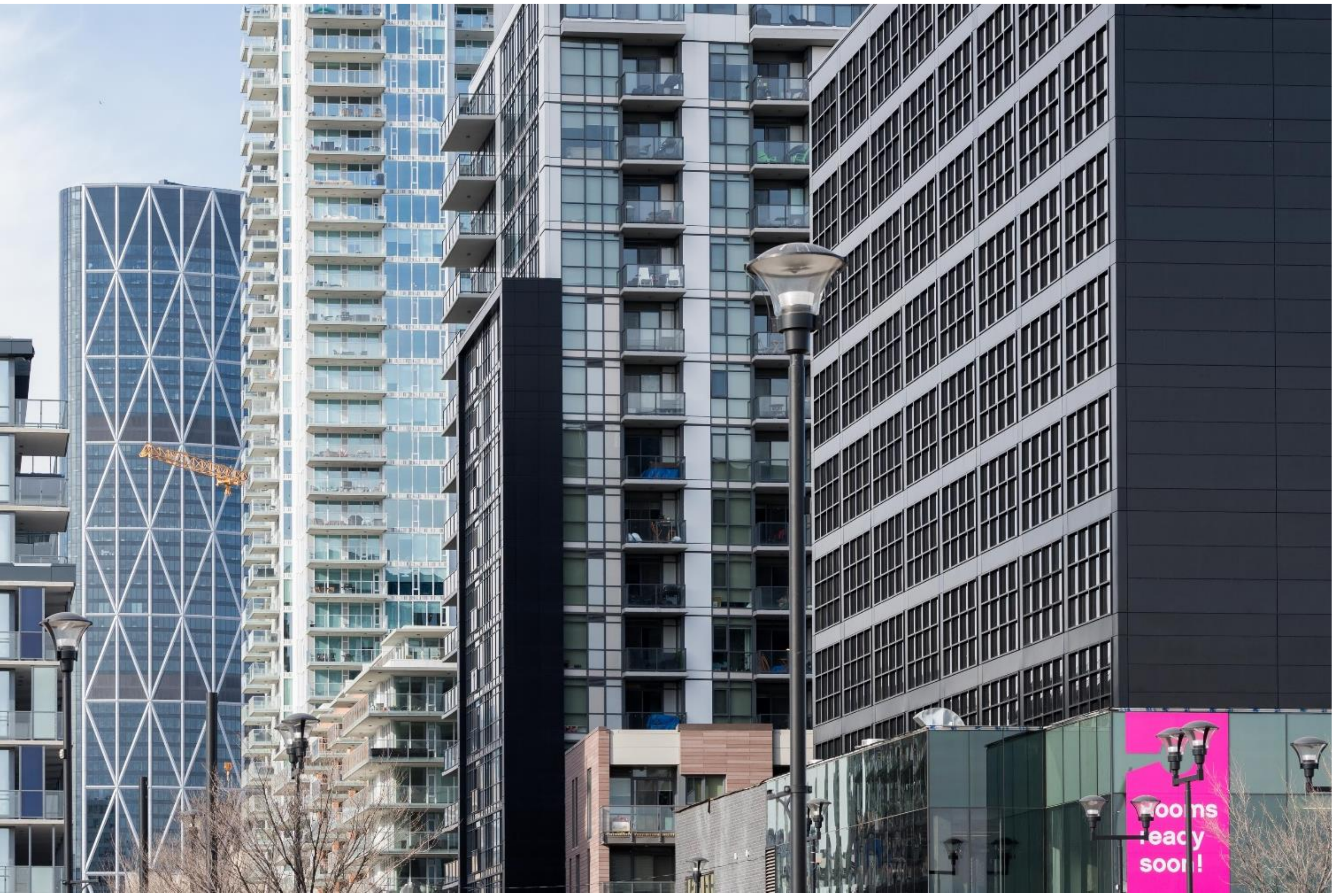
2021 – 2022 Hotel/Motel Property Tax Deferral Program(s)

Program Evaluation



Assessment & Tax – Policy & Strategy

June 2025

Contents

Executive Summary

In the wake of the COVID-19 pandemic, Calgary's hotel and motel industry experienced an unprecedented collapse in demand due to imposed travel restrictions. Local hotels reported revenue reductions of up to 80%, with revenue losses nearing $500 million between 2020 and 2021. These financial pressures prompted calls from the hotel/motel industry for direct municipal support to help relieve immediate cash flow pressures and maintain business continuity.

In response, The City introduced the Hotel/Motel Property Tax Deferral Programs in 2021 and 2022. Developed under the Municipal Government Act (the MGA), the programs were designed to be inclusive, rapidly implemented, and managed within existing administrative resources. They deferred both municipal and provincial property tax payments without penalties, providing immediate liquidity relief to eligible hotel and motel owners. Over the course of the programs, 60 properties benefitted from nearly $20 million in deferred taxes and over $1.6 million in waived penalties, supporting business in a time of need and helping to preserve the non-residential tax base.

This evaluation assesses the Deferral Programs according to the tax policy principles approved by Council from the recommendations of the Financial Task Force. The goal is to understand the efficacy and appropriateness of one-time Deferral Programs in addressing the issues that faced the hotel/motel sector and to gather insights for future use of similar tax policy tools. The program evaluation incorporates assessment and tax data, market and economic data, consideration of program design, and insights from subject matter experts.

Results Icons:	
	The program failed to meet the principle or evaluative criteria objectives.
	The program met the principle or criteria objectives partially, or in some ways but not others.
	The program met the principle or criteria objectives.

Table 1: Overview of Evaluation Findings		
Criteria	Overview	
Fairness (Ability to Pay)		The Deferral Programs uniform benefits and consistent eligibility requirements to hotel/motel properties supported horizontal equity, but the lack of support targeting properties in greatest need did not support vertical equity.
Fairness (Benefits)		The Deferral Programs recognition of the economic contribution of the hotel/motel sector to the local economy and contribution to the non-residential tax base supports the decision to provide targeted relief for eventual repayment.

Table 1: Overview of Evaluation Findings		
Criteria	Overview	
Neutrality		The Deferral Programs benefitted hotel/motels with deferred taxes acting as a short-term loan, with eligibility criteria broad enough to include most properties and not conferring a competitive advantage within the property type.
Stability & Predictability		The Deferral Programs supported predictability in tax responsibility with a consistent amount of overall tax deferred and associated penalties waived, with changes to program criteria and deadlines clearly communicated to participants and Council.
Accountability, Simplicity & Transparency		Eligibility criteria was developed for rapid response, with Administration proactively contacting hotel/motel properties based on broad, accessible eligibility. While Administration was transparent in providing updates on program progress and successes, the programs would have benefitted from the incorporation of performance indicators or more robust feedback from program participants.
Efficiency & Ease of Administration		While administered within budget and with existing resources, the Deferral Programs were administratively inefficient, requiring considerable effort towards verification, individual communications, and manual adjustments.
Economic Impact		The Deferral Programs provided up to $19.8 million in Tax Deferral to 60 unique properties who opted to participate from a total of 96 eligible properties. Over two years of the program, $1.66 million in penalties were avoided, providing appreciable liquidity relief to hotels and motels during COVID-19 imposed restrictions on business operations.

