

Corporate Planning & Financial Services Report to  
Executive Committee  
2025 September 08

ISC: UNRESTRICTED  
EC2025-0441

## Short-Term Rentals Property Tax Sub-Class

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### **PURPOSE**

The purpose of this report is to share the feasibility analysis of applying a residential property tax sub-class with a non-residential tax rate to short-term rentals located in non-primary properties, and to recommend that Council not proceed with the property tax sub-class for short-term rentals.

### **PREVIOUS COUNCIL DIRECTION**

In December 2024, Council approved the recommendations from *Next Phase for Short-Term Rentals* ([EC2024-1305](#)), to approve the recommended short-term rental policy tools, which included exploring a short-term rental property tax sub-class for non-primary residences. In the same meeting, a Motion Arising was passed to explore a short-term rental sub-class in non-primary residences, applying the non-residential tax rate, and report back to Council in Q2 2025. This report was deferred from Q2 2025 to Q3 2025 ([EC2024-0507](#)).

### **RECOMMENDATION(S):**

That the Executive Committee recommend that Council:

1. Should not pursue a property tax sub-class for Short-Term Rentals; and
2. Receive this Report for the Corporate Record.

### **CHIEF ADMINISTRATIVE OFFICER/GENERAL MANAGER COMMENTS**

Edwin Lee, acting General Manager of Corporate Planning and Financial Services concurs with this report.

### **HIGHLIGHTS**

- Administration does not recommend the use of a sub-class for short-term rentals.
- Short-term rentals fill an important community need for medical stays, transitory workers, relocation, and as a tourism booster.
- Applying a short-term rental sub-class tax rate that is the same as the non-residential tax rate may discourage licensing compliance, undermining enforcement and safety objectives.
- Due to The City's revenue neutral budgeting, the sub-class would redistribute existing tax responsibility and would not generate additional revenue to offset the increased costs of licensing, enforcement, increased staffing, and technological upgrades.
- This sub-class can lead to inequity issues, perceptions of a lack of fairness, and unequal treatment between property owners conducting similar activities, which could be the basis for future legal challenges.
- Administrative and technological issues are cost-prohibitive and unable to be implemented prior to 2029 at the earliest.

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### DISCUSSION

The City of Calgary, in partnership with the University of Calgary, engaged in a multi-phase study of Calgary's short-term rental market and proposed recommendations to improve safety, enforcement, and licensing of short-term rentals. In December 2024, Council approved the recommended tools, including direction for Administration to evaluate the feasibility of a short-term rental sub-class in non-primary residences, and applying the non-residential tax rate. This report evaluates the sub-class's ability to achieve The City's objectives for short-term rentals.

1. Support housing affordability and manage local impacts.
2. Enhance guest safety and improve enforcement.
3. Recover costs imposed by Short-Term Rentals on Administration and City resources.

The sub-class is also evaluated on the implications, effectiveness, and barriers of the proposed short-term rental sub-class from legal, administrative, cost, technical, and other perspectives. The Property Tax Policy Principles adopted by Council in the Property Tax Principles and Indicators Council Policy ([EC2025-0587](#)) serve as an effective framework for tax policy evaluation and provide another layer of evaluation.

Short-term rentals fill an important gap between permanent housing and traditional accommodations, such as for medical stays, transitory workers, relocation, and tourism. However, they also spark community concern, such as noise, vandalism, and removal of housing stock. The Short-Term Rental Study found that restricting short-term rentals is unlikely to resolve housing affordability challenges or significantly reduce long-term rental prices.

The *Municipal Government Act* allows Council to establish residential sub-classes "on any basis that it considers appropriate." Recent case law from Canmore affirms Council's authority. The proposed sub-class approach gives rise to concerns of equity, fairness, and the risk of legal challenge. Properties conducting similar activities to short-term rentals in non-primary residences, such as Bed & Breakfasts, home-based businesses, short-term rentals in primary residences, short-term rentals advertising on an unregulated platform, and medium- and long-term rentals, would not be subject to non-residential tax rate which is 4.64 times more than the residential rate in 2025. Moreover, the higher tax rate may incentivize non-compliance, undermining enforcement and safety objectives.

Significant manual intervention would likely also be necessary, which elevates the risk of system error, delays, and tax collection for The City. Due to the complex and time-consuming manual process, staffing costs may increase for the taxation administration of the sub-class. Assessment & Tax does not have the technological system capability to implement sub-classes until at least 2029. Upgrades required to integrate assessment and taxation systems are cost prohibitive estimated at a Class 5 project: minimum \$500,000.

