2023 Tax Benchmarking

Executive Summary

Calgary is a large-scale municipality that provides a vast slate of services in return for taxes. These services, along with Calgary's position as an economic and business hub, attract businesses, residents, workers, and visitors. On a national scale, Calgary is comparable to Toronto, Ottawa, Vancouver, Winnipeg, and Edmonton for the similar population sizes, assessment value size, and service mixes that they offer. In the Calgary area, Calgary is benchmarked against Airdrie, Chestermere, Cochrane, Okotoks, and Rocky View County as direct regional neighbours with substantial mobility among residents, who may work in and visit Calgary often.

Assessment share – the division of value between residential and non-residential properties – falls in a similar range across most municipalities. Calgary's 2023 assessment share, at 82 per cent residential and 18 per cent non-residential, is in the middle of the range of national comparators and slightly above, but still within range, of regional comparators (except Rocky View County as an outlier). Though most regional comparator municipalities have a higher residential tax share than Calgary, they also have a significantly higher residential tax share, which enables the larger residential tax base to bear a higher proportion of the tax responsibility. To a lesser extent, this is also consistent across national comparators. In contrast, Calgary's municipal tax share is almost even between the residential and non-residential bases: 52 per cent residential and 48 per cent non-residential. This results in a small non-residential base carrying a higher tax responsibility, 2.7 times the size of their assessment share. The 2023 municipal non-residential to residential tax rate ratio also reflects this high responsibility at 4.26, the highest among all comparator municipalities. A non-residential property paid 4.26 times more than a residential property for the same assessed value.

Calgary has the fourth highest assessment value per capita, both residential and non-residential, after Vancouver, Rocky View, and Toronto. This measure allows for more direct comparisons, standardizing for city scale. Calgary's residential assessment per capita is $198K and non-residential is $44K. Higher assessment per capita enables the municipality to set lower property tax rates; however, this also depends on tax share. Edmonton and Ottawa have higher non-residential tax rates but a lower ratio than Calgary, and this is due to a more balanced tax share where the non-residential assessment share is more closely matched to the non-residential tax share.

Comparing municipal property tax dollars per square foot, Calgary is in the top-middle of the range across the four property categories: large industrial, big box retail, AA office, and standalone fast food. The largest change since 2021 has been in the big box retail category, where Calgary's tax dollar per square foot increased by 39 per cent. Though these measures provide examples of how different types of businesses are impacted by municipal property tax policy, they must be used with caution as each category uses an example property, and it is not an aggregated metric. In terms of median household income spent on taxes, Calgary and regional comparators all show that an average of 2 per cent of household income is spent on property taxes, which is on the lower end as compared to all other national comparators ranging as high as 8 per cent in Toronto.

Since 2022, Calgary's residential and non-residential assessment values have steadily increased with faster growth on the residential side leading to a residential assessment share that continues to creep higher. With the unchanged tax share at 52 residential/48 non-residential, the non-residential tax rate has increased, and the residential tax rate has decreased. With this trend, the tax rate ratio continues to approach the Municipal Government Act (MGA) limit of 5.

This report provides data on municipal property tax comparisons only and does not include the provincial education property tax. The provincial property tax is not within the policy scope of the municipality and its inclusion can over- or under-represent the impact of municipal property tax decisions.

Overview of Calgary's position nationally and regionally

The most influential factors for businesses making decisions regarding which jurisdiction they intend to operate in are based on intra-municipal and intra-regional differences, rather than inter-municipal and inter-regional differences[1]. That is to say, once a business makes a decision about operating in the Calgary area, it then weighs regional differences between regional comparator cities such as Airdrie, Chestermere, Cochrane, Okotoks, and Rocky View County, rather than national comparators such as Vancouver, Toronto, Winnipeg, or Edmonton. Municipalities in the Calgary area offer differing levels of service and have distinct competitive advantages. As such, there is value in benchmarking Calgary against its regional neighbours as well as the national comparators that have a similar population level, slate of services (e.g., transit system, recreational services), and size.

Different municipalities have a different service/tax mix, and this can create unquantifiable indirect benefits to residents. Likewise, their diverse geographic, demographic, and industry makeups enable them to offer business value propositions that would not be attainable in other municipalities.

Tax responsibility

The amount of property tax that is owed by residential and non-residential properties primarily depends on several factors: assessment value, tax revenue, and tax share. Tax rates are set by determining how much revenue is needed to fund government services and what share of that revenue will come from residential/non-residential bases. The tax rates for each group are then determined by what share is funded through residential properties and non-residential properties.

Comparison of assessment share, tax share, and tax rate ratio

In 2023, Calgary's residential properties made up 82 per cent of total assessed value, and non-residential properties make up the other 18 per cent. Calgary's residential properties pay 52 per cent of total taxes and non-residential properties pay 48 per cent.

Table 1: Comparison of 2023 assessment share, municipal tax share, and municipal tax rate ratios for regional and national comparators.