Overall, the Hotel/Motel Property Tax Deferral Programs served to effectively ease cash flow pressures in the short-term and support a sector that contributes significantly to Calgary's economy. The programs demonstrated strong horizontal equity by applying consistent eligibility criteria but lacked vertical equity by not tailoring relief to recognize businesses with different degrees of hardship. Eligibility criteria supported simplicity and transparency for participants with consistent, clear and proactive communication of tax obligations and deferral periods. The programs provided a measure of predictability to tax responsibility for the duration of the deferral periods, yet were relatively administratively demanding, requiring over 800 manual account adjustments in addition to supporting customer service.

While the support provided by the programs was recognized by industry representatives as critical to the survival of the sector, the program design lacked measurable performance indicators to more effectively judge program outcomes. Should a similar one-time tax policy option be considered to address another discrete, non-systemic event, the program should be designed to emphasize greater vertical equity among participants, incorporate measurable performance indicators of benefits provided, and adopt streamlined implementation processes.

Background

A Property Tax Deferral Program (Deferral Program) is a tax policy tool available to Alberta municipalities under the Municipal Government Act, RSA 2000, c M-26 (the MGA) that offers tax relief through the deferred collection of property taxes. A Deferral Program can be applied to individual properties or a class of properties and is suitable for property owners experiencing temporary cash flow challenges, but who are otherwise expected to be able to pay the full amount by a future date.

There are two ways to implement deferrals under the MGA. Under Section 347(1)(c), Council may approve in-year deferrals where it is deemed equitable to do so, or under Section(s) 364.1 or 364.2, Council may offer a deferral through the use of tax incentives requiring the passage of a bylaw.

The 2021 and 2022 Hotel/Motel Property Tax Deferral Programs are examples of targeted Deferral Programs implemented by the City of Calgary (The City) intended to alleviate the short-term financial pressures faced by Calgary's hospitality industry due to the COVID-19 pandemic.

Policy Issue

The policy issue as presented to City Council was the need for immediate relief of cash flow pressures and to forestall any potential hotel closures resulting from the pandemic downturn. Council had the option to defer the tax responsibility of hotel/motel properties along with any potential penalties that would be incurred should they fail to meet the payment deadline.

Calgary's accommodation market entered the pandemic era already facing several years of lower occupancy, declining valuations, and operational challenges, particularly downtown. By early 2020 there were signs of stabilization in occupancy and Council had introduced business licence requirements for short-term rentals, but the COVID-19 travel restrictions then abruptly reversed that progress and plunged hotels and motels into a deep downturn.In 2020 March, The City declared a State of Local Emergency in recognition of the Government of Alberta's announcement of aggressive measures to limit the spread of COVID-19, which the World Health Organization officially declared a global pandemic. On 2020 April 06, Council approved a recommendation to allow for the deferral of all property taxes from the June 30 deadline to 2020 September 30 (C2020-0382).

On 2021 April 01 and again on 2021 May 21, the Calgary Hotel Association (CHA) sent a letter to members of Council advocating for financial relief through the deferral of municipal taxes and utility fees for Calgary's downtown hotels, which had experienced the lowest occupancy rates of hotels in any major market in Canada in the first part of 2021. The reduction in occupancy related to COVID-19 imposed travel restrictions contributed to The CHA reporting that hotels in Calgary saw an 80 per cent reduction in revenues.

During the 2021 June 01 Combined Meeting of Council, Administration presented Council Report C2021-0725 – Additional Options for Targeted Relief to Businesses Impacted by COVID-19. The report represented a combined response to previous Council direction to develop options to deploy $30 million for directed relief to businesses impacted by COVID-19 (C2021-0422). The report also called for an examination of tax deferral options under section 347 of the Municipal Government Act for properties and businesses impacted by COVID pandemic restrictions.

Program History

Council adopted the recommendations within Council Report C2021-0725, directing Administration to implement a deferral program for all 2021 municipal and provincial taxes owing for qualifying hotel/motel properties until 2022 December 31. The deferral program was implemented without penalties that would normally be applied per Penalty Bylaw 8M2002. The mechanism for Council's authority to cancel, reduce, refund, or defer taxes via the Hotel/Motel Property Tax Relief was enabled through Municipal Government Act (MGA) section 347(1). MGA section 347(1)(c) allows Council to defer tax for any taxable property(ies) or class of property(ies). An identified advantage of a deferral program targeted at hotels was that these properties are typically owner occupied, enabling The City to better ensure that relief funds are received by the intended recipient. The City's relationship through the property tax system is with the property owner as the assessed person, and MGA section 347 does not provide Council with the ability to similarly ensure that tenant-operated businesses receive the benefit of tax deferral.

Eligibility criteria for the first iteration of the Deferral Program was developed with consideration of the need to be as flexible, efficient, and responsive as possible to provide immediate relief. Proposed Terms and conditions for eligibility considerations included:

- Property must be taxable;
- Property must be classed as non-residential;
- A minimum of 50% of the improved area of the property must be currently occupied by a hotel or motel business and in operation since at least 2020 December 31;
- The hotel or motel must have a valid business licence permitting operation as a hotel/motel;
- Property tax from 2020 must have been paid in full.

Administration had proposed a proactive approach for targeted communication with eligible property owners rather than imposing an application process, which would require administrative time and effort to review. Identified properties were considered prequalified for the program and the onus was placed on the owner to opt not to proceed with the deferral. The ninety-three pre-qualified hotel and motel properties were contacted by 2021 June 11 and those operators who wished to opt out were given until 2021 June 30 to pay their 2021 taxes.

The following report back to council in September of 2021 (C2021-1106) provided a list of all non-residential properties with valid hotel/motel licenses that pre-qualified for the program. Sixty-two of the identified properties participated in the program with 12,860,158.66 in taxes eligible for deferral. Non-participating properties had chosen to remain enrolled in the Tax Instalment Payment Program (TIPP) or otherwise made alternate payment arrangements. Council reviewed and approved the list unanimously, and any penalties that accrued during the deferral period were credited back once Council confirmed eligibility.

On the 2022 March 29 Combined Meeting, Council unanimously approved of a Notice of Motion for the Targeted Relief to the Hotel/Motel and Hospitality Industries Due to the Effects of COVID-19 (EC2022-0366). The 2022 Program was directed by Council to be developed to allow hotel/motel non-residential property owners who had not paid their 2022 property taxes to be considered for a deferral of 2022 municipal and provincial property taxes, without penalties, in two-stages. One-half of the amount owing to be deferred to 2022 September 30, and the remaining balance deferred to 2023 December 31. Another addition over the 2021 program was the direction for Administration to allocate $300,000 from the Fiscal Stability Reserve to Tourism Calgary to support a hotel/motel promotional tourism campaign.

Eligibility criteria for qualifying properties was similar to the 2021 program, with the addition of the following; that the outstanding taxes for 2022 have not already been paid by the normal June 30th deadline, and that the prior year 2021 taxes be paid in full by end of year 2022.

