

# Short-Term Rentals Property Tax Sub-Class Analysis

## Executive Summary

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In response to mounting housing pressures, economic conditions, and community concerns, The City of Calgary, in partnership with the University of Calgary, engaged in a multi-phase study<sup>1</sup> (“The Short-Term Rental Study”) of Calgary’s short-term rental market. The tools recommended from the study were approved by Council in December 2024, including direction for Administration to evaluate the feasibility of a short-term rental sub-class in non-primary residences, 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 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.

Residential sub-classes are established under the *Municipal Government Act* on any basis that Council considers appropriate. The proposed 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 rates. Moreover, the higher tax rate may incentivize non-compliance, undermining enforcement and safety objectives.

Significant manual intervention in City process to administer the sub-class 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. Additionally, Assessment & Tax does not have the technological system capability to implement sub-classes until at least 2029. Upgrades required to systems are estimated at a Class 5 project and may require a minimum budget of \$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 technological, administrative, legal, and cost barriers.

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<sup>1</sup> Petit, Gillian and Tedds, Lindsay M., Final Report: Flexible Options for The City of Calgary’s Short-Term Rentals Regulatory Framework: Design, Implementation, and Impact (November 04, 2024). <https://ssrn.com/abstract=5036369>

## Introduction

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### Context

The City of Calgary first introduced regulations for short-term rentals in February 2020. The housing market, economic conditions, and social environment have changed in the last five years, with the COVID-19 pandemic, housing crisis, and other large-scale events. Short-term rentals are being re-examined to assess their role in the housing market and accommodations market and determine the need for additional regulation.

In 2022, Council approved the Council Innovation Fund Application – Short Term Rental Economy and voted to engage the University of Calgary under the Urban Alliance partnership in a multi-phase study to explore market impacts, engage with Calgarians, and propose recommendations to improve safety, enforcement, and licensing of short-term rentals.

The Short-Term Rental Study found that as of 2023, Calgary's short-term rental listings represent less than one per cent of residential properties, and most are non-permanent. Short-term rentals fulfill an important community need as temporary accommodation for individuals travelling to Calgary for medical purposes, those transitioning between homes, new Calgarians, and transitory workers. The study also found that restricting short-term rentals is unlikely to resolve housing affordability challenges or significantly reduce long-term rental prices. A summary of the Short-Term Rental Study, public engagement, and key findings can be found in [Appendix A](#).

On 2024 December 17, Council approved the recommended tools in EC2024-1305, arising out of the University of Calgary ("UCalgary") study, including 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 reporting back to Council mid-2025.

### Background

In Calgary, a short-term rental is defined as the business of providing temporary accommodation for compensation, in a dwelling unit or portion of a dwelling unit, for periods of up to 180 consecutive days, by advertising or otherwise listing with a Short-Term Rental Company.

For the purposes of this report, unless otherwise stated, the short-term rental sub-class analysis discusses the additional parameters set out by Council and the approved short-term rental policy tools.

- An active short-term rental business license issued by The City of Calgary.
- A rental period of up to 180 days per year.
- Listing on a licensed short-term rental digital platform.
- The property is not considered affordable housing.
- The property is a non-primary residence (i.e., not occupied by the owner).
- The non-residential tax rate applies to the sub-class.

Short-term rentals are not inherently negative, as they help to address gaps between permanent housing and traditional accommodation. They provide value as flexible housing and accommodation options, competitors to hotels, a boost to tourism, and accommodation for those transitioning between homes or cities. On the other hand, properties that operate as short-term rentals are removed from the housing stock, reducing available long-term housing. They are also perceived as disruptive to their communities, giving rise to concerns such as safety, parking, noise, and vandalism.

## Policy Objectives for Short-Term Rentals

The City has three policy objectives arising from the Study and subsequent analysis. Proposed tools to regulate short-term rentals must achieve one or more of the following.

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.

## Legislative Analysis: What is a sub-class and how does it work?

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The City of Calgary levies property taxes on property owners under the authority of the *Municipal Government Act* (“MGA”). Section 297 of the MGA establishes the four assessment classes:

- Residential
- Non-Residential
- Farmland
- Machinery and Equipment

MGA s. 297(2) allows Council to create residential sub-classes “on any basis it considers appropriate,” including short-term rentals. Council may also create non-residential sub-classes, limited to the prescribed list in the MGA and the *City of Calgary Charter Regulation* (the “Charter”):

- Vacant non-residential
- Small business
- Other non-residential
- Derelict or contaminated

If Council elects to create a sub-class, the property use or characteristics must be clearly defined in a bylaw, and a tax rate greater than zero must be applied. Sub-classes may be used as a tax policy tool to incentivize or discourage property uses, address equity concerns, or reflect how certain property types impact The City or its finances. They are rigid, heavy-handed, and may lead to unintended redistributive impacts to the broader assessment class. Despite these limitations, sub-classes remain a powerful, though broad-brush, mechanism for advancing long-term policy objectives.