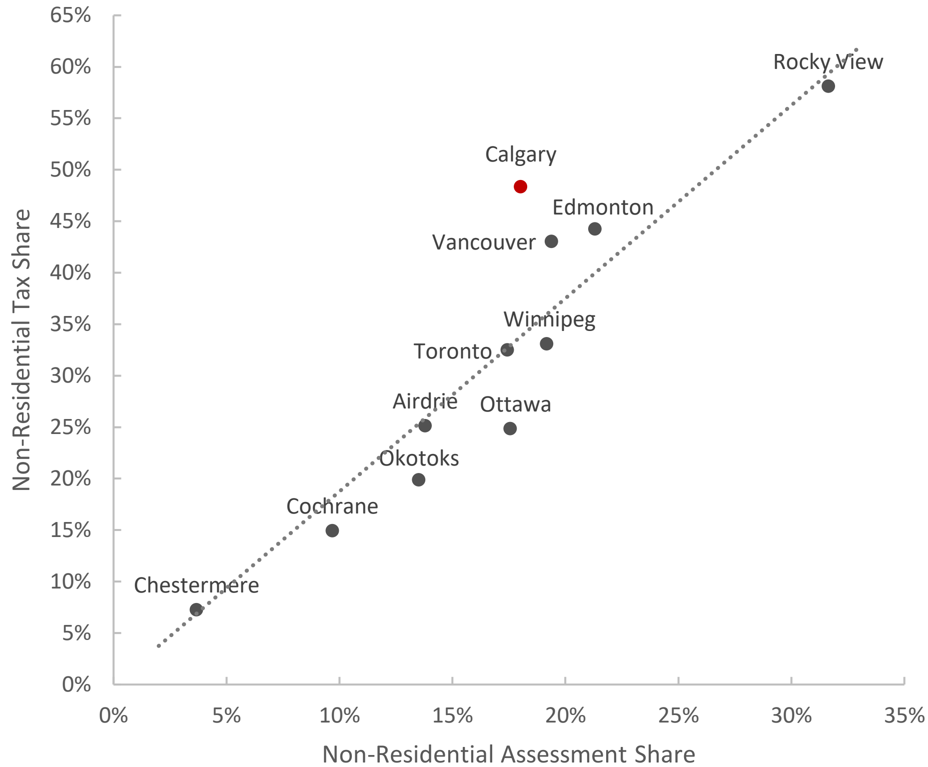
City	Comparison	2023 Residential Assessment Share	2023 Non-Residential Assessment Share	2023 Residential Tax Share	2023 Non-Residential Tax Share	Non-Residential to Residential Tax Rate Ratio
Calgary		82%	18%	52%	48%	**4.26**
Vancouver	National	81%	19%	57%	43%	**3.10**
Rocky View	Regional	68%	32%	42%	58%	**3.00**
Edmonton	National	79%	21%	56%	44%	**2.98**
Toronto	National	83%	17%	67%	33%	**2.51**
Airdrie	Regional	86%	14%	75%	25%	**2.10**
Winnipeg	National	81%	19%	67%	33%	**2.09**
Chestermere	Regional	96%	4%	93%	7%	**2.01**
Ottawa	National	82%	18%	75%	25%	**1.92**
Cochrane	Regional	90%	10%	85%	15%	**1.64**
Okotoks	Regional	86%	14%	80%	20%	**1.59**

With the exception of Rocky View County, regional municipalities surrounding Calgary have larger residential assessment shares than Calgary. This is partly the result of individuals residing in neighbouring municipalities, while having the opportunity to work in and enjoy the services offered by Calgary. Calgary provides services and job opportunities for Calgarians and regional neighbours; however, residents of neighbouring municipalities pay property tax dollars where they reside. Though Calgary is able to realize economies of scale in its service provision, it must continue to fund these services from its tax base in Calgary rather than its broader usage base. As such, neighbouring municipalities have lower non-residential assessment shares, though they are also able to maintain a lower non-residential tax share, which ultimately results in a lower ratio. Calgary's low non-residential assessment share, which is relatively on par with regional neighbours, and high non-residential tax share results in a significantly higher ratio than all comparators. This metric reflects the reality of levying a high level of taxation from a small (and shrinking) non-residential share.

Non-residential tax share vs. non-residential assessment share, and how Calgary compares

Calgary's 2023 tax rate ratio, 4.26, is the highest among comparator municipalities, meaning that non-residential properties pay 4.26 times what residential properties pay for the same assessed value. Nevertheless, to understand the proportionality of the assessment share to the tax share, and how Calgary compares to other municipalities, the size of the non-residential assessment share can be compared to the non-residential tax share. The below plot shows the tax space that the non-residential base is to fill. Further, it shows that on average, most municipalities follow a trend of their tax share being less than twice as big as their assessment share (on or below the trendline), but Calgary is the furthest above the trendline, meaning a larger tax space and a smaller base.

Figure 1: Relationship between municipalities' non-residential assessment share and their municipal non-residential tax share, 2023.



The trendline in Figure 1 represents the average proportion of the non-residential assessment share as compared to how much of the tax share they make up in their respective municipalities. The average non-residential tax share is 1.88 times the size of the assessment share, regardless of the dollar value of the base. The further above and away from the trendline the municipality falls, the greater the size of the tax share in proportion to the assessment share: a larger tax responsibility falls on a smaller assessment base.