The list of eligible properties was presented to Council for final approval during the Combined Meeting on 2022 December 06 (EC2022-1134). This report back included a section on program outcomes with reference to eligible hotel/motel properties, associated taxes eligible for deferral, and late payment penalties waived through program participation.

Table 2: Reported Deferral Program Progress		
	2021	2022
Eligible hotel/motel properties	62	39
Eligible taxes for deferral	$12,860,158	$6,916,272
Avoided penalties for late payment	~$1,600,000	~$1,219,000

This table represents an in-flight summary of eligibility and impacts as reported during EC2022-1134 while implementation of the Deferral Programs was ongoing.

Analysis

See Appendix 2 for information on the evaluative method and criteria applied in the below analysis. The following section considers a series of questions developed to address each focus area and assess the effectiveness of the 2021 and 2022 Hotel Motel Tax Deferral Programs according to the principles of tax policy and other indicators. The Analysis has been structured with a high-level summary of **Analysis Findings** followed by greater detail on the question's evaluation where appropriate.

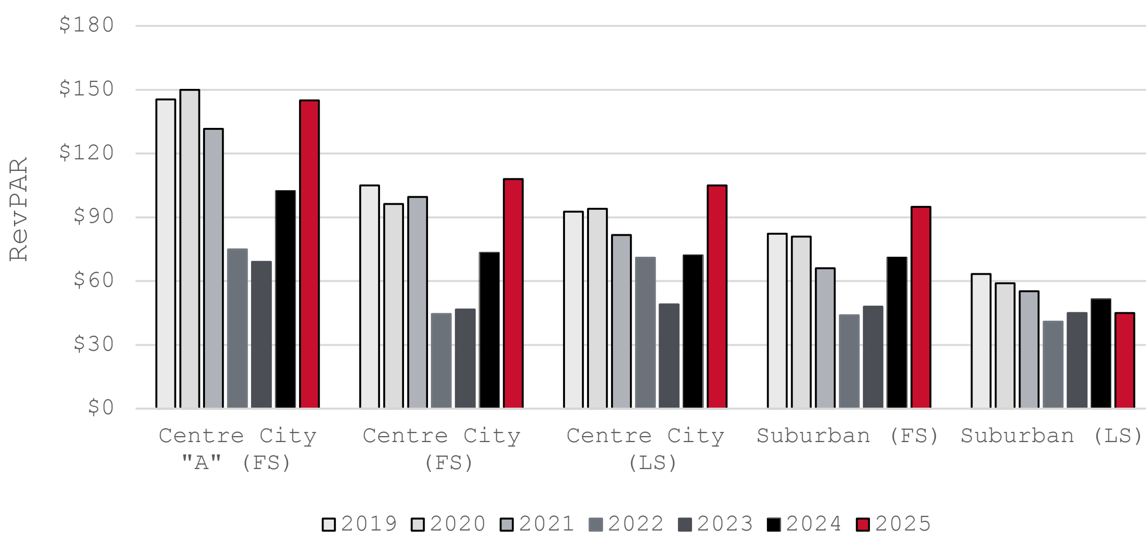
1. Did the Deferral Programs support vertical and/or horizontal equity?

⊖	**Analysis Findings:** The Deferral Programs' broad, transparent eligibility requirements and consistent 100% deferral benefit to like properties within the same property type supported horizontal equity, however the lack of tailored support related to each property's proportional need did not support vertical equity.

In the context of fairness and a taxpayer's ability to meet their tax obligations, effective tax policy can be understood in terms of how equitably the tax responsibility is distributed. Horizontal equity refers to the idea that individuals in similar circumstances should pay similar amounts of tax to ensure that equals are treated equally. By contrast, Vertical equity supports that individuals in different circumstances with different abilities to pay should be taxed accordingly and pay different amounts of tax i.e. unequal situations are treated unequally.

The City generally applies the income approach to value for hotel and accommodation properties by converting income generating potential as an indicator of present value. Revenue per available room (RevPAR) plays a crucial role in determining income potential and is the primary performance metric used in the hotel/motel industry. RevPAR can be calculated by dividing the total guest room revenue by the total number of available rooms. As evidenced in the below table charting RevPAR over a period of before and after the pandemic, hotel/motel properties experienced significant declines in revenues beginning in 2021. Assessed values for hotel properties decreased by approximately 15 to 25 per cent year-over-year between 2021 and 2022. The RevPAR data indicates that the revenue reductions were not experienced evenly throughout the sector in terms of impact or timing of recovery. While all noted hotel/motel types experienced a decline in valuation, downtown “full service” (FS) hotels were particularly impacted compared to “limited service” (LS), and suburban properties experienced much less of a stark decline in revenue. Please note that, property assessments for a given tax year are based on the property’s market value as of July 01 and the physical condition date as of December 31 of the preceding calendar year, as required under legislation (Matters Relating to Assessment and Taxation Regulation (MRAT), section 6).

Chart 1: Revenue Per Avaliable Room (RevPAR)



The City’s 2022 Market Trends Report for Accommodation properties noted that these full-service convention style hotels, predominantly located in the downtown area, would have a harder time recovering compared to smaller, limited-service hotels with fewer rooms and less reliance on corporate travel. As government imposed pandemic restrictions eased, 2023 saw stabilization and recovery begin for suburban hotels while centrally located properties did not see significant gains in revenue until the following year.

The Deferral Program eligibility criteria were developed with little threshold for exclusion beyond that the property’s predominant active use is as a hotel or motel and that the property owner is current in their tax obligations. In terms of horizontal equity, the uniform and transparent application of the eligibility criteria within the same property type of like properties should be considered a strong example of horizontal equity. In terms of vertical equity, the uniform criteria represents an inability to tailor support to provide greater assistance to those properties most in need. The flat deferral affecting 100% of both provincial and municipal taxes without consideration of each property’s degree of hardship or ability to pay should be considered a poor indicator of vertical equity. While the CHA had stated from the outset that half of Calgary hotels are locally owned, the program was never designed to specifically target smaller, locally owned hotels that might be less able to endure large fluctuations of value in a local market.

2. Were the Deferral Programs designed to account for program participants' contributions to the local economy?

✓	**Analysis Findings:** The objective of the Deferral Programs was to provide short-term liquidity relief and help businesses remain solvent during periods of restricted economic activity. The targeting of the hotel/motel sector indirectly reflects a broad recognition of the contribution of this sector to the local economy and non-residential assessment base that has since recovered.

Council's rationale behind the implementation of the Deferral Programs was to provide a supplement to businesses struggling with short-term cash flow to weather the pandemic. During the development of the program, - the role that the tourism sector and by extension the hotel/motel industry plays in the local economy was acknowledged. The Economic Implications section of the 2022 program report back states that "Enabling direct financial support to those facing challenges from the pandemic will facilitate their participation in the local economy." While the programs were not structured to recognize individual participant's specific economic contributions and did not incorporate any metric to scale relief in proportion to the contributions to the local economy, there was a broad appreciation for the contributions the industry makes to employment, business attraction, and the assessment base.