To enact a valid Tax Rate Bylaw, tax rates for each class and sub-class must comply with all relevant provisions of the MGA, particularly s. 358.1 which governs the tax ratio. The tax ratio limits the highest non-residential tax rate to no more than five times the lowest residential tax rate (5:1). In 2025, Calgary’s tax ratio is 4.64:1. As the tax ratio approaches the 5:1 legislated limit, Council’s taxation decisions, such as tax shifts, become more constrained.

Additional information about the legislative framework that enables sub-classes is in [Appendix B](#).

### ***Ross v Canmore (Town), 2025 ABKB 258***

In 2024, the Town of Canmore enacted Bylaw 2024-19, which established five sub-classes, including a “Primary Residential” sub-class taxed at a lower rate. A lawsuit was initiated by residents and two property management companies to challenge the bylaw, particularly over its residency requirements, which define a “Primary Residence” based on occupancy criteria.

The MGA allows municipalities to create residential sub-classes on “any basis it considers appropriate.” The Court held that “how a residential property is used” as a basis for creating

residential sub-classes falls within a reasonable interpretation of the words “any basis,” and provided the following example.

If one person owned two residential properties in Canmore and lived in the first full-time every day of the year, while putting the second to a different use, the two properties would receive unequal treatment under the Bylaw. [...] The fact that both properties are owned by the same person demonstrates definitively in my view that the Bylaw does not discriminate on the basis of “personal characteristics” of owners. [...] It discriminates on the different use that the individual makes of their two residential properties.

The Court concluded that the bylaw is valid, except for s. 9 allowing retroactive tax adjustments, exceeding the MGA’s authority. The tax rate will not be applied until 2026, pending appeal.

## Jurisdictional Overview

Many municipalities across Canada regulate short-term accommodations using a combination of taxation, land use regulations, and licensing frameworks. Jasper and Canmore are the only jurisdictions in Canada that implement a short-term rental sub-class. A jurisdictional comparison of the tools used in various jurisdictions is provided below.

City	Tax Sub-Class	Other Tax Treatment	Land Use Regulation	Licensing Framework
Fredericton, NB	None	Accommodation Tax	Zoning Bylaw	None
Halifax, NS	None	Marketing Levy	Zoning Bylaw	Rental Registry
Montreal, QC	None	Accommodation Tax	Zoning Bylaw	Rental Registry
Quebec City, QC	None	Accommodation Tax	Zoning Bylaw	Rental Registry
Banff, AB	None	Tourism Levy	Zoning Bylaw	Licensing
Calgary, AB	None	Tourism Levy	None	Licensing
Canmore, AB	Tax Sub-Class	Tourism Levy	Zoning Bylaw	Licensing
Edmonton, AB	None	Tourism Levy	Zoning Bylaw	Licensing
Hamilton, ON	None	Accommodation Tax	Zoning Bylaw	Licensing
Jasper, AB	Tax Sub-Class	Tourism Levy	Zoning Bylaw	Licensing
Ottawa, ON	None	Accommodation Tax	Zoning Bylaw	Licensing
Regina, SK	None	Accommodation Tax	None	Licensing
Saskatoon, SK	None	Accommodation Tax	Zoning Bylaw	Licensing
Sylvan Lake, AB	None	Tourism Levy	None	Licensing
Toronto, ON	None	Accommodation Tax	Zoning Bylaw	Licensing
Vancouver, BC	None	Accommodation Tax	Zoning Bylaw	Rental Registry
Victoria, BC	None	Accommodation Tax	Zoning Bylaw	Rental Registry
Whistler, BC	None	Accommodation Tax	Zoning Bylaw	Rental Registry
Winnipeg, MB	None	Accommodation Tax	Zoning Bylaw	Licensing

## Does the sub-class align with policy objectives and tax principles?

### **Policy Objectives for Short-Term Rentals**

The City has three policy objectives for short-term rentals that proposed regulatory tools must achieve. The proposed short-term rentals sub-class fails to meet all of the policy objectives.

#### *Support housing affordability and manage local impacts*

While applying a non-residential tax rate to short-term rentals may result in fewer operators by making the model less financially attractive, this policy tool may not achieve its intended objective. Per the findings of the Short-Term Rental Study, restricting short-term rentals is unlikely to meaningfully impact housing stock or affordability in Calgary, as short-term rental units make up a small fraction of the overall rental market.

Moreover, increased taxation costs would likely be passed on to guests, making short-term accommodations more expensive without returning those properties to the long-term rental market. This could inadvertently reduce the availability of flexible accommodation options for groups for whom short-term rentals offer an important alternative to traditional hotels. This includes medical stays, transitory workers, displaced residents, newcomers, and tourism.

Therefore, while taxation may influence short-term rental market participation, it is a blunt policy instrument that carries trade-offs. If affordability and housing access are the goals, more targeted tools, such as licensing restrictions, zoning controls, or vacancy-based incentives, may be more effective and equitable.