Calgary is the greatest outlier, with a non-residential tax share that is 2.7 times the size of their non-residential assessment share. Vancouver (2.2 times) and Edmonton (2.1 times) have the next highest proportional tax responsibility. Ottawa is the lowest (1.4 times), with the non-residential tax share being only 1.4 times the size of their assessment share. Despite Rocky View County and Chestermere being outliers in the size of their assessment share (32 per cent and 4 per cent respectively), the size of their tax share is proportionally average and in line with the rest of the comparator cities.

Calgary is in line with other national comparators municipalities of similar sizes in terms of assessment value, coming in third after Toronto and Vancouver for total assessed value. As Calgary is the largest municipality among its regional neighbours, its total assessed value is more than tenfold the next highest regional comparator municipality, Rocky View County. In order to compare relative assessed value while standardizing city size and population, assessed value per capita can be used.

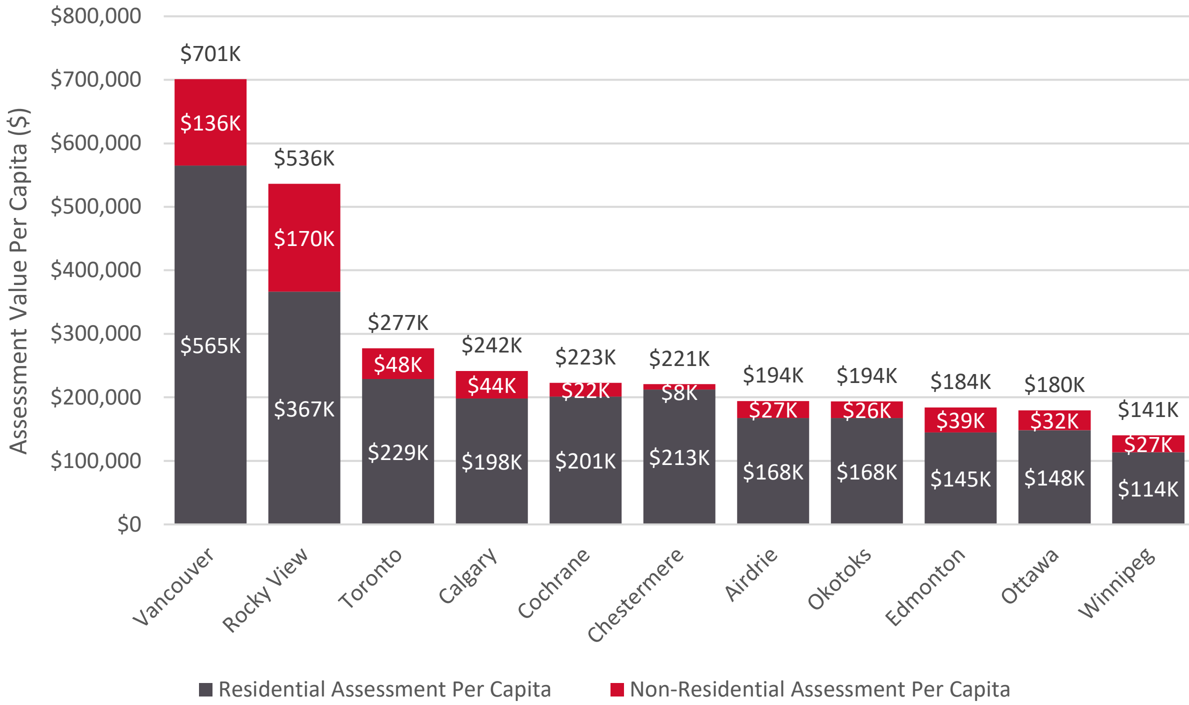
Assessment values per capita

The assessment value per capita benchmark provides a measure against which to compare the amount of dollar value per individual in each municipality while standardizing for city size.

However, the per capita benchmark must be used with caution as it relies heavily on population size, despite only approximately 7 out of 10 households owning their homes[1]. Further, this measure uses the value of non-residential assessment divided per capita, though it is important to note that non-residential property owners make up a smaller subset of the population and they also may overlap with the residential property owner population.

Figure 2 shows the share of residential and non-residential assessment value in each municipality, divided by that municipality's population. Note: population numbers are 2021 estimates and assessed values are from 2023.

Figure 2: 2023 residential and non-residential assessment values per capita, by municipality.



High per capita assessment values, such as in Vancouver and Rocky View County, enable the municipality to set lower tax rates to generate the same level of revenue. In Rocky View County in particular, where the assessed value per capita is high and the non-residential assessment share is large, the tax rate can be set low and it will still deliver a high tax revenue, as shown in the left plot below.