The role of the hotel/motel industry in the local economy can be viewed through their contributions before, during, and after the pandemic. In 2019, the CHA reported that there were 101 hotels in Calgary with a total of 15,470 rooms[1] hosting more than 7.3 million visitors who contributed an estimated $2.5 billion in spending[2]. Of those visitors, 29% stayed in hotels or other commercial hotel/motel properties. Calgary hotels also provided $16 million annually via the provincial tourism levy to provincial coffers.[3]

By 2020, visitors to The City dropped by almost half, contributing just $655 million to the local economy[4]. The stark reduction in hotel income expressed as Average Assessed Value per Property in 2021 and 2022 is evident in the table below where hotels experienced a decrease in occupancy, average daily rates, and associated RevPar. As assessed values decreased, properties benefitted from a related reduction in tax responsibility. (Note the 2020 assessment values are based on the valuation date of 2019 July 01 and are reflective of pre-pandemic conditions.) While this reduction in tax amounts due would have reduced pressure on the industry, the reported CHA losses of almost $500 million between 2020 and 2021[5]warranted more support.

[1] CBC News. (2019, August 12). 'Stop building' hotels in Calgary, industry urges, as supply of rooms outstrips demand. https://www.cbc.ca/news/canada/calgary/calgary-hotel-occupany-tourism-economy-1.5241953
[2] Tourism Calgary. (2020, May 22). Tourism Week highlights the importance of the industry that employs 1 in 10 Canadians. https://www.visitcalgary.com/industry-partners/programs-resources/news-events/TourismWeek2020
[3] City of Calgary. (2023, September 19). Municipal Fiscal Gap Report 2023. https://www.calgary.ca/content/dam/www/cfod/finance/documents/plans-budgets-and-financial-reports/Municipal-Fiscal-Gap-Report-2023.pdf
[4] City of Calgary. (2023, May 3). Civic Partner Annual Report: Tourism Calgary. https://pub-calgary.escribemeetings.com/filestream.ashx?DocumentId=245328
[5] Varcoe, C. (2024, February 6). Calgary hotels hit with 40% increase in city taxes. Calgary Herald. https://calgaryherald.com/opinion/columnists/varcoe-calgary-hotels-40-per-cent-increase-city-taxes

Table 4: Year-Over-Year Change in Hotel/Motel Properties					
Year	Property Count	Average Assessed Value per Property	Assessed Value Change from Previous Year	Average Tax per Property	Tax Change from Previous Year
2024	108	$9,132,240	19%	$167,694	18%
2023	108	$7,704,773	5%	$142,025	8%
2022	107	$7,335,327	-18%	$131,187	-11%
2021	99	$8,958,540	-25%	$147,932	-22%
2020	98	$11,976,689	0%	$189,565	-11%
2019	101	$12,027,480	-5%	$213,788	10%

Since the end of the pandemic and lifting of travel restrictions, Calgary's tourism and hotel economy have recovered near to pre-pandemic levels with 8.4 million visitors to The City contributing $2.9 billion in spending in 2023[6]. The hotel and motel sector's overall contribution to the taxable non-residential assessment base has also shown recovery. By 2024, Calgary's 108 hotels and motels were valued at $986 million and accounted for approximately 1.6 per cent of the non-residential assessment base. The CHA and industry representatives have acknowledged that the deferral program played a critical role in the continued survival of the industry.

Chart 2: Visitors to Calgary

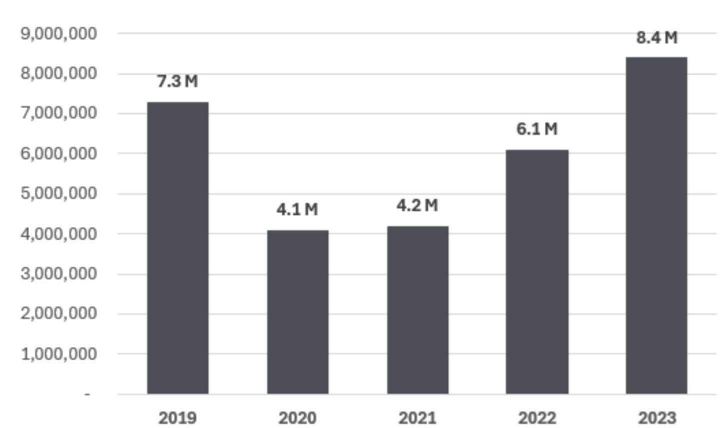
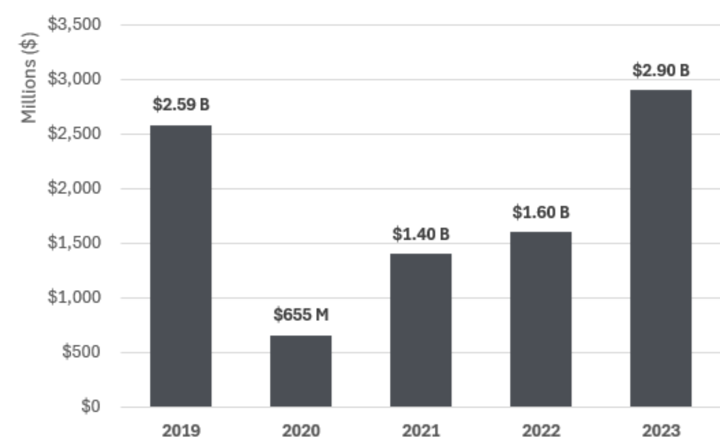


Chart 3: Economic Impact of Visitors



Source: Tourism Calgary, Calgary Convention and Visitors Bureau, 2019, 2022 & 2023 Annual Reports

3. Did the Deferral Programs ensure future repayment of tax responsibility?

✓	**Analysis Findings:** To the degree that repayment of tax responsibility can be ensured, the program rules incorporated criteria to incentivize repayment and prevent triggering penalties.

[6] City of Calgary. (2024, March 7). Civic Partner Annual Report 2024. https://pub-calgary.escribemeetings.com/filestream.ashx?DocumentId=289181

The expectation that individuals fulfill their levied municipal and provincial tax responsibility falls on all taxpayers. Participants of the Deferral Program are no different, and the expectation of repayment of tax responsibility in keeping with the benefits of municipal services they receive still applies.

The terms developed for both 2021 and 2022 Deferral Programs made sure to impose limits to the amount of relief with binding schedules and deadlines for repayment; otherwise, standard penalties would apply. Tax payment was also a consistent prerequisite for deferring, where 2021 property taxes required that all outstanding property taxes from 2020 be paid, and the 2022 Deferral Program required that all deferred 2021 taxes have been paid by 2022 December 31.

Table 5: Hotel/Motel Program Tax Deferral Periods

Hotel/Motel Property Tax Deferral Year	% Deferred	Deferral Period
2021	100%	2021 January 01 - 2022 December 31
2022	50%	2022 January 01 - 2022 September 30
	50%	2022 October 01 - 2023 December 31

As context, tax bills for taxpayers not on a payment program are normally due June 30th and The City typically applies a 7 per cent penalty on July 1st for non-payment. In 2021, City Council reduced the July penalty to 3.5 per cent and removed the October 1st penalty (C2021-0578). The 1 per cent monthly penalty on arrears was postponed until April 2022. Standard 7 per cent penalties resumed for the June 2022 penalty deadline along with monthly arrears penalties.

