

Corporate Planning & Financial Services Report to
Executive Committee
2023 November 01

ISC: UNRESTRICTED
EC2023-1047

2024 Preliminary Assessment Roll and Related Estimates

PURPOSE

The purpose of this report is to provide preliminary information on the 2024 assessment roll, anticipated revenue-neutral and budgeted tax change impacts and tax share information.

PREVIOUS COUNCIL DIRECTION

Advance reporting on preliminary assessment roll information is provided pursuant to Financial Task Force recommendations #2, #4 and #27. This enables Council and Administration to be more responsive to economic conditions. Additional information about the distribution of tax responsibility between residential and non-residential properties is provided in accordance with Property Tax Policy Framework recommendations approved 2022 October 4 (EC2022-0649).

RECOMMENDATION:

The Executive Committee:

1. Forward this report to the 2023 November 7 Regular Meeting of Council; and
2. Recommends that Council receive this report for the Corporate Record to inform deliberations on Service Plans and Budget Adjustments in November.

RECOMMENDATION OF THE EXECUTIVE COMMITTEE, 2023 NOVEMBER 01:

That Council receive this report for the Corporate Record to inform deliberations on Service Plans and Budget Adjustments in November.

CITY MANAGER/GENERAL MANAGER COMMENTS

Carla Male, Chief Financial Officer and General Manager of Corporate Planning and Financial Services concurs with this report.

HIGHLIGHTS

- Every household and business in Calgary pays property tax directly or indirectly. Property tax accounts for around half of City operating revenues each year to fund City services Calgarians rely on.
- The *Municipal Government Act* (MGA) requires The City to assess properties annually for Council to approve a budget, including revenue required from property tax, to determine tax rates.
- Preliminary assessment information indicates that on average residential property values have increased 10% and non-residential property values have increased 2%.
- The current municipal property tax share between residential properties and non-residential properties is 52:48. This means that 48% of municipal property tax dollars is paid by 17% of assessed property values in Calgary.
- The tax rate ratio is one way to benchmark tax rates between municipalities. With the current tax share at 52:48, the tax rate ratio is forecasted to increase to 4.59:1, from 4.26:1 in 2023. This means for every dollar of assessed value, a non-residential property owner will pay 4.59 times as much as a residential property owner.

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Calgary's tax ratio is approaching the legislated maximum of 5:1 and is the highest among national and regional comparators.

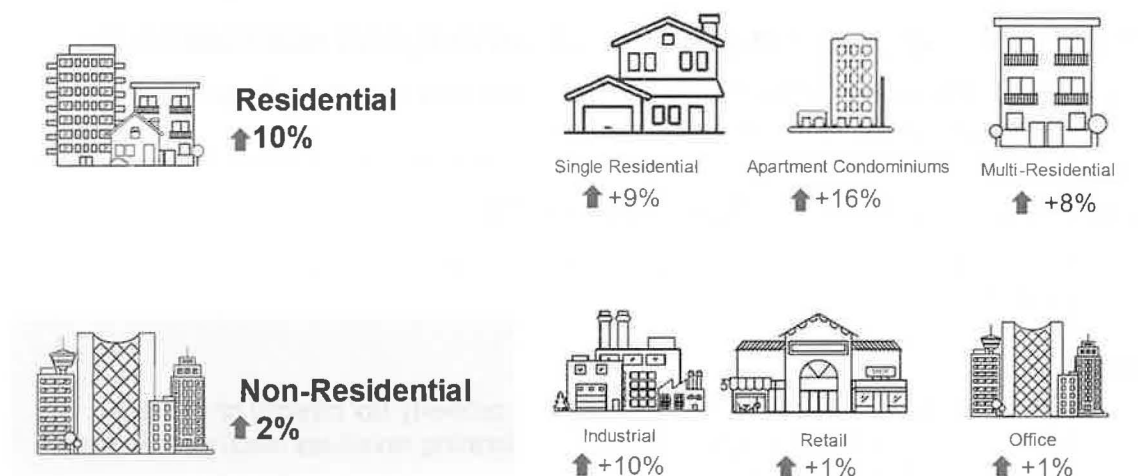
- Tax rates for 2024 will be dependant on Council's decisions during budget adjustments in 2023 November when Council approves any changes to overall revenues and investments, including the total revenue required from property tax and the tax distribution between the residential and non-residential classes.

DISCUSSION

The City assesses the value of all property in Calgary annually in accordance with MGA requirements. Property assessment information is a key input to the municipal property tax rate calculation and each individual property's assessed value is used to determine that property owners' property tax responsibility. Since Council uses the legislated and best practice budget-based approach to setting tax revenue requirements in accordance with MGA sections 355 and 356, assessment values are simply a mechanism for distributing tax responsibility. Changes in property value alone do not mean changes to a tax bill.

Detailed information on the annual assessment process and our revenue neutral tax system are provided in Attachments 1 and 2.

2024 Preliminary Assessment Roll



Preliminary assessment information helps The City to identify when we might see major shifts in tax responsibility between property types. Administration provides this information to support Council decision-making and enable greater responsiveness to economic conditions.

