Ability to Pay	⬇	⬇	⬇
Fairness: Benefits	⬇	⬇	⬇
Neutrality	⬇	⬇	⬇
Stability & Predictability	⬌	⬌	⬌
Accountability/Simplicity/Transparency	⬇	⬇	⬇
Efficiency/Ease of Administration	⬇	⬇	⬇

Office properties, which have seen consistent decreases in property values since 2017, would have been responsible for a larger share of property taxes than what market values would have dictated. This would have created horizontal inequity as offices, which were seeing decreasing assessed values, would have been directly subsidizing industrial and retail properties which have maintained or have seen an increase in assessed values over the last few years. This would apply to all property types should they follow the same trend in the coming years under any variation of the subclass methods discussed in this report. Decreasing assessment values generally means that the income potential of a given non-residential property (or ability to pay) is also decreasing. As such, these properties should be paying less taxes while those which are seeing increases in income potential or ability to pay, reflected in increasing assessment values, should be paying more. This is contradictory to the equity that is inherent in Calgary's current taxation system today and adopting any options considered in this report could lead to more inequities in the future.

Many targeted subclass models have the same adverse impact to vertical and horizontal equity as most would not apply to all who are experiencing increases and require those with small increases, no change or decreases to directly subsidize those who are eligible for a subclass assigned a lower tax rate to varying extents. It is also possible that those that are benefiting from a subclass are disproportionally benefitting as they have the same access to municipal services as those who are in a different subclass with a higher tax rate. A targeted subclass could also lead to properties that qualify or are expected to qualify to be more desirable than others which are not eligible, which does not adhere to the neutrality principle. Given that a property would have to meet certain criteria to qualify for a subclass assigned a lower tax rate, this could also harm the stability & predictability principle by introducing moving goal posts which The City would have to manage year over year to ascertain expected revenues for the different non-residential subclasses and incur additional administration costs as a result. This is especially the case with the subclass options based on value ranges or that are designed to address the changing market trends for a specific group of properties. However, because subclasses are designed to generate the same amount of tax revenue for a single property class, overall revenues would not fluctuate year-over-year. While overall tax revenues for The City may remain stable, individual property owners could still experience less stability and predictability due to potential year-over-year fluctuations in their tax bills. Depending on the number and types of subclasses that exist, the tax system could also become far from clear and simple, adding complexity that could be difficult for the average taxpayer to comprehend.

Moreover, all the subclass options discussed herein could contradict the Accountability/Simplicity/Transparency as well as the Efficiency/Ease of Administration principles. Any of the subclass options discussed, regardless of the eligibility criteria would be a drastic shift from the current taxation system in place in Calgary and would increase the complexity of the taxation system. Calgary has a relatively simple taxation system compared to major cities across Canada and increasing the current complexities of the system would require The City to allocate more resources as taxpayers come to understand the new system. This could include (but is not limited to) potential increases in complaints, additional educational resources, and increasing staffing requirements to provide communication support for 311 service requests, emails, phone calls, and counter visits.

Adopting any of the subclass options discussed in this report, if enabled through provincial legislation, would also require the Assessment and Tax, and Finance business units to allocate additional resources to establish and administer multiple non-residential tax rates, as opposed to the single non-residential tax rate under the current system. Given the complexities of determining what the tax rate differential would be for each subclass in order to collect the same tax revenue for the non-residential class as a whole, this would require additional FTEs in addition to the required capital investments in The City's systems to administer a system of non-residential subclasses. This would lead to capital cost increases with benefits for only some of Calgary's taxpayers. Depending on what kind of non-residential subclasses are created, it's possible that only a small portion of properties would see a benefit. For example, if a highly targeted subclass was developed to provide tax relief to one specific sub-property type, such as golf courses or designated historical properties, a tremendous increase in administrative costs might not be justified if only a small subsection of properties benefit.

Presumably, taxpayers would also need to adopt the changes to the new system. This could include (but is not limited to) requiring property owners to restructure their lease agreements, hiring tax agencies to understand or negotiate assessments, and deploying systems to manage and forecast changes in tax responsibilities.