Communications sent to eligible owners as part of the 2022 program noted that "Effective January 1, 2023, any arrears balance will be charged a penalty of 1% on the first day of every month in accordance with the Penalty Bylaw 8M2002, until the taxes are paid, and the property will no longer be eligible for the 2022 deferral program effective December 31, 2022". Owing to the clearly communicated boundaries to the program, all participants to the Deferral Programs are confirmed to have understood and repaid all outstanding tax amounts by the final program end date of 2023 December 31.

4. Did the programs influence competitiveness between participating and non-participating properties?

Analysis Findings: Within the cohort of eligible properties, the uniform deferral benefit and lack of tiered support demonstrated neutrality and equal opportunity for increased cash flow. Ineligible properties, such as those with unpaid prior year tax balances or where the predominant use was less than 50% hotel/motel use, were not able to access the deferral and would be in a comparative cash flow disadvantage.

The benefits of increased liquidity were assumed to be a general boon to the participants that deferred taxes as it functioned in practice as an interest-free loan. There is, however, no evidence to support that properties that participated in the program received a significant competitive benefit compared to those properties who were otherwise eligible but opted not to participate. The program was designed without income-testing thresholds and all properties in good tax standing with a predominant hotel/motel use were able to benefit should they choose to participate.

As previously noted in the repayment of tax responsibility, the promise of renewed penalties and interest for failing to comply with the agreed schedule aligned participant's incentives with compliance to support equitable treatment with those who chose to defer taxes with those who opted out. The properties that chose not to participate or those who initially joined but later opted out in favour of returning to their regular schedule TIPP payments would be considered to not need the assistance.

A further compounding factor to determining the advantage provided by the deferral programs is that from the outset of the programs development it was never clearly stated whether properties were at risk of not meeting their tax responsibility. While properties would benefit from the delayed collection of taxes and potentially better able to retain staff and continue operations, it is unclear how much of a benefit was derived that might provide a competitive advantage.

5. Were the Deferral Programs applied consistently and without changes to program benefits and eligibility criteria over time?

✓	**Analysis Findings:** Yes, both the 2021 and 2022 Deferral Programs were largely consistent in terms of the amount of overall tax deferred and eligibility criteria. Minor changes to the mechanism of deferral in 2022 included dividing the deferred tax amount into two separate tranches of 50% of the total levy and additional eligibility criteria to ensure compliance with payment deadlines.

To support stability and predictability in property taxes, user fees, and service levels, taxpayers should see the application of consistent rules and reliable timelines. During the two deferral programs that spanned between 2021 and 2023, the terms for benefits and eligibility remained mostly consistent.

For the 2021 program, a notable revision to the initially approved program framework and eligibility criteria included a reversal on TIPP enrolled properties that were originally barred from participation. This was revised following industry feedback and reflective in the communication materials by 2021 June.

A change within the approved 2022 program structure was to divide the 100% annual tax levy deferral being offered into two segments: one due in 2022 September 30 and the second portion of the 2022 levy due by 2023 December 31. Eligibility criteria was also adjusted for 2022 for a minor clarification on outstanding taxes not paid and the requirement to have paid the 2021 levy by year end 2022.

6. Did the Deferral Programs improve the predictability of participants' tax responsibility?

✓	**Analysis Findings:** The Deferral Programs improved the predictability of tax responsibility for participants in terms of payment deadlines and penalty application dates, but not future taxes to be levied. The program design and communications ensured participants were informed of the amounts due at specified intervals.

7. Were the program eligibility criteria appropriate and easily understood by taxpayers and participants?

	Analysis Findings: The eligibility criteria were appropriate for delivering rapid support to hotel and motel operators and the communication plan combined with customer service was reasonably clear to ensure consistent understanding among taxpayers and administration.

The Deferral Program eligibility criteria was designed to create a program that was responsive, nimble, and flexible to provide immediate relief to a struggling sector. In 2021, the CHA had initially requested that The City structure abatement according to the same threshold criteria imposed by the Provincial government[7]. For context, the Alberta Government had previously introduced relief programs to support liquidity in the hotel industry, including an abatement of the 4 per cent tourism levy between 2020 March to June 2021 and later from 2021 October to 2022 March. While the first period of provincial abatement was automatic, the second was revenue tested and required applications through the Tax and Revenue Administration Client Self-Service (TRACS) to demonstrate a 40 per cent decline in revenue compared to 2019.

Given the collapse in occupancy facing the industry, demonstrating significant hardship compared to 2019 would likely not have served as a barrier for most businesses. However, the obligation for applicants to apply for relief before having applications reviewed and approved would act as a barrier to a timely coordinated response. In addition, this would have added administrative demand to The City. The City opted against requiring applications for the program in favour of automatic inclusion where Assessment and Tax staff reviewed hotel and motel inventory on behalf of owners. Eligibility criteria was inclusive of the entire class of hotel properties in accordance with MGA s.347(1) and largely consistent in its criteria for inclusion between years.

Table 6: Program Eligibility Criteria

	2021	2022
Eligibility Criteria	Property must be taxable;	Property must be taxable;
	Property must be classed as non-residential;	Property must be classed as non-residential;
	A minimum of 50% of the improved area of the property must be currently occupied by a hotel or motel business and in operation since at least 2020 December 31;	A minimum of 50% of the improved area of the property must be currently occupied by a hotel or motel business and in operation since at least 2020 December 31;
	The hotel or motel must have a valid business licence permitting operation as a hotel/motel;	The hotel or motel must have a valid business licence permitting operation as a hotel/motel;
	Property tax from 2020 must have been paid in full.	Property tax from 2020 must have been paid in full.
	-	2022 property taxes were not paid by 2022 June 30
	-	2021 property taxes must be paid in full by 2022 December 31

[7] CTV News. (2024, February 7). 'Very long time to recover': Calgary's hospitality industry asks city for more help. https://www.ctvnews.ca/calgary/article/very-long-time-to-recover-calgarys-hospitality-industry-asks-city-for-more-help/

Further criteria developed by Administration for the 2021 program stated that properties enrolled in the Tax Instalment Payment Program (TIPP), or Principal Interest and Tax (PIT) through a mortgage company/bank, were not eligible, and that if the property was sold, tax relief will be automatically cancelled, and that any property tax already paid was not eligible to be refunded. As the program was designed to ease cash flow pressures on owners who had not yet paid their tax bills, properties enrolled in TIPP and currently paying their annual tax liability in monthly instalments would not benefit from a deferral.

Following feedback from the CHA in support of including those properties registered for TIPP this eligibility exclusion was removed. As noted within the 2021 Hotel/Motel Property Tax Deferral Program – Frequently Asked Questions (FAQ) document (published 2021 June 11), owners previously registered with TIPP would enjoy a temporary suspension to the program to allow for their participation. The option to continue with TIPP and not participate in the program was also available provided the owner contact the Assessment & Tax Business Unit prior to 2021 July 22.