#### *Enhance guest safety and improve enforcement.*

The associated higher sub-class tax rate acts as a disincentive to property owners licensing their short-term rentals. This defeats the objective of improving safety and enforcement as it pushes rentals to operate unlicensed and uninspected. The safe regulation of short-term rentals through fire inspections and other measures is likely to provide the best outcomes for the objective safety and enforcement, and the sub-class may impede this goal.

#### *Recover costs imposed by Short-Term Rentals on Administration and City resources.*

A sub-class approach is unlikely to be effective or proportionate for cost recovery. The City of Calgary uses revenue neutral budgeting to raise only the amount of the tax revenue that is required to fund its operations. The amount raised by the residential class and sub-class reflects the same revenue that would have been raised without a sub-class. Unless Council increases the budget proportionate to new expenditure, which could not be targeted to the sub-class and would increase taxes to all properties. Further, implementing and maintaining a sub-class would require significant investment in licensing enforcement, administrative processes, and system upgrades.

Unlike hotels, short-term rentals are dispersed and transient, making them harder to monitor and less reliable as a tax base. Additionally, due to limited data and the seasonal, fluctuating nature of short-term rentals, the potential tax revenue is unpredictable. Given the limited financial return and high operational burden, this model does not represent a sustainable or efficient path to cost recovery. More targeted tools would better align with resource demands and policy objectives.

## Property Tax Policy Principles

Council adopted the following Property Tax Policy Principles as the basis for evaluating property tax programs, systems, and reforms. The proposed short-term rentals sub-class fails to meet all of the property tax principles.

### *Fairness - Ability to Pay*

Under this principle, using home value and home ownership is 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.

### *Fairness – Benefits*

Short-term rental guests make use of The City's services, though they are less likely to be residents of Calgary and thus do not pay taxes to fund these services. Though an accommodation levy is paid to the Government of Alberta, the revenue does not contribute to the sustainability of municipal services. Under this principle, those who benefit from City services may not be the same people who pay taxes to fund them.

### *Neutrality*

The additional tax may result in some short-term rental properties exiting the market, thereby potentially returning the property to the long-term housing market. The increased tax costs to the operator may also result in higher prices for guests or a barrier to competitiveness for certain short-term rental operators who do not have the same ability to scale their operations as hotels. This may impact 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.

### *Stability & Predictability*

There is uncertainty in determining the size of the sub-class assessment base, or how it may change over time with the new regulations for short-term rentals. As properties move in and out of the sub-class, either through license expirations, cancellations, non-compliance, sale of the property, or other reasons, the sub-class assessment base may be volatile and change unpredictably. Although the assessed value and tax revenue of the sub-class is not yet known, there is no predicted stability and predictability impact on revenue sources due to The City's revenue neutral budgeting. If the sub-class assessment base shrinks, leading to a decrease in revenue, the amount required to be funded by the residential class would remain unchanged, and would be raised by residential properties not in the sub-class.

### *Accountability, Simplicity & Transparency*

The limitations of the proposed short-term rental sub-class result in a complex structure of applicability, potentially causing confusion among short-term rental operators regarding whether they will be included in the sub-class. Clear information can be conveyed on The City's website and other platforms to communicate the requirements effectively.

### *Efficiency & Ease of Administration*

The proposed short-term rental sub-class has many complexities and unresolved challenges, which would create a significant administrative burden and cost to administer. Further, the risk of legal challenges could constrain governance.

### **Does the sub-class meet objectives and principles?**

The proposed short-term rentals sub-class fails to meet all the policy objectives for short-term rentals and all the property tax policy principles. Therefore, the short-term rentals sub-class cannot be recommended for Council approval.

## **Limitations for Implementing a Short-Term Rental Sub-Class**

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### **Legal and liability risks outweigh operational feasibility**

While there are administrative and technological limitations to implementing a short-term rental sub-class, the more critical concern lies in the legal, liability, and financial risks that such an approach would introduce for both The City and property owners.

Under the current structure of the Municipal Government Act (MGA), taxes are recoverable only from property owners, not from tenants or lessees. Introducing a sub-class for short-term rentals could require the creation of sub-accounts tied to individual licensed rental units. In many cases, those licenses may be held by tenants rather than owners. This would create a situation where a tax obligation is triggered by the actions of a third party, but legally remains the responsibility of the property owner, exposing owners to unexpected taxes and increasing the City's risk of enforcing tax compliance.