The above is consistent with the literature on property tax policy, where the three common concerns with variable taxation models in general are: they create inequities, weaken the link

between current assessment and taxation, and once implemented, can be difficult to remove.[23] All of which could hold true for all options presented in this report. This highlights that while the use of non-residential subclasses could have supported those who were most acutely affected by the downtown tax shift, implementing subclasses would increase operating cost, potentiality in perpetuity if there's a desire to expand the number of subclasses in future years. While subclasses could be used to offer support to those adversely impacted, it could lead to an overall increase in operating costs and thus increase revenue required from property taxes, increasing tax responsibilities for both non-residential and residential taxpayers in Calgary.

Despite the drawbacks noted above, the use of non-residential subclasses could prove to be a viable systemic alternative to the Phased Tax Program that was utilized by The City through the height of the downtown tax shift for multiple years. Several of the subclass options discussed in this report would likely have addressed the volatility experienced by some taxpayers resulting from the shift in tax responsibilities. While this would erode the principles discussed earlier in some, or many, ways, it would likely be a more financially viable alternative to a Phased Tax Program to address year-over-year volatility. Calgary's Phased Tax Programs were resourced through various program funds, municipal reserves, and eventually savings generated through budget adjustments. Whereas the deficit created when a subclass with a lower tax rate assigned to a group of properties would be directly recovered through a tax increase on the remaining tax base within the same class. As such, subclasses could serve to reduce the strain on municipal reserves and assist in mitigating potential service impacts resulting from budget adjustments intended to fund tax relief programs.

Subclasses could also increase predictability from a taxpayer's perspective as they could anticipate the impact any changes in assessment value would have on their tax responsibilities when they receive an updated assessment notice showing the subclass assigned to their property, unlike the Phased Tax Program which was more of a reactionary tool that was adopted after Council approved the tax rates in most years the program was used. While potentially offering some predictability, the subclass options discussed in this report wouldn't have necessarily eliminated the "Bow Wave" effect felt by some taxpayers. However, because the tax rates assigned to each subclass could be adjusted on an annual basis, a subclass tax rate phasing strategy could be adopted to potentially lessen the impacts of the "Bow Wave".

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[23] Kitchen, Harry, Enid Slack and Tomas Hachard. Property Taxes in Canada: Current Issues and Future Prospects. 2019. May 2021. <https://tspace.library.utoronto.ca/bitstream/1807/98034/1/Perspectives-27-Kitchen-Slack-Hachard-Property-Tax-Issues-Prospects.pdf>.

However, careful monitoring of year-over-years changes to property values and adjusting the tax rates assigned to each subclass to address tax volatility caused by previous years' subclass tax rate decisions would still be required.

Since 2015, the downtown tax shift appears to have stabilized and has now been largely redistributed to the remaining non-residential properties. This redistribution, dictated by market conditions, is unlikely to reoccur in Calgary to the same extent. Prior to this redistribution, a single industry occupied a significant portion of Calgary's Downtown properties. An economic downturn in that industry just as new properties were introduced into the mix, reduced the demand for that type of space. While non-residential subclasses could have been used to address this shift, developing a solution for this unique set of circumstances that is unlikely to repeat to the same degree as in 2015 and could cause new issues in the future may not be justified.

Despite the recent volatility experienced by non-residential properties in Calgary, annual property assessments are considered one of the most effective tools to address volatility and maintain equity. Annual reassessments in market-value systems work to reduce the magnitude of tax increases that arise because of rapidly rising property values.[24] While the use of subclasses and other variable taxation strategies can serve to address tax volatility issues resulting from annual re-assessments, it introduces a new layer of complexity for taxpayers and local governments.

The implementation of non-residential subclasses that could serve as viable options for addressing tax volatility issues and for providing targeted tax relief in Calgary, would require some significant changes to Alberta's subclass legislation. As with all forms of variable tax rate systems, when property assessment subclasses are created, there will be winners and losers. Regardless of the design or intent of a subclass, some properties will benefit more than others. In Calgary the same tax rate is applied to all taxable properties within the non-residential assessment class. Implementing subclasses will introduce new forms of inequities that do not exist under the Calgary's current system. Should Council choose to pursue the legislative authority to implement new forms of subclasses, further to securing legislative authority, it would need to make value-based decisions that balance the trade-offs between the benefits and risks of using subclasses to assign lower tax rates to specific groups of properties in the non-

[24] Slack, Enid and Richard M. Bird. How to Reform the Property Tax: Lessons from around the World. August 2015. May 2021. <https://munkschool.utoronto.ca/imfg/uploads/325/1689_imfg_no.21_online_final.pdf>.

residential class. Additionally, Administration would require direction from Council to advocate for additional subclass powers from the province. Currently, the non-residential subclass options available to Alberta municipalities under the current legislation are highly restricted and none would have served as a viable option for addressing the tax volatility issues caused by the aforementioned downtown tax shift. Based on Council's direction, The City would have to invest time and resources to undertake such advocacy.