Communication with eligible property owners was proactive beginning well in advance of Council's final approval of the eligible property lists in late 2021 and 2022. In addition to individual information packages sent to eligible properties, general program information was promoted through Administration developed Terms & Conditions, FAQs, press releases, and updates on City web materials. For the 2022 iteration of the program, information packages were mailed to eligible property owners along with their 2022 property tax bill and updated statement of account. The information packages provided property specific information on the amounts to be deferred to the two separate periods (2022 September 30, and 2023 December 31).

Administrative staff responding to inquiries regarding the program found that the most common questions related to whether taxes were deferred or waived entirely, the division of deferral periods in 2022, and the exclusion of the TIPP program.

8. Was the benefit of the Deferral Programs communicated by program participants or program success otherwise monitored by The City?

✓	**Analysis Findings:** Administration provided updates on progress and benefits distributed throughout the duration of the program through report backs that referred to on-going conversations with industry representatives such as the CHA. While no formal performance indicators were established or benefits to participants formally reported, Administration maintained a consistent practice of reporting program successes and promoting transparency.

A requirement of the approved programs was a finalized list presented to Council of eligible accounts including the account roll number, and tax levy eligible for deferral. The 2022 report (EC2022-1134) also estimated the penalties saved by eligible program participants along with reporting of penalty revenue variance expected in City budgets. More broadly, the effectiveness of eventual collection of deferred taxes and arrears can be seen through public facing taxation service plans and budget documents.

Administration met with the CHA twice in 2022 to share updates and learn about the hotels participating in the program. During these meetings, the CHA expressed that the Deferral Programs were a valuable support for member hotels and that the benefits of the program were primarily accessed by smaller, locally owned properties. The CHA indicated that support from all three levels of government was critical in ensuring CHA members remained solvent, as affirmed in the letter dated 2022 November 07 from CHA Executive Director Sol Zia.

9. Were the Deferral Programs easy to administer, with minimal costs to taxpayers and The City?

✕	**Analysis Findings:** No, The Deferral Programs were administratively inefficient, requiring considerable effort towards verification, individual communications, and manual adjustments.

Deferral Programs are administratively inefficient and require significant manual intervention to implement and monitor, particularly where the program applies to a select number of properties.

Following the identification of accounts that complied with Assessment eligibility criteria for inclusion in the Hotel/Motel Property Tax Deferral program, Assessment & Tax staff reviewed the list of accounts to verify that the accounts did not carry outstanding tax balances. As previously noted, the 2021 program criteria initially excluded properties on the Tax Instalment Payment Plan or for those properties that pay principal, interest and taxes to a mortgage company/bank. This exclusion was later changed following input from the CHA to allow for temporary TIPP suspension and participation but still represented an administrative hurdle for staff to identify these accounts and later amend. Tax staff then contacted property owners individually to make them aware of the program, explain the inclusion criteria and the extent of relief being offered. These conversations were considered on-going as program participants contacted Assessment & Tax staff with questions and clarifications specific to the deferral for the duration of the program. Following manual adjustments to adjust taxes and penalty arrears, notices must be printed and mailed to the assessed owner as part of the adjustment process.

In total, the Hotel/Motel Deferral Program required 847 unique manual adjustments to qualifying accounts between December 2021 and October 2023. Repeated manual adjustments included; correcting where arrears penalties would typically be applied monthly, one-time advance payments of taxes, assessment values adjusted throughout the year as part of the Amended Notice process, Assessment Review Board decisions impacting assessed values, program opt-outs, and other changes to account details. Without consideration of undocumented staff hours involved in preliminary identification, customer service, as well as the costs of printing and mailing statements of account, the manual intervention required of Administration to enact the changes was relatively laborious. A key driver for the substantial manual work required for these programs is the limitations of the current software to support the deferral process. Future investment in technology upgrades would minimize these manual efforts. The 2022 December report back to Council noted that all work performed to support this initiative was accomplished with existing resources and within budgets with some prioritization of workloads, however, the administrative work required should be considered significant relative to the limited scope of the programs.

Outside of administrative costs, there were known direct costs of funding, penalty proceeds foregone, and the lost benefit of any investment income. As The City budgets for penalty revenues each year, it was anticipated by Administration that The City would incur a variance because of the foregone penalties through the Deferral Programs. The penalties ultimately forgone were less than anticipated and indicate that this variance less impactful than expected.

A further cost borne by The City is the risk of non-payment for the provincial property tax remittance. Because the Province did not offer a hotel/motel property tax deferral, The City remitted the provincial portion of the tax in advance and assumed any risk of non-payment. The program design limiting eligibility to accounts without prior outstanding arrears likely provided greater assurance of eventual repayment. Ultimately, The City successfully collected all outstanding taxes deferred.

Table 7: Provincial Portion of Tax Levy Remitted	
2021	$2,428,486.09
2022	$1,503,872.02
Total	**$3,932,358.11**

10. Did the Deferral Programs deliver meaningful financial relief to hotel and motel properties?

✓	**Analysis Findings:** Yes, to the extent that eligible properties chose to participate in the program, the financial relief through deferred property taxes and associated arrears penalties avoided can be considered significant.

In the absence of established key performance indicators to gauge the overall success of the Deferral Program relief option, it is necessary to understand the response relative to the risk that faced the local hotel and motel industry, the options available to Council for providing relief, and the actual outcomes of the Deferral Programs.

In Coldwell Banker Richard Ellis' (CBRE) 2021 January National Market Report – Trends in the Canadian Hotel Industry, the average occupancy rate for all Calgary hotels was just 14.3 per cent with hotels located in downtown Calgary reporting an occupancy rate of only 6.8 per cent. This finding was further supported in The City's 2022 Market Trends – Accommodation report, which stated that the larger full-service hotels, typically within the downtown area, were hardest hit by pandemic restrictions resulting from consistently low vacancy from business travel and the loss of food and beverage sales.

Based on the authority given to Council under MGA s.347, Administration applied the previously stated eligibility criteria to offer program admission to 96 properties. Within the Hotel Motel Report Back for 2021 (C2021-1106), of these 96 properties, 62 indicated that they wished to proceed with the program which would equate to a tax deferral of $12,860,158.66 to 2022 December 31.

In the following January, the CHA again wrote to The City to request continued relief for 2022. Council approved a notice of motion (EC2022-0366) to develop a similar program to the 2021 program for 2022. (EC2022-1134) Administration identified 92 hotel/motel properties eligible, which was subsequently reduced before requesting Council approval to 39 eligible properties.

A detailed review of the accounts that ultimately participated, the associated property taxes eligible for deferral, and the penalty amounts waived throughout the deferral program is detailed below. The final eligible taxes deferred, and penalty amounts waived are based on individual property tax account data that considers the status of participants tax account balances, including the impact of any previous lump sum payments made before or during the program durations.

Table 8: Hotel/Motel Tax Deferral Program Outcomes

	2021	2022	**Total**
Participating Accounts	52	39	**91**
Eligible Taxes for Deferral	$12,212,493	$7,617,805	**$19,830,298**
Penalty Amounts Waived	$576,478	$1,088,176	**$1,664,654**

Discrepancies between the reported 62 eligible accounts for 2021 tax deferral and the 52 who are noted as having participated has been attributed to program participants opting out of the program and paying their outstanding levy prior to receiving the benefits of tax deferral and penalty avoidance. Overall, 60 unique accounts benefited from the Deferral Programs throughout the duration of the program.