The relationship between tax dollars per capita, tax ratio, and tax rate

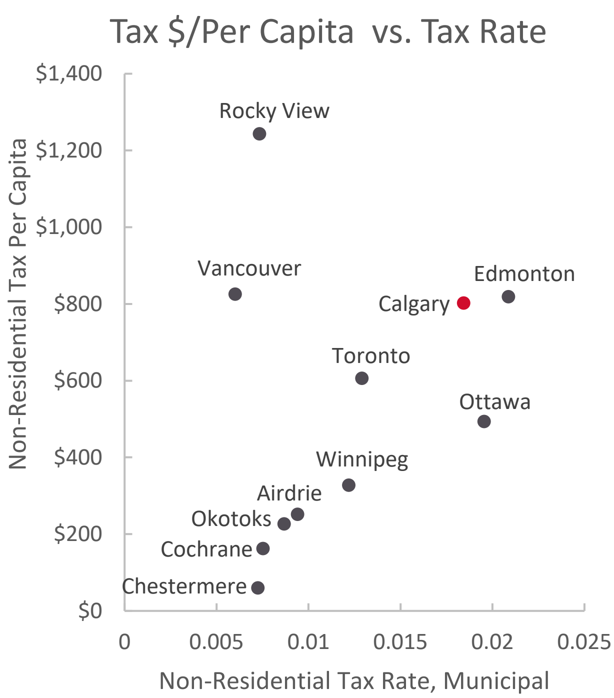
A municipality may have a high non-residential tax rate but lower ratio; this depends on how close the residential and non-residential tax rates are to each other. This is the case in

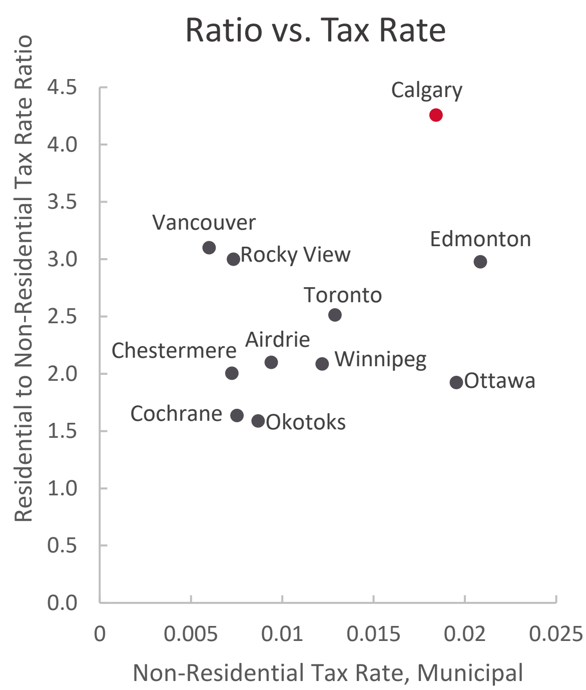
[1] City of Calgary (2021). "Data about Calgary's population." https://www.calgary.ca/research/population-profile.html

Edmonton and Ottawa as seen in the plot on the right. These municipalities fall to the right of Calgary, indicating a higher tax rate. However, their non-residential and residential tax rates have a smaller differential than Calgary's, and as such, their ratios are 3 and 1.9 respectively compared to Calgary's 4.26. Calgary's tax rate is average as compared to other national comparator municipalities, though it notably has the highest ratio, showing a high level of inequity between residential and non-residential bases. There is no "correct" or agreed-upon target for the ratio. The *Municipal Government Act* (MGA) sets a limit of 5 in Alberta. Literature on the topic frequently discusses fairness, and balancing non-residential property taxes with competitiveness, job growth and investment, and sustainability. Organizations such as AltusGroup, that regularly report on property tax across Canada, suggest that the ratio should not exceed 2[3]. It is important to note that AltusGroup uses a combined ratio that includes municipal and provincial rates, as compared to the municipal rates reported here. AltusGroup's combined ratio for Calgary is 3.36.

Figure 3: 2023 municipal non-residential tax per capita and municipal non-residential tax rates plotted against municipal residential to non-residential tax rate ratio.

The residential to non-residential tax rate ratio is used to show how many times more tax dollars a non-residential property pays as compared to residential properties, for the same assessed value.





Property tax per $1,000 of assessment

The residential and non-residential tax rate disparity in Calgary is substantial and reflected in the ratio. For the same assessment value, non-residential properties paid more than 4 times what non-residential properties paid in 2023.

The following graphs show the municipal property tax dollar amount per $1,000 of assessment value for Calgary and comparator municipalities.