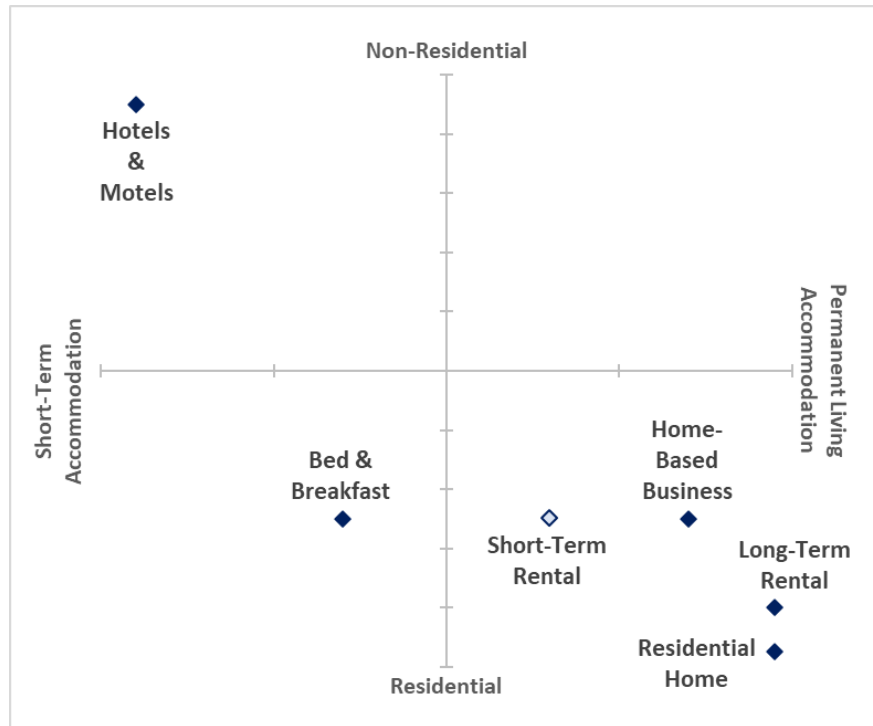
There is a risk in pursuing tax recovery through tax sale mechanisms when increased tax liabilities are caused by lessees that are unknown and not in the control of the property owner. In such cases, The City may have limited tools to address payment defaults, which can lead to unrecoverable debt within the taxation system. In addition, the complexity of manually creating and cancelling sub-accounts in response to changes in licensing status would amplify the risk of administrative error. These risks are compounded by the City's reliance on the tax system as its sole legal mechanism for collecting revenue, which is not designed to accommodate these kinds of non-standard use cases.

### **Legal Analysis**

MGA s. 297(2) authorizes municipalities to establish sub-classes on "any basis it considers appropriate". Recent case law in *Ross v Canmore* affirms that a municipality has the legislative authority to create a residential sub-class for short-term rentals, based on property use rather than physical characteristics of the property. Although creating a residential short-term rental sub-class is within Council's authority, this sub-class can lead to inequity issues, perceptions of a lack of fairness, and unequal treatment between property owners conducting similar activities. These concerns could potentially be the basis for future legal challenges.

#### *Equity and Parity*

Many property types are used for short-, medium-, and long-term accommodations while conducting varying degrees of commerce on the property. While the short-term rental sub-class is proposed to be residential, Council has directed the exploration of applying the non-residential tax rate to the sub-class. In 2025, the municipal non-residential tax rate is 4.64 times higher than the residential tax rate. The chart below outlines the current classification of various property types that engage in either commercial activity, accommodations, or both.



Due to the residential classification and taxation of comparable property uses and physical characteristics with Bed & Breakfasts, home-based businesses, long-term rentals, and residential homes, applying a non-residential tax rate to short-term rentals would create inequity among property owners and increases the risk of legal challenge.

Short-term rentals are proposed to be treated at the same level as hotels for taxation purposes, despite crucial differences between the two property types which fundamentally determine that a short-term rental cannot behave as a hotel.

**Business Scale and Operations:** Short-term rentals operate on a much smaller scale compared to hotels. Most are individual home-based operations with limited guest capacity, while hotels are purpose-built commercial enterprises with multiple rooms, full-time staff, and extensive amenities.

**Commercial Infrastructure:** Hotels are equipped with commercial infrastructure such as front desks, housekeeping services, elevators, and commercial kitchens. Short-term rentals, by contrast, use existing residential infrastructure with minimal or no commercial upgrades.

**Zoning and Land Use Designation:** Hotels are located in commercial or mixed-use zones and are specifically designed and approved for commercial hospitality use. Short-term rentals typically exist within residentially zoned areas and maintain the same physical and functional characteristics as other residential properties.

**Property Use:** Short-term rentals can shift their use at any time to long-term rentals or back to owner-occupancy, without structural changes. Hotels are fixed-use properties with a single, continuous commercial purpose.

The application of the sub-class to non-primary residences only creates further inequity. For example, both a primary and non-primary residence may be equivalent in property type and value, they may both equally operate short-term rentals, and only the latter will be taxed at the non-

residential tax rate. Additionally, an individual operating a short-term rental that advertises on a platform not governed by the Business License Bylaw 53M2024 would not require a short-term rental license and therefore would not be subject to the sub-class. Due to inequitable treatment between property uses and within the same use by primary and non-primary residences, as well as the complexities in capturing an accurate list of short-term rental operators, it would be considered inequitable to solely apply the non-residential tax rate to short-term rentals, while the rest remain residentially taxed.

