

## 2023 Preliminary Assessment Roll, Tax Considerations & Communications

### Background

The purpose of this attachment is to provide a preliminary update on the preparation of the 2023 Assessment Roll to support Council's Service Plan and Budget deliberations. This update outlines market trends for residential and non-residential properties. The 2023 Assessment Roll will be finalized on 2022 November 17. This attachment also provides information about related forecasted tax rate considerations.

Communication strategies based on the budget-based approach are identified. The budget-based approach ensures that additional revenue is not created through the assessment system. Nevertheless, considerations on changes in assessed value can help to describe the economic environment in Calgary in 2022.

### What we're seeing

**Table 1: Overall changes by Property Type**

Property Type	*Overall Year-Over-Year Change in Market Value Trend	^Forecasted Physical Growth	*Preliminary Taxable Assessment Base Including Market Value Change plus Physical Growth
Single Residential	Increase of 14%		
Multi-residential	Increase of 14%		
Apartment Condominiums	Increase of 6%		
Townhouse Condominiums	Increase of 10%		
<b>Total Residential</b>	<b>Increase of 13%</b>	<b>Increase of 1.8%</b>	<b>\$260,814,700,000</b>
Office	Increase of 1%		
Retail	Increase of 8%		
Accommodation	Increase of 1%		
Industrial	Increase of 7%		
Vacant Land and Special Purpose	Increase of 5%		
<b>Total Non-Residential</b>	<b>Increase of 5%</b>	<b>Increase of 1.2%</b>	<b>\$58,339,500,000</b>

*\*Please note that these findings are preliminary and are subject to change. Variations will exist based on individual property assessments.*

*^Physical growth includes incremental assessment as a result of new properties created by subdivision and new construction (i.e., new buildings, additions, etc.), including redevelopment, and is forecasted based on housing starts and economic factors. Incremental tax revenues from physical growth are included within the financial projections for service plans and budgets.*

- **Single residential increases:** Preliminary estimates are showing a 14 per cent year-over-year increase in the single residential market. Demand continues to be higher in the suburban markets.
- **Moderate increases in the condominium and multi-residential markets:** Both apartment condominium and multi-residential properties are seeing moderate increases. Townhouses market values continue to be strong.
- **Increases in the retail markets:** Early indications suggest a continued recovery with growing investments and sales over the past year in the retail market.
- **Stability and some increases in the industrial sector:** Small warehouses have seen stable to minimal increases overall. There is still strong demand for mega warehouses and consistent demand for medium sized warehouses and newer builds, those constructed after 2000.
- **Office market stability:** The office market is showing signs of a turnaround with an expected slight increase in values. AA class downtown office space will see significant gains however, lower quality offices continue to experience high vacancy and will see a decrease in values.
- **Accommodation sector to see stability for 2023:** Hotel and motel market value assessments will see a slight increase as we begin to see the recovery from the pandemic. Early 2022 market activity has become much stronger and if this continues, we anticipate higher values in 2024, renewing optimism for this property type.

**Table 2: Hypothetical illustration of revenues that would be generated if property tax revenue were calculated using 2023 assessed values and 2022 tax rates (for illustrative purposes only)**

Rate-based approach (hypothetical) - In \$M	2022	2023F	Change
Residential Property Tax - 52%	\$1,060.7	\$1,224.5	\$163.9
Preliminary Residential Assessment	\$225,913.6	\$260,814.7*	-
<b>Residential Property Tax Rate**</b>	<b>0.0046950</b>	<b>0.0046950</b>	-
Non-Residential Property Tax - 48%	\$983.0	\$1,043.4	\$60.4
Preliminary Non-Residential Assessment	\$54,962.7	\$58,339.5*	-
<b>Non-Residential Property Tax Rate**</b>	<b>0.0178843</b>	<b>0.0178843</b>	-
Total Property Tax Collected***	\$2,043.6	\$2,267.9	\$224.3
Total Property Tax Required		\$2,163.1	
Over collection		\$104.8	
Municipal Tax Ratio (NR Tax Rate/Res Tax Rate)	3.81 : 1	3.81 : 1	

In a rising assessment value environment, there is potential for additional revenues to be generated over and above the amount required to fund services. This is not the recommended approach. In the budget-based approach, the final tax rate changes in order to collect the amount required to fund City services.

