

Corporate Planning & Financial Services Report to
Executive Committee
2024 October 02

ISC: UNRESTRICTED
EC2024-0939

2025 Preliminary Assessment Roll and Related Estimates

PURPOSE

The purpose of this report is to provide preliminary information on the 2025 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:

Forward this report to the 2024 October 29 Regular Meeting of Council and Recommends that Council receive this report for the Corporate Record to inform deliberations on Mid-Cycle Adjustments to the 2023-2026 Service Plans and Budgets in November.

RECOMMENDATION OF THE EXECUTIVE COMMITTEE, 2024 OCTOBER 2:

That Council receive this report for the Corporate Record to inform deliberations on Mid-Cycle Adjustments to the 2023-2026 Service Plans and Budgets in November.

CITY MANAGER/GENERAL MANAGER COMMENTS

Preliminary assessment roll and related estimates are critical information for taxpayers on anticipated tax impacts and helps Council make informed decisions during the November deliberations on Mid-Cycle Adjustments to the 2023-2026 Service Plans and Budgets. Assessment information will continue to be refined until mid-November.

HIGHLIGHTS

- The anticipated growth in assessed values in Calgary is a result of Calgary being a destination of choice and the population growth in Calgary.
- Every household and business in Calgary pays property tax directly or indirectly accounting 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. This informs Council in approving a budget, including revenue required from property tax, to determine tax rates.
- Preliminary assessment information indicates that on average residential property values have increased 17% and non-residential property values have increased 6%.
- The 2025 municipal property tax share between residential properties and non-residential properties will be 54:46, while the assessment share between residential

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and non-residential properties will be 85:15. This means that 46% of municipal property tax dollars is paid by 15% of assessed property values in Calgary.

- In 2023, Council approved a 1% tax share shift per year over three years. With the 2025 tax share at 54:46, the estimated tax rate ratio will increase to 4.61:1 in 2025. This means for every dollar of assessed value, a non-residential property owner will pay 4.61 times as much as a residential property owner. As Calgary's tax rate ratio is approaching the legislated maximum of 5:1, Calgary may require a more substantial tax share shift in the future to ensure legislative compliance and achieve better balanced distribution of tax responsibilities between residents and businesses.
- Tax rates for 2025 will be dependant on Council's decisions during Mid-Cycle Adjustments in 2024 November when Council approves any changes to overall revenues and investments, including the total revenue required from property tax.

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 our revenue neutral tax system is provided in Attachment 2.

2025 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 2025 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.

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Attachment 4 provides illustrative examples of preliminary assessment changes and estimated property tax impacts based on Administration recommendations for the Mid-Cycle Adjustments to the 2023-2026 Service Plans and Budgets shared on 2024 September 16.

Tax rates will also change depending on final assessment information and Council's decisions during Mid-Cycle Adjustments this November on the total revenue required from property tax and the tax distribution between the residential and non-residential classes. Tax rates will be finalized in 2025 spring with the passing of the property tax bylaws.

2025 property assessment notices will be mailed on 2025 January 2.

Tax Share

Tax share refers to the percentage distribution of municipal property tax responsibility between residential and non-residential properties. Calgary's tax share in 2025 will be 54:46. This means that estimated for 2025, 46 per cent of municipal property tax dollars collected in Calgary are paid by 15 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 2025 municipal property tax share between residential properties and non-residential properties at 54:46, the tax rate ratio is estimated to increase to 4.61:1 from 4.37 to 1 in 2024 mainly due to residential property values increasing faster than non-residential. This means that for every dollar of assessed value, a non-residential property owner will pay 4.61 times as much as a residential property owner.

As Calgary approaches the maximum tax rate ratio, a more substantial tax share shift may be necessary to ensure legislative compliance. This would also achieve a more balanced distribution of tax responsibilities between residents and businesses.

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.

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Environmental

N/A

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.

Council's policy choice for tax rates becomes much more constrained as the tax rate ratio approaches the *MGA* legislated maximum, 5:1. If Council had not directed a 1% tax share shift for three years beginning in 2024, the tax rate ratio in 2024 would have been 4.59 and the tax rate ratio in 2025 would be 4.96.

The business community observes a high tax rate ratio as a negative 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.

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 2025 January 2.

ATTACHMENTS

1. Background and Previous Council Direction
2. Revenue Neutral Tax Explanation
3. 2025 Preliminary Assessment Roll

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- 4. 2025 Illustrative Examples
- 5. Property Owner Engagement and Communications
- 6. 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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