The rationale provided in the 2022 report back and feedback from program administrators suggests that while a comparable number of properties were eligible within both program terms, more properties voluntarily opted out in the second year. This may indicate that the first iteration of the Deferral Program offered sufficient relief to hotels by allowing time to re-orient cash flows and shore up liquidity.

In the November 2022 letter to Council on behalf of the CHA, Executive Director Sol Zia notes that the property tax deferrals were crucial in managing cash flow and allowed for hotels to engage in financial planning to build out their liquidity and pay back deferred taxes as the hotel/motel market recovered. The letter emphasized that half of Calgary’s hotels are locally owned, and the benefits of deferrals were experienced directly by Calgary businesses.

To assess the Deferral Programs’ success, we’ll examine outcomes over three horizons: in the short term, they eased immediate cash-flow pressures for struggling businesses; in the intermediate term, they enabled operators to stay open through the height of pandemic restrictions; and in the immediate long term, they supported a recovery of property values and performance metrics toward pre-pandemic levels.

Conclusions

The 2021–2022 Hotel/Motel Property Tax Deferral Programs were developed as urgent, one-time responses to the immediate financial distress experienced by Calgary’s hotel/motel sector during the COVID-19 pandemic. These programs were part of a broader suite of relief measures and were designed to provide immediate liquidity support by deferring property tax payments without penalties. While not intended to address a tax system issue, the programs were a valuable support in helping hotels and motels remain solvent during a period of unprecedented economic disruption.

The Deferral Programs were not the only policy tools considered to support the hospitality industry. Alternatives such as utility fee abatements, grant programs, and phased tax programs were evaluated but found to be inappropriate or legally and/or administratively impractical. The deferral approach was selected for its relative speed, legal permissibility under the Municipal Government Act, and ability to target property owners directly.

Evaluating the Deferral Programs against the six Financial Task Force tax policy principles and reviewing their economic and administrative impacts provides the following five key conclusions to inform future tax policy options:

1. The Deferral Programs were effective at delivering short-term financial relief to eligible hotel and motel properties, helping to preserve business continuity and support economic recovery, but were not designed to address longer-term structural challenges in the tax system. Their success in stabilizing the sector underscores the value of targeted relief in crisis but also highlights the need for more durable, systemic solutions.
2. The programs demonstrated strong horizontal equity by applying uniform tax deferral benefits through clear, consistent eligibility criteria based on property use, licensing, and tax standing to all qualifying hotels and motels. Because the programs did not differentiate based on financial need or ownership structure, smaller hotel properties received the same support as larger hotels, and vertical equity was less supported.
3. The programs carried a significant administrative demand relative to the scope and impact of the benefits, requiring extensive manual intervention, including eligibility verification, individualized communications, and repeated adjustments to tax accounts. While the work was completed within existing budgets, the necessary reprioritization of workloads highlighted the inefficiency of one-time relief programs.
4. The programs were developed and administered with transparency for participants including clear and consistent communication of eligibility, deadlines and payment expectations. Participants were able to benefit from predictability of delayed tax obligations, allowing for improved financial capacity as evidenced by the reduction in program participants in the subsequent 2022 program.
5. While the FTF recommendations advocate for exploring tax reform rather than one-time measures, they also recognize that there are rare unpredictable events, such as the COVID-19 pandemic, that are impossible to anticipate and challenging to accommodate. Future use of one-time relief measures should include clearly defined goals, key performance indicators, and streamlined administration.

Appendix 1: 2021 – 2022 Hotel/Motel Property Tax Deferral - Council Direction

Date	Report Number	Direction/Description
2022 December 06	EC2022-1134	Council approves the list of qualifying properties for the deferral of 2022 municipal and provincial property tax, with one-half of the amount owing deferred to 2022 September 30, and the remaining balance deferred to 2023 December 31 without penalty, provided each qualifying property's 2021 taxes are paid by 2022 December 31.
2022 March 29	EC2022-0366	Council directs Administration to develop a similar program to the 2021 Hotel/Motel Property Tax Deferral Program to allow hotel/motel non-residential property owners who have not paid their 2022 property taxes to be considered for a deferral of 2022 municipal and provincial property taxes, without penalties, with one-half of the amount owing deferred to 2022 September 30, and the remaining balance deferred to 2023 December 31. Further, Administration is directed to bring a report to Council no later than 2022 Q4 with a list of roll numbers of qualifying properties for approval, that the Mayor submit a letter to the Government of Alberta requesting additional financial support, and that Administration is directed to allocate $300,000 from the Fiscal Stability Reserve to Tourism Calgary to support a hotel/motel promotional tourism campaign.
2022 March 15	EC2022-0366	Council forwards a Notice of Motion to the 2022 March 29 Combined Meeting of Council for consideration of a second year Hotel/Motel Property Tax Deferral Program for 2022 property taxes.
2021 September 13	C2021-1106	On the Hotel and Motel Property Tax Deferral Program Report Back Council, approved the list of qualifying properties for the deferral of 2021 municipal and provincial property tax to 2022 December 31, without penalty.
2021 June 01	C2021-0725	Council directed Administration to defer 100% of 2021 municipal and provincial property taxes without penalty for qualifying hotel/motel properties until Dec 31, 2022, and provide a Briefing Note to Council no later than 2021 Q4 with a list of roll numbers of qualifying properties for approval
2021 April 13	C2021-0578	Financial Relief for Taxpayers – Council adopts recommendations to amend Penalty Bylaw 8M2002 with Bylaw 35M2021 to lower the unpaid tax penalty from 7% to 3.5% and waive or suspend other penalties. Council directed Administration to examine tax deferral options available under section 347 of the Municipal Government Act for properties that are significantly impacted by the COVID pandemic.

2021 March 22	C2021-0422	Options for Targeted Relief to Businesses Impacted by COVID-19 – Allocated $17.6 million to waive business licensing and related fees for 2021 and 2022, with Administration to bring forward options to allocate the remaining $12.4 million in targeted relief related to the pandemic.
2021 March 01	PFC2021-0060	Council approved PFC2021-0060 which established a Municipal Non-Residential Phased Tax Program (PTP) with a 10 per cent non-residential municipal property tax cap for 2021 applying $13 million in tax relief.
2020 July 27	C2020-0885	Notice of Motion Re: Financial Relief for Taxpayers Council directed Administration to report back with a resolution under section 347 of the Municipal Government Act (MGA) to approve the cancellation and/or amendment of the portion of the property tax comprised of the penalties imposed under section 2(b) of Bylaw Number 8M2002 that would be imposed on 2020 October 1, with consideration given to incentivizing early payment while allowing deferral of payment with relaxed penalties.
2020 April 06	C2020-0382	With respect to Report C2020-0382, Recommendations 1 b, 1 c, 2 and 3, Council approves the cancellation of the portion of the property tax comprised of the penalties imposed under section 2(a) of Bylaw Number 8M2002 that would have accrued between July 1, 2020 and September 30, 2020; and Approves that the requirement to pay an administration fee equal to 2% of the total amount of missed installments for those taxpayers who join TIPP after January 1, under section 7(5) of Bylaw Number 9M2002 be suspended until 2021 January 1.