Property assessment subclasses are one of the tools that municipalities can use to achieve tax policy objectives. When subclasses are created, there will always be a group that benefits and a group that incurs the cost of those benefits. As such, a municipality needs to undertake the necessary research to identify the impacted parties, the extent of the impact and the potential consequences before creating subclasses and when assigning tax rates to those subclasses. A municipality also needs to have clear policy goals and understand how introducing a new subclass will impact those goals. Once subclasses are created, they must be continually monitored to ensure the subclasses are achieving their intended purpose and supporting current policy objectives.

6.0 Conclusion

Before developing or implementing non-residential subclasses, the following questions need to be considered:

- What is the intended purpose or problem to be solved?
- Do these decisions support policy objectives?
- Which properties should be benefit from a lower tax rate (the "winners") and why?
- Which properties should incur the costs of those benefits (the "losers")?
- How much tax responsibility should be shifted to properties not targeted for tax relief?
- If intended to provide temporary tax relief, how will the impact of the "bow wave" effect be reduced when values stabilize?

In order to evaluate which of the subclasses demonstrated in this report would be most effective for mitigating tax volatility arising from assessment changes, Council would need to consider its current goals and policy objectives. Council would also need to decide which properties should

receive tax relief, how much tax relief should be provided, and which properties should subsidize that tax relief.

Subclasses could be a useful tool if used strategically to address a clearly defined problem. The investigation shows that non-residential subclasses could potentially be useful and reduce costs for targeted properties; however, there are significant costs and limitations to be considered in weighing if subclasses are the best tool to address tax shift problems including enabling legislation, required capital expenditures, increased administrative costs, added complexity, reduced transparency, inequities, and financial and economic impacts. Before Council decides to implement non-residential subclasses, significant research and analysis should be undertaken in advance to proactively identify potential impacts. Once subclasses are implemented, there must be resources allocated to continually monitor them and evaluate if the subclasses are achieving their intended purpose.

Appendix 1: Summary of Available Non-Residential Property Assessment Subclasses

Regulation	Sub-Class	Definition	Tax Rate Restrictions
Matters Relating to Assessment Sub-Classes Regulation	"Small Business Property"	A property owned or leased by a business: (a) operating under a business licence or that is otherwise identified in a municipal bylaw, and (b) has fewer than (i) 50 full-time employees across Canada, or (ii) a lesser number of employees as set out in a municipal bylaw, on December 31 of the assessment year or an alternative date established by bylaw.	Rate may be 75% to 100% per cent of rate set for "other" non-residential property.
	"Vacant Non-Residential Property"	Not defined.	No restriction*
	"Other Non-Residential Property"	Property not classified as "vacant" or "small business" property.	No restriction
City of Calgary Charter	"Derelict"	Not defined. Must be applied generally across the City and not be specific to sites or areas within the City. Must be unoccupied for at least one year.	No restriction*
	"Contaminated"	Not defined. Evidence of contamination above thresholds defined in an applicable bylaw is required.	No restriction*

*Often, in other jurisdictions, tax rates for these sub-classes are higher than typical rates to incentivize development or remediation.

Appendix 2: Jurisdictional Scan

Non-Residential Assessment Subclasses:

The use of non-residential subclasses across Canada are not uncommon, however not all aim to reduce volatility and/or provide targeted tax relief. Below is a historical summary of several subclass strategies implemented in other Canadian jurisdiction that aim to reduce volatility and/or provide targeted tax relief, as referenced in this report.

Ontario:

Small Business Subclass

In 2020, the Government of Ontario announced its intentions to introduce a new small business subclass in the province's *Municipal Act* and the *City of Toronto Act*, which came into force in 2021. The purpose of the subclass was to provide more flexibility to municipalities seeking to provide targeted property tax relief to small businesses. The subclass was designed to support local small business development, growth sectors, as well as downtown and main street areas. According to Ontario's Municipal Property Assessment Corporation (MPAC), the subclass was also designed as a tool that municipalities could use to address tax shifts and offset losses of revenue resulting from extraordinary situations that businesses had no control over. Municipalities can either adopt a pre-determined criteria where qualifying properties would automatically be assigned to the small business subclass, implement an application process, or establish a hybrid model for administering the subclass. While there would be higher administration costs associated with an application-based approach, the eligibility criteria wouldn't necessarily have to be limited to information that is readily available and easy to monitor. For example, a municipality may have no mechanism to determine how many employees a business has. If one of the eligibility requirements in a small business subclass bylaw imposes a limit on the number of employees, a municipality could use an application-based approach to obtain that information.