**Table 3: Illustration of 2023 tax rates using preliminary taxable assessment base**

Budget-based approach (current)- In \$M	2022	2023F	Change
Residential Property Tax – 52%	\$1,060.7	\$1,124.8	-
Preliminary Residential Assessment	\$225,913.6	\$260,814.7*	-
<b>Residential Property Tax Rate**</b>	<b>0.0046950</b>	<b>0.0043126</b>	<b>-8.1%</b>
Non-Residential Property Tax – 48%	\$983.0	\$1,038.3	-
Preliminary Non-Residential Assessment	\$54,962.7	\$58,339.5*	-
<b>Non-Residential Property Tax Rate**</b>	<b>0.0178843</b>	<b>0.0177976</b>	<b>-0.5%</b>
Total Property Tax Collected***	\$2,043.6	\$2,163.1	
Total Property Tax Required		\$2,163.1	
Difference		-	
Municipal Tax Ratio (NR Tax Rate/Res Tax Rate)	3.81 : 1	4.13 : 1	

\*2023 forecasted residential and non-residential assessments include forecasted market value change and physical growth.

\*\* Final tax rates will depend on the tax revenue budget approved by Council and the finalized assessments.

\*\*\*Does not include revenue from Farm Land also included in the Property Tax Bylaw.

The change in preliminary assessed values for residential and non-residential properties means a decrease in the tax rate overall for residential and non-residential property owners (although taxes paid would increase).

### Risks and benefits:

It should be noted that if communicating based on tax rate, such as in Table 3, taxpayers will have certainty sooner in the process as multi-residential and non-residential taxpayers will have information about their preliminary 2023 assessments in October, and residential taxpayers will have information in January (both are several months sooner than when tax bills are mailed in May in the year the taxes are collected).

The reader should be cautioned that changes in assessed values from year to year will provide dramatically different results and there will be future years where assessed values will decline. The focus on tax rates, in a revenue neutral system, will communicate tax rate increases in years where property values decline. This could create pressure to reduce budgets in the future.

Drawing a direct connection between approving a tax rate and anticipated assessed values may increase the number of inquiries and complaints to the Assessment Review Board as a direct connection to a reduction in tax responsibility. Assessment & Tax has made transformational change over the last few

years to be more customer service centric and collaborative with property owners. Increases in this type of activity likely will require more resources and may not align with the shift in the relationship Assessment & Tax is trying to build.

If Council wanted to redistribute 1 per cent property tax share from non-residential to residential, the following would be the overall result:

**Table 4: Illustration of adjusting 2023 tax rates and preliminary taxable assessment base to redistribute tax responsibility by 1%**

<b>Budget-based approach (current) – In \$M</b>	<b>2023F Maintain 52/48 res/non-res shares</b>	<b>2023F 53/47 res/non-res shares</b>	<b>Change</b>
Residential Property Tax	\$1,124.8	\$1,146.5	\$21.7
Preliminary Residential Assessment	\$260,814.7	\$260,814.7	
Residential Property Tax Rate**	<b>0.0043126</b>	<b>0.0043956</b>	1.9%
Non-Residential Property Tax	\$1,038.3	\$1,016.6	(\$21.70)
Preliminary Non-Residential Assessment	\$58,339.5	\$58,339.5	
Non-Residential Property Tax Rate**	<b>0.0177976</b>	<b>0.0174252</b>	-2.1%
Total Property Tax Collected	\$2,163.10	\$2,163.1	
Total Property Tax Required	\$2,163.10	\$2,163.1	
Difference	-	-	
Municipal Tax Ratio (NR Tax Rate/Res Tax Rate)	4.13 : 1	3.96 : 1	-3.9%

## Next Steps

Following the 2022 July 1 Property Assessment valuation date, Assessment & Tax is finalizing the 2023 Assessment Roll, collecting, and analysing market information to prepare assessments that will reflect market value, and working cross corporately to identify potential issues and strategies to reduce associated financial risks.

The 2023 Pre-Roll Consultation Period runs from 2022 October 3 – November 4 and is an opportunity for multi-residential and non-residential property owners to review their preliminary 2023 assessments, share new information about their property, and learn what the potential tax implications may be before assessments are finalized and mailed in January.

## Quick Facts

The following are quick facts to assist the reader if they wish to perform analysis on other scenarios:

1 per cent redistribution in property tax responsibility from non-residential taxpayers to residential taxpayers = \$20.3 million with the following impacts:

- Increase for the typical single residential home = \$46 per year (\$3.83 per month)
- Decrease for a non-residential property with an assessed value of \$5 million = \$1,952 per year

1 per cent inflation increase on total expenditures: \$42 million

1 per cent inflation increase on tax supported expenditures: \$34 million