Bylaws, Regulations, Council Policies

City of Calgary Bylaw Number 8M2002, being a Bylaw of The City of Calgary to Fix the Penalty on Unpaid Taxes authorizes penalties for non-payment of taxes. Penalties are a percentage of the unpaid amount.

City of Calgary Bylaw Number 9M2002 A Bylaw of The City of Calgary for the Implementation of the Tax Instalment Payment Plan

In accordance with section 347(1) of the Municipal Government Act (MGA), Council may defer the collection of a tax for particular properties if it considers it equitable to do so. Council is generally required to approve each deferral under section *347(1)(c)* each time as well, either through a motion brought forward by a member of Council, or upon recommendation of Administration

Appendix 2: Program Evaluation Method and Criteria

The Deferral Program was proposed and enacted during a time of unprecedented economic uncertainty as hotels and motels grappled with occupancy and revenue challenges. Both qualitative and quantitative methods will be used to examine the outcomes of the program(s), with additional consideration given to the underlying implementation processes and how well the program results fulfilled the intended goals.

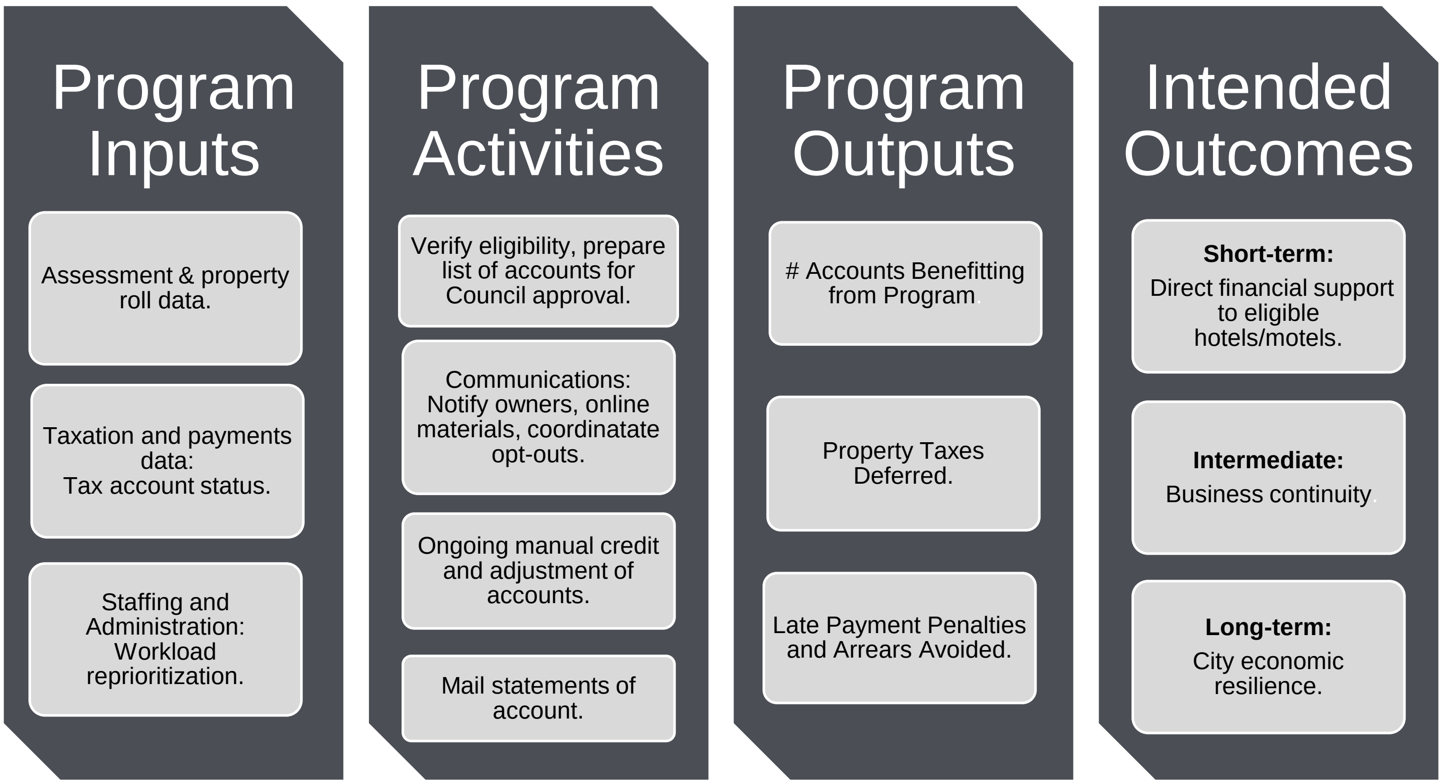


Figure 1: Hotel/Motel Program Model

City Council approved the six guiding principles recommended by the Financial Task Force for the evaluation of property tax systems and potential reforms. These principles are intended to serve as a guide when assessing the appropriateness and efficacy of property tax programs or policies. They include Fairness (based on Ability to Pay and Benefits), Neutrality, Stability and Predictability, Accountability, Simplicity and Transparency, and Efficiency and Ease of Administration.

The approved Hotel/Motel Property Tax Deferral Programs were developed in response to requests from the Calgary Hotel Association and were intended as an urgent response to an unforeseen crisis affecting the industry. Because of the rapid response to requests for support, the Deferral Programs did not include specific performance measures or targets to evaluate the programs' success. A comparative analysis of the program's effectiveness relative to other jurisdictions is also not possible because Calgary was the only municipal market in Canada to receive a comprehensive multi-year hotel/motel property tax deferral. The analysis section of this report will therefore focus on how well the Deferral Programs adhered to the FTF's guiding principles in terms of program design, implementation, and outcomes.

Table 3: Evaluation Model	
Evaluation Criteria	**Evaluation Question(s)**
Fairness (Ability to Pay)	1. Did the Deferral Programs support vertical and/or horizontal equity?
Fairness (Benefits)	2. Were the Deferral Programs designed to account for program participants' contributions to the local economy? 3. Did the Deferral Programs ensure future repayment of tax responsibility?
Neutrality	4. Did the programs influence competitiveness between participating and non-participating properties?
Stability & Predictability	5. Were the Deferral Programs applied consistently and without changes to program benefits and eligibility criteria over time? 6. Did the Deferral Programs improve the predictability of participants' tax responsibility?
Accountability, Simplicity & Transparency	7. Were the program eligibility criteria appropriate and easily understood by taxpayers and participants? 8. Was the benefit of the Deferral Programs communicated by program participants or program success otherwise monitored by The City?
Efficiency & Ease of Administration	9. Were the Deferral Programs easy to administer, with minimal costs to taxpayers and The City?
Economic Impact	10. Did the Deferral Programs deliver meaningful financial relief to hotel and motel properties?