The subclass can be applied to commercial and industrial properties but excludes properties that are assigned to the large industrial (industrial property with a building area greater than 125,000 square feet), vacant land and parking lot assessment classes. Municipalities can set the subclass tax rate up to 35% below the municipal rate for the property class it is applied to. The attributes that municipalities can use to define the subclass include, tax class, site area, total floor area, property code (i.e. property use), structure code (i.e. type of building or area

within a building), current value assessed and/or change in current value assessment. Municipalities also have the option of assigning the subclass to defined geographical boundaries.

After Ontario's new subclass legislation came into force in 2021, many municipalities started to explore potential small business definitions and potential eligibility requirements with the goal of implementing the new subclass in 2022. In 2022, a number of these municipalities implemented a small business subclass in accordance with the new legislation. As is the case in Alberta, each municipality has a unique assessment base. The volume and types of properties as well as location and local demographics are among many of the attributes that a municipality needs to consider when determining the eligibility criteria for a small business or any form subclass. As such, the eligibility requirements for the small business subclass vary from municipality to municipality in Ontario.

The City of Ottawa

In April 2021, Ottawa City Council approved a Small Business subclass framework, which led stakeholder consultations and a policy proposal to their Finance Committee in October 2021. The City of Ottawa approved a 15% tax reduction to a "small business" class defined by a number of land use codes used by MPAC. Higher tax rates on larger commercial properties will offset lost revenues from the new subclass.

The City of Toronto:

In February 2021, Toronto City Council directed staff to conduct the analysis, program design and stakeholder consultations for a prospective small business property tax subclass. In August 2021, the City held public consultation on the potential subclass. In November 2021, the Toronto City Council approved a plan to provide a 15% tax reduction in 2022 to "small businesses" in Toronto, based on their assessment values. The current "tiered assessment" rates will no longer be used. For most of the city, the total assessed value must be below $1,000,000. However, in more expensive downtown and designated business corridors, the value can be up to $7,000,000, but the land size of the property must be less than 7,500 square feet. Higher tax rates on larger commercial properties will offset lost revenues from the new commercial subclass.

In February 2018, the City of Toronto passed a by-law adding a new property tax subclass for creative co-location facilities under the Commercial Residual and Industrial property tax classes. The Creative Co-Location Facilities Property Tax Subclass Designation enables Council to reduce property taxes by 50 per cent for some culture hubs and creative spaces. Properties must apply to be included in the subclass under one of the three defined categories: Tenant-Based Operating Model, Membership-Based Co-Working Model or Live Music Venues.

Nova Scotia:

Halifax

The *Halifax Regional Municipal Charter* provides Council with the authority to set different commercial tax rates based on designated areas, frontage, lot size, building area or any combination of these options. In February 2021, the Council of the Halifax Regional Municipality voted in favour of new rules meant to ease the tax burden on small businesses. Specifically, the program will provide “tiered tax relief” based on geographical area. The City will be creating commercial tax zones based on already established business and industrial parks. Zones containing mostly small, downtown businesses would have a lower tax rate, while zones containing mostly larger companies like big-box retailers would have a higher tax rate. The City’s Administration has been directed to draft a policy for the new tax system in time for the 2023/24 fiscal year. Halifax’s City Council must still vote on the final draft before it officially becomes law.