### *Fairness and Charter Class*

As previously discussed, the short-term rental sub-class would be applied to the entire property, even if only a portion of the property is used for short-term rental purposes (e.g., a bedroom, a basement). Similarly, a short-term rental would not receive reprieve from the sub-class when it is vacant. Neither space nor time usage are a consideration in applying the sub-class. Under the physical condition date in MGA s. 289(2), “Each assessment must reflect the characteristics and physical condition of the property on December 31 of the prior year.” As such, if the property operated as a short-term rental on December 31, it would be subject to the sub-class for the entire year. This could lead to an increase in appeals on the grounds of fairness, in that the property should not be taxed as a short-term rental during the time that it did not operate as a short-term rental. However, the December 31 approach is consistent with the treatment of property conversions between residential and non-residential classification.

Other jurisdictions with different and simpler sub-classes have mitigated this effect by providing a grant or refund for the portion of the year that the sub-class is no longer applicable. Calgary could mitigate the condition date consideration above by refunding or providing a grant for the portion of the year that the property was not used as a short-term rental. However, this process would create significant manual work, additional cost, and complications to verify rental operations for each property in the sub-class.

### **System Constraints and Administrative Resource Implications**

The City of Calgary’s current systems for assessment and taxation lack the technical functionality to implement sub-classes. The systems are scheduled for upgrades and replacement on a staggered timeline. Due to the complex system requirements necessary to create sub-class functionality, the earliest possible sub-class integration would be in 2029. Assessment & Tax currently does not have the capability to implement sub-classes.

Multiple systems across The City would require upgrades and integration in order to flow information between licensing, assessment, the Land Titles Office, taxation, and the Assessment Review Board. Scoping and requirements gathering is required to determine expected costs and timelines. Based on current estimates, the systems development project is considered a Class 5 project and may require a minimum budget of \$500,000, with a significant likelihood of exceeding the budget. More information about these systems and challenges can be found in [Appendix C](#).

Due to the complexity and need for manual adjustments to reflect changes in sub-class applicability, staffing requirements for taxation would increase. Examples of required manual work include moving accounts into and out of the sub-class, changes to licensing status, manual data entry, and the creation and cancellation of sub-accounts, if applicable.

### **Enforcement**

The capacity of Assessment & Tax to audit the appropriate application of a short-term rental sub-class is very limited. UCalgary’s study suggests that effective enforcement requires platform cooperation and costly active enforcement, such as random inspections. They estimate that 29%

of Airbnb listings are non-compliant with licensing requirements. Assessment & Tax is not currently equipped to consistently identify unlicensed short-term rentals or ensure compliance with the sub-class. Furthermore, 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.

Assessment & Tax derives its enforcement authority from the MGA, such as collecting arrears and tax sales. The City is a priority creditor. This status is significant in cases involving creditor actions such as bankruptcy, receivership, consumer proposals, or foreclosure. When taxes are levied against property owners, the standard tax recovery and public auction processes under legislation apply. This creates significant issues if the license holder incurring the arrears is not the property owner (e.g., tenant), as the arrears would apply to the property owner’s account. This may cause a property to go into tax sale for actions outside of the property owner’s control.

### Limitations Common to All Sub-Classes

All sub-classes present design and implementation challenges. While some are unique to particular sub-classes type, such as the consideration of tenant-held licenses for short-term rentals, though most apply across all sub-classes and will create difficulties for the exploration and deployment of sub-classes in the future.

The table below shows which limitations are applicable to all sub-classes, and applicable to short-term rental (STR) sub-classes in particular. This list is not exhaustive.

Limitation	All Sub-Classes	STR Sub-Class
Inequity of treatment for the same or similar property use.		X
Risk of legal challenge.	X	X
Lack of legislative tools to collect on arrears.		X
Anticipated increase in Assessment Review Board complaints.	X	X
Substantial additional cost for system upgrades, staffing, and enforcement.	X	X
Significant requirement for manual intervention; increased staffing needs.	X	X
Resourcing required to enforce the application of the sub-class.	X	X
Lack of necessary trackable data.	X	X
Administrative complexities in applying sub-accounts.	X	X
Lack of system functionality until at least 2029.	X	X
Applying the sub-class based on the condition date.	X	X
Need for an assessor to verify physical and non-physical characteristics.	X	

## Data Analysis

The City’s new licensing structure came into force on April 1, 2025, amending the current license tiering structure to primary and non-primary residences. As licenses come up for renewal, they will be phased into the new structure. Complete data will not be available until April 2026, resulting in insufficient data for accurate analysis. Assumptions were made where possible, and multiple scenarios were modeled otherwise. The methodology and detailed analysis are in [Appendix D](#).