Figure 4: 2023 Municipal residential property tax per $1,000 of assessment

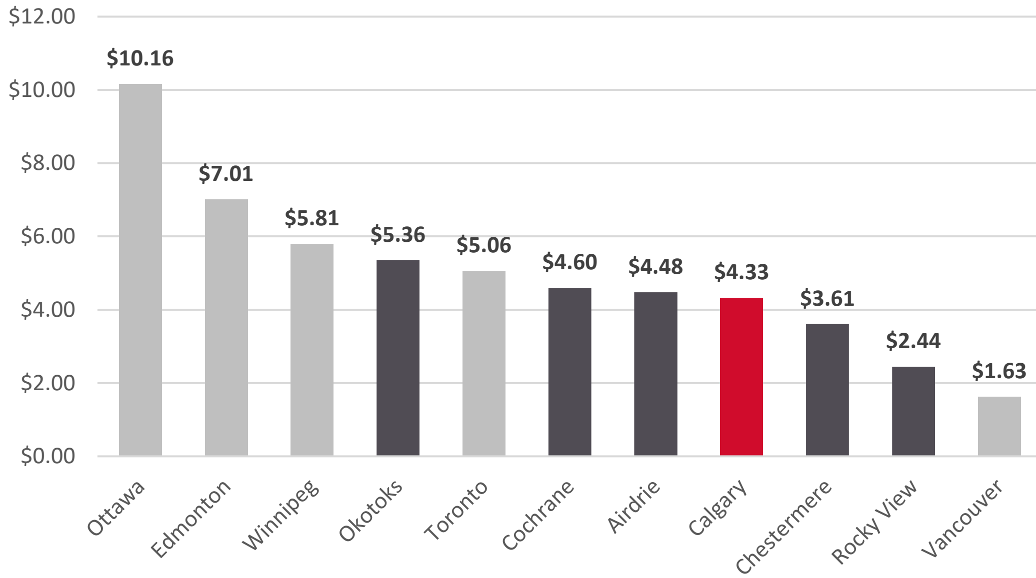
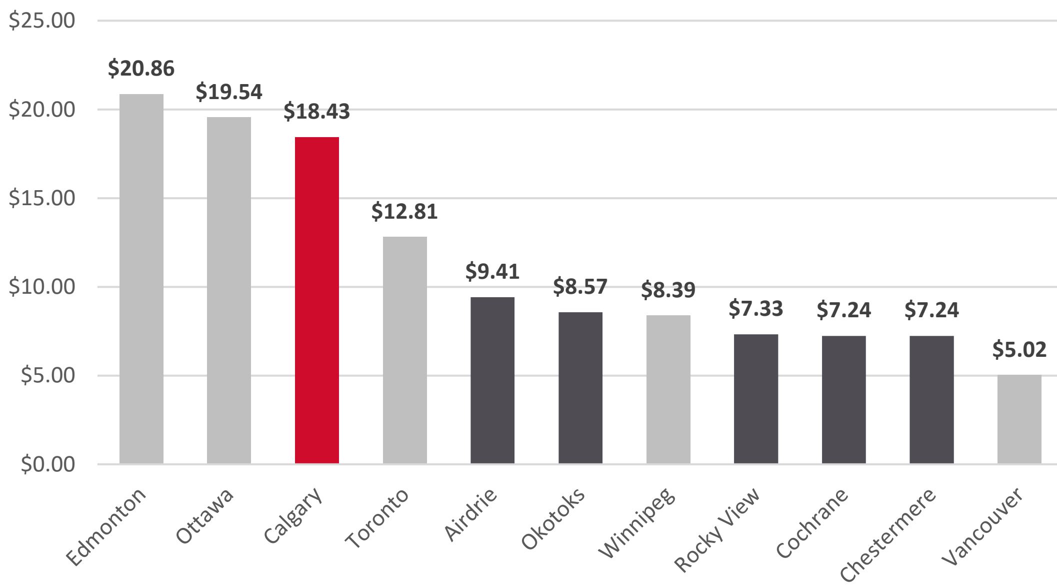


Figure 5: 2023 Municipal non-residential property tax per $1,000 of assessment



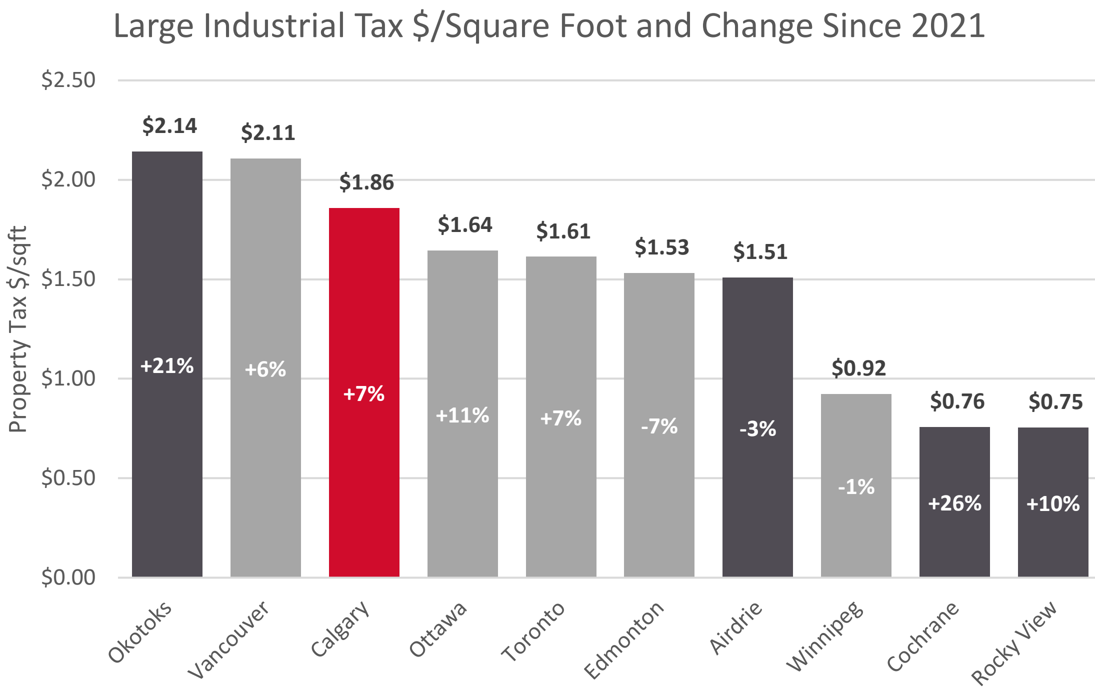
Calgary's residential tax responsibility is among the lowest of comparator municipalities and the non-residential tax responsibility is among the highest. Additionally, due to larger assessment values on average for non-residential properties, average non-residential property taxes owed are significantly larger than residential, on a per-property basis.