Appendix 3: Municipal Affairs Non-Residential Actual Use Codes

NON-RESIDENTIAL			
Actual Use Code	**Description**	**Actual Use Code**	**Description**
Vacant Industrial (VIND)		C10202	Lodging – limited service hotel
M0	Vacant industrial	C10203	Lodging – gallonage hotel
Industrial (IND)		C10204	Lodging - resort
M1	Improved industrial	C10205	Lodging – condominium
Vacant Commercial (VCOM)		C10206	Lodging – full service hotel
C0	Vacant commercial	C10207	Lodging – casino
P0	Vacant public service	C10208	Lodging – all suite / extended stay
Commercial – Retail (RET)		C10209	Lodging – boutique
C10000	Retail – unspecified	C10210	Lodging – work accommodations
C10101	Retail – stand alone	C10400	Pedway - unspecified
C10102	Retail – gas station	C10401	Pedway – plus fifteen
C10103	Retail – strip commercial	P100	Improved public service – unspecified
C10104	Retail – shopping centre	P101	Improved public service – recreational
C10105	Retail – regional shopping centre	**Commercial – Office (OFF)**	
C10106	Retail – power centre	C10300	Office – unspecified
C10107	Retail - parkade	C10301	Office – condominium
C10108	Retail – condominium	P102	Improved public service - institutional
C10109	Retail – fast food restaurant	**Special Purpose (SPEC)**	
C10110	Retail – major car dealership	######2	A code 2 in level 4
C10200	Lodging – unspecified		
C10201	Lodging – motel		

Source: Alberta Municipal Affairs' *2021 Recording and Reporting Information for Assessment and Equalized Assessment Manual* – Page 39

Appendix 4: Municipal Property Tax Impacts

4.1 Subclass Example 1 – Property Type

Unadjusted Municipal Tax Change (%)

		2018		2019		2020		2021	
	Median Municipal Tax Change	% of Properties	# of Properties	% of Properties	# of Properties	% of Properties	# of Properties	% of Properties	# of Properties
Industrial	≤ 0%	6.82%	341	9.86%	500	94.21%	4,917	8.76%	470
	> 0% to 5%	7.28%	364	8.61%	437	3.07%	160	34.37%	1,844
	> 5% to 10%	22.26%	1,113	12.91%	655	0.86%	45	36.03%	1,933
	> 10% to 15%	28.56%	1,428	17.84%	905	0.42%	22	12.08%	648
	> 15%	35.08%	1,754	50.78%	2,576	1.44%	75	8.76%	470
	Total	100.00%	5,000	100.00%	5,073	100.00%	5,219	100.00%	5,365
Office	≤ 0%	21.68%	552	20.77%	543	92.32%	2,441	36.11%	962
	> 0% to 5%	4.40%	112	3.98%	104	2.84%	75	54.65%	1,456
	> 5% to 10%	22.47%	572	3.06%	80	1.48%	39	3.23%	86
	> 10% to 15%	10.80%	275	7.54%	197	0.98%	26	1.61%	43
	> 15%	40.65%	1,035	64.65%	1,690	2.38%	63	4.39%	117
	Total	100.00%	2,546	100.00%	2,614	100.00%	2,644	100.00%	2,664
Retail	≤ 0%	12.98%	390	10.59%	328	83.81%	2,641	55.84%	1,826
	> 0% to 5%	9.42%	283	8.40%	260	9.30%	293	22.87%	748
	> 5% to 10%	27.52%	827	9.08%	281	2.48%	78	9.66%	316
	> 10% to 15%	18.47%	555	16.54%	512	1.27%	40	4.13%	135
	> 15%	31.61%	950	55.39%	1,715	3.14%	99	7.49%	245
	Total	100.00%	3,005	100.00%	3,096	100.00%	3,151	100.00%	3,270
Other	≤ 0%	15.79%	386	9.00%	224	83.71%	2,143	28.91%	774
	> 0% to 5%	6.50%	159	4.70%	117	11.13%	285	55.51%	1,486
	> 5% to 10%	47.12%	1,152	7.95%	198	1.09%	28	7.21%	193
	> 10% to 15%	14.81%	362	20.76%	517	0.82%	21	1.83%	49
	> 15%	15.79%	386	57.59%	1,434	3.24%	83	6.54%	175
	Total	100.00%	2,445	100.00%	2,490	100.00%	2,560	100.00%	2,677

		2018		2019		2020		2021	
	Median Municipal Tax Change	% of Properties	# of Properties	% of Properties	# of Properties	% of Properties	# of Properties	% of Properties	# of Properties
All NR Properties	≤ 0%	12.84%	1,669	12.02%	1,595	89.45%	12,142	28.85%	4,032
	> 0% to 5%	7.06%	918	6.92%	918	5.99%	813	39.60%	5,534
	> 5% to 10%	28.19%	3,664	9.15%	1,214	1.40%	190	18.09%	2,528
	> 10% to 15%	20.16%	2,620	16.06%	2,131	0.80%	109	6.26%	875
	> 15%	31.74%	4,125	55.87%	7,415	2.36%	320	7.21%	1,007
	Total	100.00%	12,996	100.00%	13,273	100.00%	13,574	100.00%	13,976