Preliminary 2024 assessment data indicates that overall property values have increased across all property types in both the non-residential and residential classes. Attachment 3 contains additional information on overall market changes by property type.

Attachment 4 provides illustrative of examples of preliminary assessment changes, revenue neutral tax changes (prior to budget adjustments) and estimated property tax impacts from the 2023-2026 Service Plans and Budgets approved last November for different types of properties.

Tax rates will also change depending on final assessment information and Council's decisions during budget adjustments this November on the total revenue required from property tax and

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the tax distribution between the residential and non-residential classes. Tax rates will be finalized in 2024 spring with the passing of the property tax bylaws.

2024 property assessment notices will be mailed on 2024 January 3.

Tax Share

Tax share refers to the percentage distribution of municipal property tax responsibility between residential and non-residential properties. Calgary's current tax share is 52/48. This means that estimated for 2024, 48 per cent of municipal property tax dollars collected in Calgary are paid by 17 percent of total assessed property values.

Tax Rate Ratio

The tax rate ratio refers to the ratio between the non-residential and residential tax rates. Section 358.1 in the MGA establishes a maximum tax rate ratio of 5:1 for the non-residential and residential tax rates. With the current municipal property tax share between residential properties and non-residential properties at 52:48, the tax rate ratio is forecasted to increase to 4.59:1. This means that for every dollar of assessed value, a non-residential property owner will pay 4.59 times as much as a residential property owner.

Based on historical assessment and tax data, Administration has further forecasted that there is a 40 per cent chance that Calgary's tax rate ratio will hit the legislative 5:1 maximum by 2026 with the current tax share.

The tax rate ratio is often used by industry to compare property taxes across jurisdictions. Benchmarking data shows that Calgary currently has the highest tax rate ratio among both regional and national big city comparators.

EXTERNAL ENGAGEMENT AND COMMUNICATION

- | | |
|---|---|
| <input type="checkbox"/> Public engagement was undertaken | <input type="checkbox"/> Dialogue with interested parties was undertaken |
| <input checked="" type="checkbox"/> Public/interested parties were informed | <input checked="" type="checkbox"/> Public communication or engagement was not required |

IMPLICATIONS

Social

Market value assessment is used because it is a fair, equitable, and transparent process based on the real estate market; however, The City recognizes that a fair and equitable distribution of tax responsibility does not always align with individuals' ability to pay. Increases in residential property tax costs incurred by homeowners and renters may compound current cost of living challenges faced by many Calgarians.

The Property Tax Assistance Program and the Alberta Seniors Property Tax Deferral Program will continue to assist eligible residential property owners experiencing financial hardship. Property tax exemptions are also provided to qualifying properties.

Environmental

N/A

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Economic

This preliminary assessment roll update is provided to Council and the public to inform tax related decisions. Consistent with Financial Task Force recommendations #4 and #27, this report provides as much information as possible on the distribution of the tax responsibility across property types and proactively provides Council and the public with information on anticipated tax changes, recognizing that tax implications of changes in the assessment base have external economic impacts and risks. The City of Calgary is the only major municipality to finalize the assessment roll before budget deliberations. This better informs Council in making Service Plans & Budget decisions in November, enabling individual property owners to estimate next year's municipal property taxes sooner than property owners in other major municipalities.

Service and Financial Implications

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

RISK

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

A high tax rate ratio is a negative signal for the business community because it indicates high property tax costs for businesses relative to residents. Businesses typically incur property tax increases directly due to high prevalence of leases where property tax flows through to tenants (triple-net leases) and this contributes to cost pressures that impact wage and job growth and the cost of goods and services.

Council's policy choice for tax rates becomes much more constrained and the non-residential property tax rate will be limited to 5 times the residential rate.

If Council were to redistribute the overall share of property taxes between non-residential property taxpayers to residential property taxpayers, this decision should be considered alongside any other overall changes to the property tax portion of the overall budget, to understand the combined impact on taxes for each assessment class. Increasing the tax share of residential properties would increase tax bills for many households that are also experiencing inflationary pressures. Increased property tax bills for homeowners experiencing financial hardship could increase uptake for the Property Tax Assistance Program administered through Fair Entry.

Assessment tribunal activity (i.e. formal complaints) may increase due to financial hardship, assessment changes, and new market information unknown to The City. This is mitigated by encouraging property owners to participate in the Pre-Roll Consultation Period and contact Assessment & Tax during the Customer Review Period after Assessment Notices are mailed on 2024 January 3.

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ATTACHMENTS

1. Property Assessment Process
2. Revenue Neutral Tax Explanation
3. 2024 Preliminary Assessment Roll
4. 2024 Illustrative Examples
5. Property Owner Engagement and Communications
6. Background and Previous Council Direction
7. Presentation

Department Circulation

General Manager/Director	Department	Approve/Consult/Inform
David Duckworth, CAO	City Manager's Office	Inform
Carla Male, GM	Corporate Planning & Financial Services	Approve
Eddie Lee, Director/City Assessor	Assessment & Tax	Approve
Tim Doruch, A/Director	Corporate Planning & Performance	Inform

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City Clerks: C. Doi / A. Degrood