**No New Revenue:** There are a total of 1,766 active primary and non-primary short-term rental licenses across 1,639 properties, as of May 2025. Under the assumption that 20% of short-term rental licenses are non-primary, using the 2025 tax rates and assessment bases, the sub-class would generate, at most, \$4M in incremental annual tax revenue. This means that sub-class properties would collectively pay \$4M more in taxes under the residential tax rate, reallocating the tax responsibility from the residential class. No “new” revenue would be generated above what is budgeted.

**No Cost Recovery:** Due to The City’s revenue neutral budgeting, the sub-class would be a redistribution of existing tax responsibility and would not generate additional revenue to offset costs. An increase to the budget aimed at cost recovery would be distributed to all properties. Therefore, the sub-class is unable to fulfill the cost recovery policy objective for the costs of licensing, safety/fire inspections, as well as increased costs of technology and administration.

**Unstable or Shrinking Base:** The projected \$4M incremental sub-class revenue does not account for how the sub-class may shrink due to the behavioural effect of disincentivizing short-term rentals or licensing compliance, a potential moratorium on new licenses, or reductions due to appeals.

**Tax Ratio Increase:** The sub-class would allocate a higher revenue requirement to the sub-class portion of the residential assessment class, leaving the remainder of the class to raise proportionally less on a per-property basis. This results in marginally lowering the residential tax rate, which would push the 2025 tax rate ratio from 4.64 to 4.66, closer to the legislated limit of 5. Additional scenarios of various non-primary portions are available in [Appendix D](#).

**Alternative Approach – Targeted Properties:** As an alternate approach to applying the sub-class to non-primary short-term rentals, whole multi-residential properties with a substantial short-term rental presence were considered. 33 properties with multiple units (e.g., condos, multi-residential buildings) have 20% or more units with active licenses. If all 33 properties were deemed to be targeted properties, the resulting revenue of the sub-class would be \$1M. This significantly increases the efficiency for tax collection: instead of \$4M across 1,766 units (approximately \$2.5K per property), they would instead collect \$1M across 33 properties (approximately \$30K per property). The \$1M includes not only short-term rental units, as with the \$4M, but rather whole multi-residential property values.

*Note:* Among these 33 properties, two properties have 100% of units licensed as short-term rentals. These buildings operating entirely as short-term rentals can more reasonably be compared to hotel-type accommodations

## Other Considerations

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### Eligibility and Interactions with Other Programs

Certain programs provide property tax exemptions, penalty relief, tax discounts, or other tax implications. Participants of these programs would be restricted from entering a sub-class with a higher tax rate due to the program’s impact and cost to The City. Depending on whether ineligibility for the sub-class would result in ineligibility for licensing, or if licensing would be granted without applying the sub-class, challenges may ensue due to the inequitable or unfair treatment. Implications of the sub-class on tax-related programs can be found in [Appendix E](#).

Similarly, applying a non-residential sub-class tax rate to short-term rentals could significantly increase the annual property tax responsibility for affected owners. For properties with mortgages,

this increase would be passed through mortgage escrow accounts (i.e., where lenders collect and remit property taxes), potentially triggering increased monthly mortgage payments and could lead to defaults if owners are unable to absorb the increased cost. It may also complicate mortgage renewals or refinancing, as lenders may reassess property risk based on fluctuating tax treatment. Additionally, this may introduce reputational risks for The City if taxation policy is seen as contributing to housing instability or financial hardship for residential property owners.

In the same way, 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.

Given the residential classification and fluctuating use of short-term rental properties, applying a tax rate intended for commercial properties may have disproportionate and unintended impacts on individual homeowners, unlike hotels, which are owned and operated as commercial assets with higher capital reserves and business continuity planning.

## Conclusion, Recommendation, and Alternatives

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### Primary Recommendation

***Do not proceed with a sub-class for short-term rentals located in non-primary residences, applying the same tax rate that is applied to non-residential property.***

The proposed sub-class for short-term rentals does not achieve The City's policy objectives for short-term rentals or Council's property tax policy principles. The sub-class may act as a deterrent to licensing, which will impact guest safety and enforcement. The inequitable treatment of equivalent property uses and property owners conducting equal activities creates a risk for legal challenges. The cost of implementation from the perspective of administration, data and information integration, and technological upgrades, could exceed any potential benefits or revenue from the sub-class. Finally, Assessment & Tax does not have the technological capability to implement sub-classes until 2029 at the soonest.

A sub-class is not an effective tool for achieving the policy objectives. Therefore, Administration recommends not to proceed with the short-term rental sub-class.

## Appendix A - University of Calgary Short-Term Rental Study Key Findings

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The University of Calgary, under the Urban Alliance partnership, conducted a multi-phase study on short-term rentals. The study produced three reports and a public engagement.

### 1. [The State of Short-term Rental Regulation in Canada](#)

- Short-term rental licensing or registration requirements are widespread across Canada.
- Regulations span the gamut along two dimensions: complexity and restrictiveness. On this scale, Calgary's current short-term rental regulations are relatively permissive and not complex, focusing on tracking short-term rentals and ensuring guest safety.