EC2022-0780
Attachment 2

Subclass Adjusted Municipal Tax Change (%)

		2018		2019		2020		2021	
	Median Municipal Tax Change	% of Properties	# of Properties	% of Properties	# of Properties	% of Properties	# of Properties	% of Properties	# of Properties
Industrial	≤ 0%	11.16%	558	10.37%	526	87.89%	4,587	5.03%	270
	> 0% to 5%	15.88%	794	9.11%	462	8.05%	420	15.88%	852
	> 5% to 10%	33.18%	1,659	13.35%	677	1.65%	86	49.32%	2,646
	> 10% to 15%	17.40%	870	18.39%	933	0.65%	34	17.97%	964
	> 15%	22.38%	1,119	48.79%	2,475	1.76%	92	11.80%	633
	Total	100.00%	5,000	100.00%	5,073	100.00%	5,219	100.00%	5,365
Office	≤ 0%	17.52%	446	17.98%	470	95.54%	2,526	44.33%	1,181
	> 0% to 5%	3.50%	89	3.67%	96	1.21%	32	48.54%	1,293
	> 5% to 10%	3.69%	94	3.98%	104	1.21%	32	2.21%	59
	> 10% to 15%	13.16%	335	2.52%	66	0.45%	12	1.61%	43
	> 15%	62.14%	1,582	71.84%	1,878	1.59%	42	3.30%	88
	Total	100.00%	2,546	100.00%	2,614	100.00%	2,644	100.00%	2,664
Retail	≤ 0%	19.27%	579	11.30%	350	74.74%	2,355	46.09%	1,507
	> 0% to 5%	13.44%	404	8.24%	255	13.61%	429	22.63%	740
	> 5% to 10%	32.45%	975	9.40%	291	5.68%	179	16.61%	543
	> 10% to 15%	13.41%	403	16.83%	521	2.22%	70	5.72%	187
	> 15%	21.43%	644	54.23%	1,679	3.74%	118	8.96%	293
	Total	100.00%	3,005	100.00%	3,096	100.00%	3,151	100.00%	3,270
Other	≤ 0%	19.10%	467	9.32%	232	79.30%	2,030	20.40%	546
	> 0% to 5%	8.59%	210	5.18%	129	12.07%	309	35.11%	940
	> 5% to 10%	54.19%	1,325	8.71%	217	3.91%	100	34.18%	915
	> 10% to 15%	7.61%	186	23.61%	588	0.98%	25	3.29%	88
	> 15%	10.51%	257	53.17%	1,324	3.75%	96	7.02%	188
	Total	100.00%	2,445	100.00%	2,490	100.00%	2,560	100.00%	2,677

		2018		2019		2020		2021	
	Median Municipal Tax Change	% of Properties	# of Properties	% of Properties	# of Properties	% of Properties	# of Properties	% of Properties	# of Properties
All NR Properties	≤ 0%	15.77%	2,050	11.89%	1,578	84.71%	11,498	25.07%	3,504
	> 0% to 5%	11.52%	1,497	7.10%	942	8.77%	1,190	27.37%	3,825
	> 5% to 10%	31.19%	4,053	9.71%	1,289	2.92%	397	29.79%	4,163
	> 10% to 15%	13.80%	1,794	15.88%	2,108	1.04%	141	9.17%	1,282
	> 15%	27.72%	3,602	55.42%	7,356	2.56%	348	8.60%	1,202
	Total	100.00%	12,996	100.00%	13,273	100.00%	13,574	100.00%	13,976

4.2 Subclass Example 2 – Location

Unadjusted Municipal Tax Change (%)