Tax $ per square foot

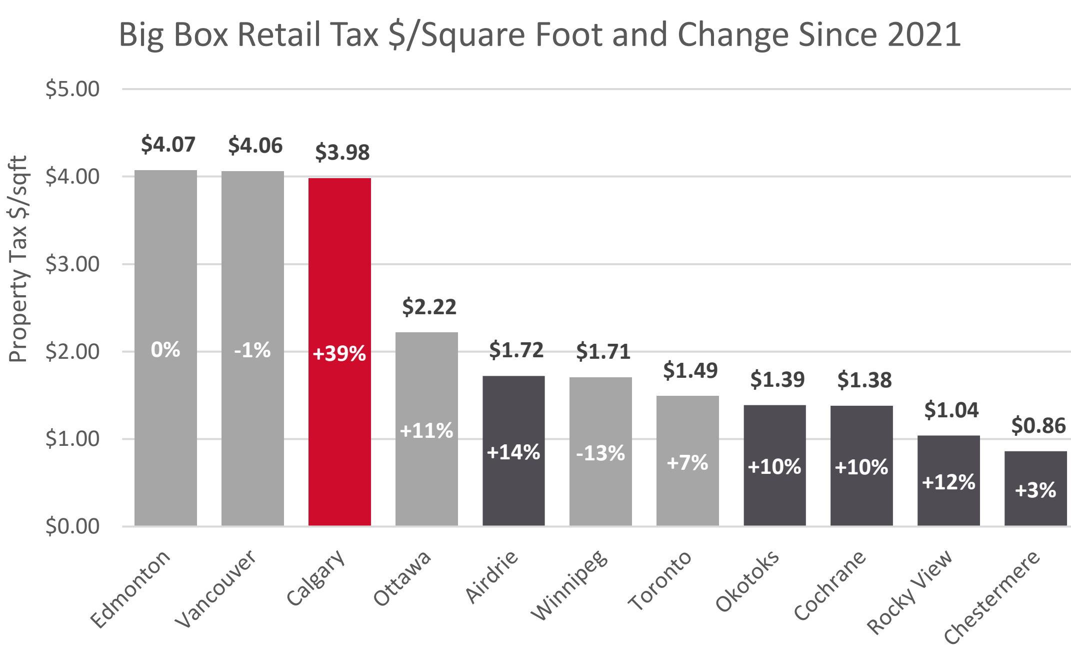
A comparison of property tax dollars per square foot across different categories can paint a picture of where Calgary is competitive with other jurisdictions, and how each sector changes over time. On its own, tax dollars per square foot is an insufficient indicator of tax competitiveness. This is due to the different compositions of each municipality and the sectors and industries that are prominent in that municipality. Where data is available, Calgary falls in the middle of the range, especially among national comparator cities. Regionally, Calgary is typically on the higher end of dollars per square foot, which is the result of Calgary's higher assessment values and their relatively high non-residential tax rates.

Figures 6 – 9: Comparison of 2023 municipal tax dollars per square foot across four non-residential property types (large industrial, big box retail, AA office, and standalone fast-food) and the change of the dollars per square foot value from the last comparison year, 2021.

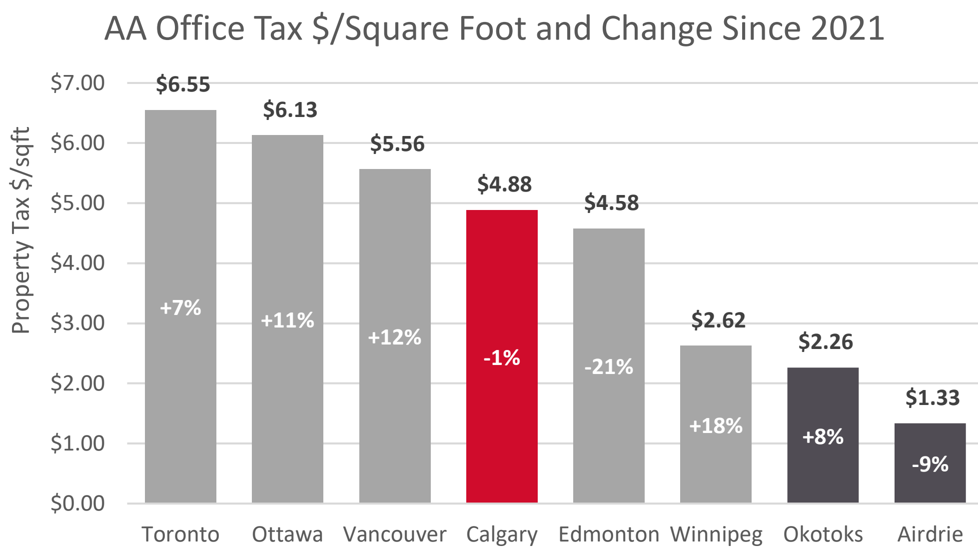
The data used to collect these values is through an example property in each comparator municipality, where available, across the four property types: large industrial, big box retail, AA office, and standalone fast-food. Where data was unavailable, which includes Chestermere, Cochrane, and Rocky View County, the values were omitted. Toronto and Ottawa's assessments have been frozen since 2016, and the values may not be an accurate picture of property values in these cities. The growth in property tax dollar per square foot for Toronto and Ottawa reflects the change in taxation over two years and does not consider property value change. The example properties were kept constant from 2021 to better reflect how the same properties have changed over time, which is an indicator of assessment value growth in a sector. Due to the unaggregated nature of the data, the utility is extremely limited.