### 2. [A Detailed Portrait of the Short-Term Rental Market in Calgary](#)

- The City of Calgary had 5,657 active Airbnb/VRBO listings in July 2023. 78 percent were "entire home/apartments", and 71 percent displayed a valid license number.
- The majority of short-term rental listings and listing growth has been concentrated in Centre communities (particularly the Beltline) and developing communities (particularly Seton, Livingston, and Cornerstone).
- Permanent listings made up 26 percent of all short-term rental listings in September 2022. The remainder of the listings were temporary or term listings.

### 3. [Final Report: Flexible Options for The City Of Calgary's Short-term Rentals Regulatory Framework: Design, Implementation, and Impact](#)

- Developing effective and efficient short-term rental regulation consists of three interlocking pieces: defining short-term rentals, selecting policy objectives and corresponding policy tools, and effective enforcement.
- Since 2020, Calgary's short-term rental definition has been based on the number of days of a stay. This aligns with the common perceptions of short-term rentals and is consistent with most jurisdictions in Canada. The definition of short-term rental could also be extended to cover all licensed rentals.
- Three policy objectives that short-term rental regulation can address: managing local impacts, managing guest experience, and managing City impacts.
- Potential policy tools include, but are not limited to, license quotas, Land Use Bylaws, prohibited buildings list, and increasing property taxes on short-term rentals.
- Short-term rentals are visible to the public but not to enforcement agencies. Short-term rentals must be able to be detected and monitored for a regulation to be enforceable.
- Data sharing agreements with short-term rental digital platforms would provide information on hosts, exact locations of listings, and license numbers.

### 4. & 5. Engagements: [What We Heard 1](#) and [What We Heard 2](#)

- Over half of survey respondents indicated they were unsupportive of the short-term rental market while about one-third were supportive. Respondents were most concerned about the extent to which the short-term rental market is causing housing pressures; however, short-term rentals were viewed as a good option for medium-term stays.
- Short-term rentals were noted as housing that filled a gap in the housing market, offering short and medium-term rentals to newcomers to Calgary while they looked for permanent housing, to Calgarians facing either renovations or repairs on their current home, and to those from rural Alberta coming to Calgary for lengthy medical treatments.

## Appendix B – Enabling provisions of the *Municipal Government Act* and Regulations

The sections below of the *Municipal Government Act, RSA 2000, c M-26* (MGA) and the *Matters Related to Assessment and Taxation Regulation, 2018* (MRAT) are discussed in this report,

### Relevant sections in the MGA

Section	Definition
S. 289	A property assessment must reflect the characteristics and physical condition of the property on December 31 of the year prior to the year in which a tax is imposed.
S. 293	An assessment must prepare an assessment in a fair and equitable manner, in accordance with the regulations.
S. 297(2)	A council may by bylaw divide the residential class into sub-classes on any basis it considers appropriate
S. 354	The property tax bylaw must set out all of the tax rates to raise the revenue required. A tax rate must be set for each class or sub-class.
S. 357.1	The tax rate on residential property or on any sub-class of residential property must be greater than zero.
S. 358.1	The ratio of the highest non-residential tax rate to the lowest residential tax rate may not be greater than 5:1.
S. 553.1(1)(a)	If a person holding a City-granted license granted owes money to The City, The City may add the amount owing to the tax roll.

### Relevant sections in MRAT

Section	Definition
S. 5	An assessment of property based on market value must be prepared using mass appraisal and must reflect typical market conditions for properties similar to that property.
S. 9	When an assessor is preparing an assessment for a parcel of land and the improvements to it, the valuation standard is market value.

## Appendix C – Assessment and Taxation Systems

Systems used by Assessment & Tax are described with their purpose and associated risk below.

System	Description and Risk
CIAO (Calgary Integrated Assessment Office) & iasWorld	Used to assess all property in Calgary. CIAO will soon be replaced by iasWorld.
COOL (Calgary Ownership On-Line)	Manages ownership information for all property records. Integrated with the Land Titles Office and flows information into other Assessment & Tax systems.
POSSE (Public One Stop Service Experience)	Planning and development software for licensing, permits, development, and more.
PTWeb (Property Tax Web)	Taxation system used for billing, tax recovery, account management, taxation reporting, and more.

**CIAO** does not have the functionality to implement sub-classes. **iasWorld** is in development and scheduled to launch next year. It does not have sub-class functionality. This functionality cannot be added until 2029 at the soonest.

**COOL** has undergone a major upgrade/replacement project, and the new system is set to go live by the end of 2025. Information from the Land Titles Office (LTO) integrates with other Assessment & Tax systems. However, Manufactured Home information, lessee accounts, and other records (such as short-term rentals) which are not held by LTO are managed manually by the Payments team.

**POSSE's** integration with Assessment & Tax systems such as **COOL**, **PTWeb**, and **CIAO** will likely require extensive updates. These could involve multi-system integrations, with estimated costs potentially exceeding \$500,000.