		2018		2019		2020		2021	
	Median Municipal Tax Change	% of Properties	# of Properties	% of Properties	# of Properties	% of Properties	# of Properties	% of Properties	# of Properties
Downtown	≤ 0%	26.96%	251	35.99%	339	94.74%	900	52.65%	507
	> 0% to 5%	6.77%	63	17.30%	163	2.11%	20	28.56%	275
	> 5% to 10%	38.45%	358	10.93%	103	1.26%	12	10.38%	100
	> 10% to 15%	17.19%	160	7.22%	68	0.63%	6	2.49%	24
	> 15%	10.63%	99	28.56%	269	1.26%	12	5.92%	57
	Total	100.00%	931	100.00%	942	100.00%	950	100.00%	963
Non-Downtown	≤ 0%	11.75%	1,418	10.19%	1,256	89.05%	11,242	27.09%	3,525
	> 0% to 5%	7.09%	855	6.12%	755	6.28%	793	40.41%	5,259
	> 5% to 10%	27.40%	3,306	9.01%	1,111	1.41%	178	18.66%	2,428
	> 10% to 15%	20.39%	2,460	16.73%	2,063	0.82%	103	6.54%	851
	> 15%	33.37%	4,026	57.95%	7,146	2.44%	308	7.30%	950
	Total	100.00%	12,065	100.00%	12,331	100.00%	12,624	100.00%	13,013

		2018		2019		2020		2021	
	Median Municipal Tax Change	% of Properties	# of Properties	% of Properties	# of Properties	% of Properties	# of Properties	% of Properties	# of Properties
All NR Properties	≤ 0%	12.84%	1,669	12.02%	1,595	89.45%	12,142	28.85%	4,032
	> 0% to 5%	7.06%	918	6.92%	918	5.99%	813	39.60%	5,534
	> 5% to 10%	28.19%	3,664	9.15%	1,214	1.40%	190	18.09%	2,528
	> 10% to 15%	20.16%	2,620	16.06%	2,131	0.80%	109	6.26%	875
	> 15%	31.74%	4,125	55.87%	7,415	2.36%	320	7.21%	1,007
	Total	100.00%	12,996	100.00%	13,273	100.00%	13,574	100.00%	13,976

Subclass Adjusted Municipal Tax Change (%)

		2018		2019		2020		2021	
	Median Municipal Tax Change	% of Properties	# of Properties	% of Properties	# of Properties	% of Properties	# of Properties	% of Properties	# of Properties
Downtown	≤ 0%	22.88%	213	35.99%	339	96.53%	917	55.24%	532
	> 0% to 5%	4.30%	40	14.86%	140	1.37%	13	28.97%	279
	> 5% to 10%	7.09%	66	16.88%	159	0.63%	6	8.41%	81
	> 10% to 15%	38.35%	357	10.83%	102	0.95%	9	2.80%	27
	> 15%	27.39%	255	36.31%	342	0.53%	5	4.57%	44
	Total	100.00%	931	100.00%	942	100.00%	950	100.00%	963
Non-Downtown	≤ 0%	12.81%	1,545	10.96%	1,351	86.22%	10,885	23.38%	3,043
	> 0% to 5%	7.95%	959	6.65%	820	8.17%	1,032	37.67%	4,902
	> 5% to 10%	30.81%	3,717	9.38%	1,157	1.96%	248	22.70%	2,954
	> 10% to 15%	17.73%	2,139	28.12%	3,467	0.85%	107	8.16%	1,062
	> 15%	30.71%	3,705	44.89%	5,536	2.79%	352	8.08%	1,052
	Total	100.00%	12,065	100.00%	12,331	100.00%	12,624	100.00%	13,013

		2018		2019		2020		2021	
	Median Municipal Tax Change	% of Properties	# of Properties	% of Properties	# of Properties	% of Properties	# of Properties	% of Properties	# of Properties
All NR Properties	≤ 0%	13.53%	1,758	11.68%	1,550	86.95%	11,802	25.58%	3,575
	> 0% to 5%	7.69%	999	7.23%	960	7.70%	1,045	37.07%	5,181
	> 5% to 10%	29.11%	3,783	9.91%	1,316	1.87%	254	21.72%	3,035
	> 10% to 15%	19.21%	2,496	26.89%	3,569	0.85%	116	7.79%	1,089
	> 15%	30.47%	3,960	44.29%	5,878	2.63%	357	7.84%	1,096
	Total	100.00%	12,996	100.00%	13,273	100.00%	13,574	100.00%	13,976

4.3 Subclass Example 3 – Small Business Subclass

Unadjusted Municipal Tax Change (%)