Based on optimistic assumptions, approximately \$4M of existing tax responsibility would be redistributed from the residential class to the short-term rental sub-class to maintain The City's revenue neutral position. No "new" revenue would be generated to offset the increased costs of licensing, enforcement, increased staffing, and technological upgrades.

Administration is recommending not to proceed with a short-term rental sub-class. Based on the analysis in this report, the proposed short-term rental sub-class does not achieve the policy objectives and poses significant legal, administrative, technological, and cost barriers.

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### EXTERNAL ENGAGEMENT AND COMMUNICATION

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

Dialogue was undertaken with short-term rental digital platforms, including Airbnb and Expedia Group, that are required to be licensed under Council direction from [EC2024-1305](#).

The Short-Term Rental Study, under the Urban Alliance partnership with the University of Calgary, conducted two phases of public consultation. Phase 1 was led by the University of Calgary to understand perspectives on Calgary's short-term rental market. Phase 2 was led by The City of Calgary for feedback on short-term rental regulations. Groups involved in the consultation included the hospitality sector, short-term rental operators, elect officials, community associations, property managers, housing affordability groups, and more.

### IMPLICATIONS

#### Social

The Short-Term Rental Study found that restricting the number of short-term rentals is unlikely to improve housing stock or housing affordability. Disincentivizing short-term rentals reduces the overall benefit that they provide to the community, such as for medical stays, transitory workers, relocation, and as a tourism booster.

Under the property tax policy principle of Fairness – Ability to Pay, home value and home ownership are a proxy for the ability to pay. Renters, who may not be able to afford to purchase homes, are likely to occupy non-primary residences as tenants, while owners and landlords occupy primary residences. If both operate a short-term rental, the tenant faces a nearly five times higher tax rate, and the owner does not. The tax incidence falls disproportionately on renters with a lower ability to pay.

#### Environmental

Not applicable.

#### Economic

The additional tax may result in some short-term rental properties exiting the market. The increased tax costs to the operator may also result in higher prices for guests or a barrier to competitiveness. The sub-class may factor into the decision to operate a short-term rental in Calgary or stay as a guest in a short-term rental in Calgary, with the potential to impact local tourism.

Similarly, the high taxes may create financial strain and prohibitive barriers, especially for small-scale operators. A full-time permanent short-term rental operator earns an average of \$14K in net operating income annually and would be subject to \$12.5K in taxes from the sub-class. This impact is even more pronounced for partial short-term rentals, such as those renting out a basement to supplement income and help make ends meet. In both permanent and partial short-term rentals, this would create significant financial pressure and push operators to exit the market.

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### Service and Financial Implications

#### Other:

If Council approves the direction to implement a sub-class, whether on short-term rentals or any other type, multiple systems across The City would require upgrades and integration to flow information between licensing, assessment, the Land Titles Office, taxation, and the Assessment Review Board (ARB). Assessment & Tax will need to scope and gather requirements to determine expected costs and timelines to upgrade system capability. Based on current estimates, any systems development project is considered a Class 5 project and may require a minimum budget of \$500,000.

#### RISK

- The inequitable treatment of equivalent property uses and property owners conducting similar commerce or accommodation activities could be the basis for future legal challenges.
- The *Municipal Government Act* does not allow tax sales for lessees, which creates risk for The City's tax recovery if a tenant license holder accrues tax arrears.
- Assessment & Tax is not currently able to consistently identify unlicensed short-term rentals or ensure compliance with the sub-class. The increased cost of sub-class taxes could discourage short-term rental operators from licensing their property, thereby creating further enforcement challenges for licensing, taxation, and safety.
- Manual interventions and non-standard uses increase the risk of errors or failures in the tax system, which is The City's only mechanism for implementing taxes. Given the relatively small number of affected accounts and limited opportunity for cost recovery, this may represent a disproportionate operational risk.

#### ATTACHMENT(S)

1. Background and Previous Council Direction
2. Short-Term Rentals Property Tax Sub-Class Analysis
3. Presentation

Department Circulation

General Manager/Director	Department	Approve/Consult/Inform
Les Tochor, CFO/General Manager	Corporate Planning & Financial Services	Approve
Eddie Lee, City Assessor/Director	Assessment & Tax	Approve

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