**PTWeb** is scheduled for major upgrades or possible replacement in the coming years. This creates uncertainty and adds complexity for any interim or permanent changes required to accommodate short-term rental classifications.

### Additional considerations of risks

**Integration of information:** All owner information from LTO feeds into COOL overnight. COOL communicates with POSSE, PTWeb, and CIAO. Information from LTO integrates with Assessment & Tax systems almost completely. Records not in the scope of LTO are managed manually. Short-term rentals are managed through licensing, rather than LTO, which would require manual management or costly technology upgrades.

**Timing Risks:** If the flow of information from licensing to assessment to taxation is not seamless, errors and delays may result. Any manual interventions will result in further complications and timing risks.

**Budget:** Without clear requirements at this point, any improvements could result in a Class 5 project, where the budget could be double the project expense.

## Appendix D – Detailed Data Analysis and Alternatives

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### Assumptions and Limiting Conditions

As of April 1, 2025, license applications must now apply as either a primary or non-primary resident. At least one year is required to review the number of stabilized short-term rental license information under the new application process. Therefore, license information and estimates provided are based on the historical application process.

### Preliminary Data Review

A preliminary review of all properties with a short-term rental license between October 10, 2023, and April 10, 2025, was undertaken. Licenses which are closed, expired, cancelled or rejected are not considered eligible for the short-term rental sub-class and removed from the analysis. Tax-exempt properties are not considered eligible for the short-term rental sub-class.

After the removal of non-active licenses and exempt properties, there were 1,766 active licenses. 1,639 unique properties have an active short-term rental license. 1,554 of these properties have a single license issued (i.e., one property with one license). 85 properties have a total of 212 (e.g., condo buildings with multiple licensed units).

### Assessment Value Impact – Regression Model

Assessment values in Alberta are prepared annually using mass appraisal methods and must reflect the market value standard, which is set out in the *Municipal Government Act*. Market value means that assessed values reflect typical market conditions for properties like the property.

To determine if short-term rental licenses increase or decrease assessed values, a statistical review was undertaken. The results show no evidence that short-term rentals increase or decrease property values. The results are therefore null.

### Tax Analysis

Due to the lack of primary and non-primary license breakdown data, various proportions of non-primary licenses were modelled. If non-primary short-term licenses make up from 5% to 75% of all short-term licenses, then the tax responsibility redistribution from the residential class to the short-term rentals sub-class would range from \$0.9 to \$13M respectively.

### The Ratio

A particularly important consideration is the tax rate ratio, limited by the MGA to 5.0. Calgary's 2025 tax ratio is 4.64, meaning that non-residential properties pay 4.64 times more tax than residential properties on the same assessed value. Any changes to the assessment base, sub-classes, and tax rates would require further analysis of impact on the ratio. The proposed sub-class increases the tax rate ratio. If 20% of licenses are non-primary, the ratio would increase to 4.66. If the sub-class applied to all short-term rentals, the ratio would be 4.71.

## Appendix E – Program Considerations

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The programs below form a non-exhaustive list of areas of concern if program participants are included in short-term rental sub-class. Certain programs, where noted below, are only eligible for owners who live at the property (i.e., primary residences). The interactions with these programs should still be considered in the event that the criteria for the program or short-term rental sub-class eligibility change.

### **Compassionate Property Tax Penalty Relief Program**

If an extraordinary circumstance stopped a property owner from paying their property tax on time, they may be eligible for penalty relief. As a higher sub-class tax rate would create higher tax penalties, this may create cost impacts to The City.

This program is currently only applicable to primary residences.

### **Property Tax Assistance Program (PTAP)**

A residential property owner experiencing financial hardship, regardless of age, may be eligible for a credit/grant on the increase of their property taxes. PTAP falls under the Fair Entry program, which uses the Low-Income Cut-Off (LICO) in part to determine eligibility. The program guidelines would need to be reviewed to decide whether a short-term rental would be eligible under PTAP.

This program is only available to property owners who do not own any other property in The City of Calgary, which limits applicability to primary residences.

### **Estate Accounts**

There may be complications if the Power of Attorney or Executor uses the properties as short-term rentals while they are in probate.

### **Seniors Property Tax Deferral Program**

This program allows eligible senior homeowners to voluntarily defer all or part of their residential property taxes, including the education tax portion. This is done through a low-interest home equity loan with the Government of Alberta. If a program participant is taxed at a higher short-term rental sub-class rate, the liability to the Government of Alberta increases. Provincial administrators would need to determine eligibility of the program in this case.

This program is currently only applicable to primary residences.

### **Manufactured Homes**

These types of properties require special manual handling in COOL and present unique Credit and Collections challenges. There may be further implications if a manufactured home operates as a short-term rental.

### **Payment Correction and Refund Policy**

A review of the Assessment & Tax payment correction and refund policy must be completed to determine processes for payment transfers, amendments, and refunds for properties with short-term rentals.