		2018		2019		2020		2021	
	Median Municipal Tax Change	% of Properties	# of Properties	% of Properties	# of Properties	% of Properties	# of Properties	% of Properties	# of Properties
Small Business	≤ 0%	7.39%	318	6.05%	267	95.02%	4,277	26.00%	1,230
	> 0% to 5%	7.30%	314	5.19%	229	2.95%	133	38.77%	1,834
	> 5% to 10%	25.97%	1,117	8.99%	397	0.73%	33	23.97%	1,134
	> 10% to 15%	25.41%	1,093	23.64%	1,044	0.40%	18	6.95%	329
	> 15%	33.92%	1,459	56.14%	2,479	0.89%	40	4.31%	204
	Total	100.00%	4,301	100.00%	4,416	100.00%	4,501	100.00%	4,731
Non-Small Business	≤ 0%	15.54%	1,351	14.99%	1,328	86.69%	7,865	30.31%	2,802
	> 0% to 5%	6.95%	604	7.78%	689	7.49%	680	40.02%	3,700
	> 5% to 10%	29.29%	2,547	9.22%	817	1.73%	157	15.08%	1,394
	> 10% to 15%	17.56%	1,527	12.27%	1,087	1.00%	91	5.91%	546
	> 15%	30.66%	2,666	55.73%	4,936	3.09%	280	8.69%	803
	Total	100.00%	8,695	100.00%	8,857	100.00%	9,073	100.00%	9,245

		2018		2019		2020		2021	
	Median Municipal Tax Change	% of Properties	# of Properties	% of Properties	# of Properties	% of Properties	# of Properties	% of Properties	# of Properties
All NR Properties	≤ 0%	12.84%	1,669	12.02%	1,595	89.45%	12,142	28.85%	4,032
	> 0% to 5%	7.06%	918	6.92%	918	5.99%	813	39.60%	5,534
	> 5% to 10%	28.19%	3,664	9.15%	1,214	1.40%	190	18.09%	2,528
	> 10% to 15%	20.16%	2,620	16.06%	2,131	0.80%	109	6.26%	875
	> 15%	31.74%	4,125	55.87%	7,415	2.36%	320	7.21%	1,007
	Total	100.00%	12,996	100.00%	13,273	100.00%	13,574	100.00%	13,976

Subclass Adjusted Municipal Tax Change (%)

		2018		2019		2020		2021	
	Median Municipal Tax Change	% of Properties	# of Properties	% of Properties	# of Properties	% of Properties	# of Properties	% of Properties	# of Properties
Small Business	≤ 0%	62.92%	2,706	6.43%	284	94.71%	4,263	23.38%	1,106
	> 0% to 5%	18.14%	780	4.78%	211	3.15%	142	38.66%	1,829
	> 5% to 10%	9.39%	404	8.36%	369	0.80%	36	26.08%	1,234
	> 10% to 15%	4.86%	209	22.03%	973	0.38%	17	7.42%	351
	> 15%	4.70%	202	58.40%	2,579	0.96%	43	4.46%	211
	Total	100.00%	4,301	100.00%	4,416	100.00%	4,501	100.00%	4,731
Non-Small Business	≤ 0%	14.63%	1,272	14.27%	1,264	85.40%	7,748	28.72%	2,655
	> 0% to 5%	6.11%	531	7.67%	679	7.91%	718	39.58%	3,659
	> 5% to 10%	13.39%	1,164	8.96%	794	1.85%	168	15.92%	1,472
	> 10% to 15%	32.41%	2,818	12.00%	1,063	1.28%	116	6.41%	593
	> 15%	33.47%	2,910	57.10%	5,057	3.56%	323	9.37%	866
	Total	100.00%	8,695	100.00%	8,857	100.00%	9,073	100.00%	9,245

		2018		2019		2020		2021	
	Median Municipal Tax Change	% of Properties	# of Properties	% of Properties	# of Properties	% of Properties	# of Properties	% of Properties	# of Properties
All NR Properties	≤ 0%	30.61%	3,978	11.66%	1,548	88.49%	12,011	26.91%	3,761
	> 0% to 5%	10.09%	1,311	6.71%	890	6.34%	860	39.27%	5,488
	> 5% to 10%	12.07%	1,568	8.76%	1,163	1.50%	204	19.36%	2,706
	> 10% to 15%	23.29%	3,027	15.34%	2,036	0.98%	133	6.75%	944
	> 15%	23.95%	3,112	57.53%	7,636	2.70%	366	7.71%	1,077
	Total	100.00%	12,996	100.00%	13,273	100.00%	13,574	100.00%	13,976

Calgary

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