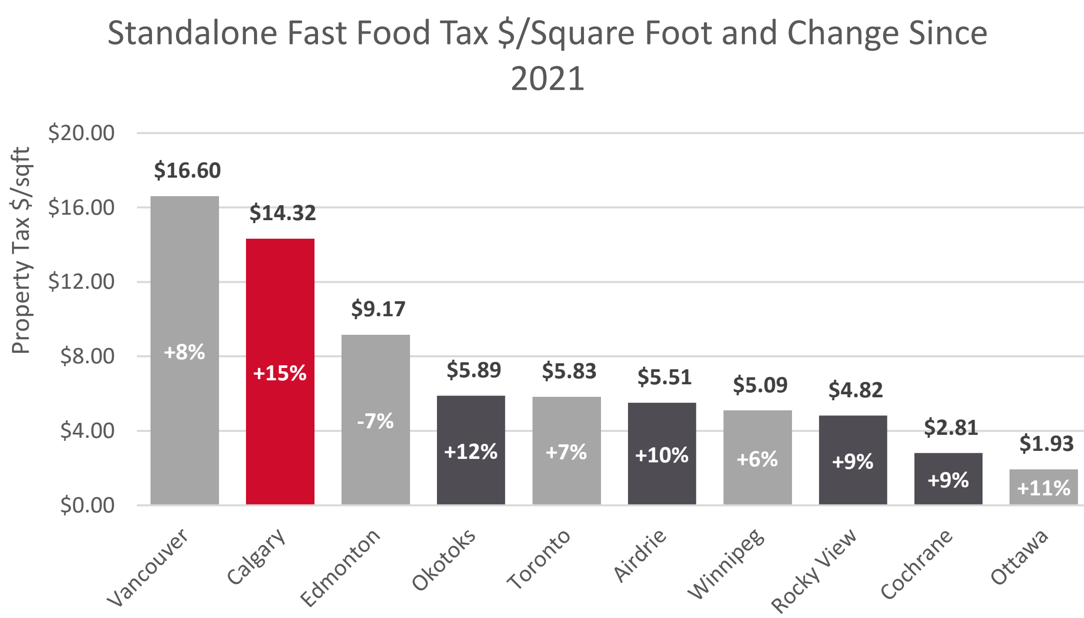
In the large industrial category, Calgary is competitive among both regional and national comparators. Calgary saw average growth in this measure since 2021 (7 per cent), which is also in line with other municipalities. Okotoks is an outlier: large industrial is the only category in which a regional comparator municipality has the highest dollar per square foot value. Calgary finds itself above the $1.45/square foot average among comparator cities in this category.



Despite a 39 per cent increase since 2021, Calgary remains competitive with other national comparators in the big box retail category. This disproportionate change may be a result of the valuation of this specific example property increasing significantly. Calgary finds itself at a higher dollar/square foot as compared to regional comparators.



Limited regional data in this category poses a challenge for interpreting where Calgary falls in the AA office category. Calgary's AA office category has dropped in assessment value since 2015. Toronto and Ottawa lead this category with their high office building valuations, followed closely by Vancouver. Calgary is sitting in the middle of the range for national comparators. Additionally, due to the different compositions of each municipality, AA Office may be most accurately compared with national comparators, rather than regional.



Calgary is on the high end of dollar per square foot in the standalone fast-food category, with the highest per cent increase over two years, 15 per cent. The average across all comparators is $8.03/square foot.

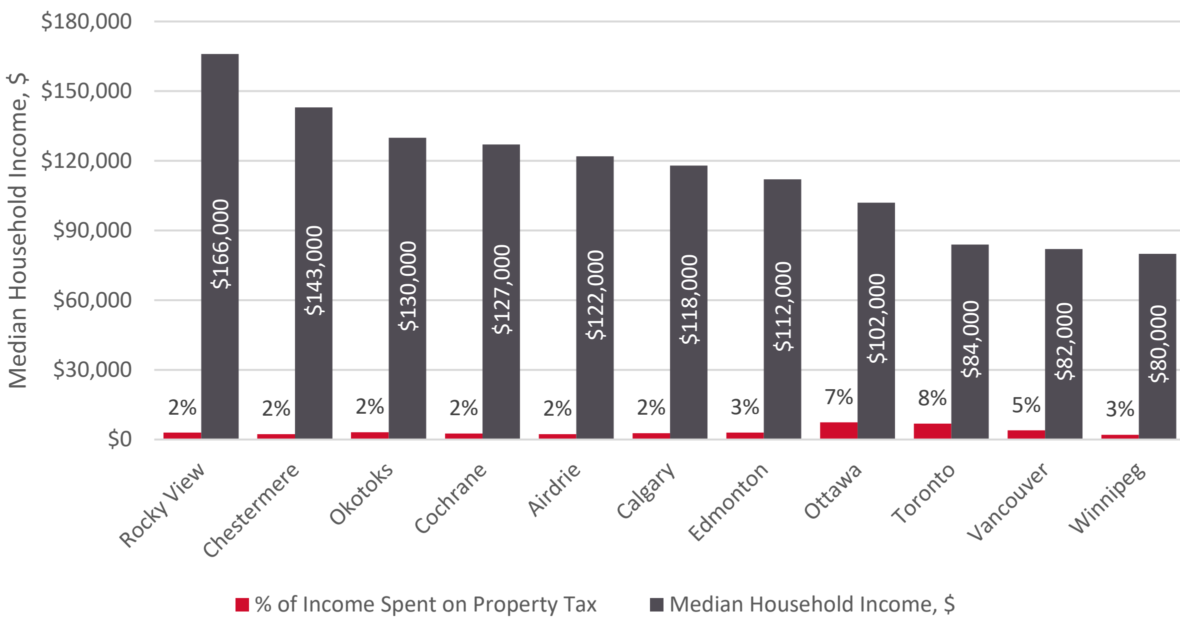
Calgary may be considered competitive with other national jurisdictions in all four categories of comparison. As Toronto and Ottawa's assessments have been frozen since 2016, the values may not be an accurate picture of property values in these cities. The growth in property tax dollar per square foot for these two cities reflects the change in taxation over two years and does not consider property value change. There are inherent differences in composition among regional municipalities; some may not have certain sectors developed, and contrarily may have a heavier focus on others. Therefore, it is difficult to use this metric reliably.

Residential property tax implications on households

On average, the median household in the Calgary area spends approximately 2 per cent of their income on municipal property taxes. Toronto and Ottawa have a higher percentage of income spent on property tax.

Figure 10: Median household income and per cent of median household income spent on municipal property tax per municipality, 2023.

The share of median household income that is spent on property tax in each municipality is represent in red, as compared to the median household income in that municipality.



Median income in the regional municipalities that neighbour Calgary is higher than Calgary's, though the percentage spent on property tax is consistent among these cities and more competitive than other national comparators. The 2 per cent of median household income spent on property tax in Calgary and area has remained relatively stable, as Toronto and Ottawa have seen slow increases.

Calgary benchmarked against itself

In considering the regional and compositional differences between municipalities, the most reliable benchmarking measure is to compare Calgary against itself over the years.

Table 2: Calgary municipal tax benchmarking in 2023 as compared to 2022.

The metric in red, non-residential to residential tax rate ratio, is of specific importance as the changes in other metrics (assessment share, assessment value) have resulted in the ratio approaching the Municipal Government Act limit of 5 and is currently the highest of all comparator municipalities.

	2022	**2023**	
Residential **Assessment Value**	$225,913,559,016	$258,699,494,988	↑
Non-Residential **Assessment Value**	$54,962,712,797	$56,883,119,726	↑
Non-Residential **Assessment Share**	20%	18%	↓
Residential **Assessment Per Capita**	$172,878	$197,967	↑
Non-Residential **Assessment Per Capita**	$42,060	$43,529	↑
Residential **Tax Value**	$1,060,664,160	$1,120,660,342	↑
Non-Residential **Tax Value**	$982,969,644	$1,048,549,299	↑
Residential **Tax Per Capita**	$812	$858	↑
Non-Residential **Tax Per Capita**	$752	$802	↑
Residential to Non-Residential **Tax Share**	52:48	52:48	–
Residential Tax **Rate**	0.004695	0.0043319	↓
Non-Residential Tax **Rate**	0.0178843	0.0184334	↑
Non-Residential to Residential Tax Rate **Ratio**	3.81	**4.26**	↑

Steady increases in most benchmarks show predictable growth in Calgary's residential and non-residential property values. Due to the faster growth in residential property values, and the corresponding increase in residential assessment share, the residential tax rate decreased in 2023. The non-residential assessment base saw a slower growth, and as such, the non-residential assessment share shrank, leading to an increase in non-residential tax rates. Due to the faster growth in the residential values, the non-residential assessment share fell from 20% to 18%, while the tax share has remained constant (52:48). Altogether, this has meant that a relatively smaller non-residential base is paying higher tax rates. The most notable change over the last year has been in the ratio, which is nearing the *Municipal Government Act* (MGA) limit of 5.