Calgary

Tax Share

The Present: An overview of where we are at

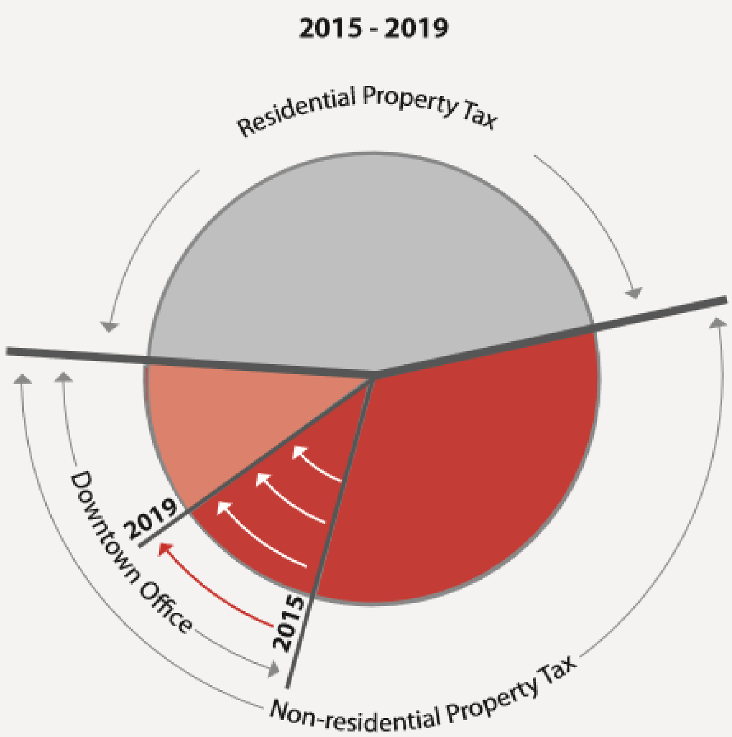
Defining the Problem

The steep and rapid decline in the market value of a small number of high valued downtown properties has resulted in a redistribution of property taxes ($250M from 2015-2018) to other non-residential properties, causing untenable property tax increases for some property owners. It is estimated with all things equal, more than half of non-residential property owners will experience increases greater than 10% over last year. The City is exploring tax share mitigation options to support business and to sustain the long-term economic health for all Calgarians.

Assessment Shift

Of The City's total revenue sources, property taxes account for approximately 49% of the annual operating budget to support the delivery of services Calgarians rely on every day. Historically, property taxes collected from non-residential properties (office, retail and industrial) have contributed approximately 55% of the total property tax revenue.

The economic downturn which began in 2015 adversely impacted many businesses in Calgary, particularly the downtown non-residential real estate market. The following details several significant impacts:



- The decline in oil prices resulted in depressed demand for downtown office space. In addition to lower demand, an increase in newly built downtown office supply has led to a decrease in property values.
- Several large downtown office properties experienced a drop in their assessed value of approximately $14 billion, resulting in a shift of municipal taxes within the non-residential property class.
- The market value of downtown office properties has continued to decrease from 32% of the total non-residential assessment base in 2015 to 18% in 2019.
- $250 million in property tax from downtown non-residential properties has been redistributed to non-residential properties in other areas of the city.
- It is estimated over half of non-residential property owners will experience tax increases greater than 10% over last year due to the assessment shift.

Tax Share

What this means

The redistribution of over $250 million in non-residential property taxes (primarily from downtown office) to other non-residential properties (primarily those outside the downtown) since 2015 has resulted in many non-residential property owners seeing an increase due to the shift. The result of these changes are calculated below to illustrate the impact on a non-residential property with an assessed value of $5 million:

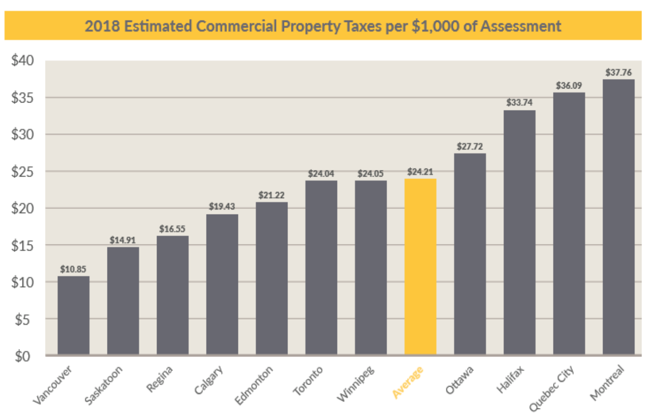
2018 property tax bill: $76,617
2019 estimated property tax bill: $91,292

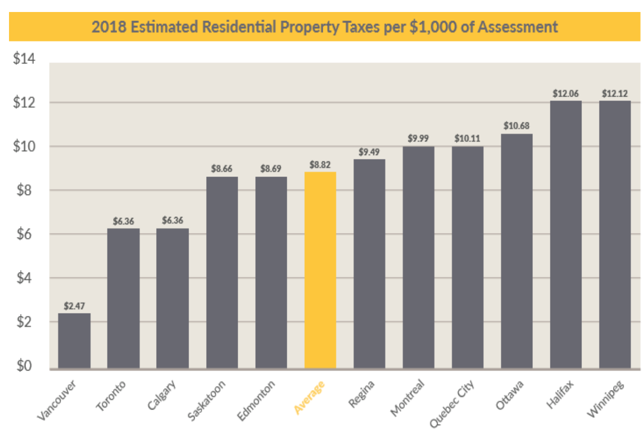
Increase of $14,675 attributed to:

- Business Tax Consolidation impact $ 3,705
- Increase resulting from the shift $10,090
- Tax rate increase $ 880

Property Tax Rates

There are multiple reports detailing property tax comparisons. In this example, the ALTUS Group shows property tax rates of major urban centres across Canada for the last 15 years. View the full [Canadian Property Tax Rate Benchmark Report.]





Altus Group, Canadian Property Tax Benchmark Report 2018

Why property tax ratios should not be used as a target

Property tax rates are a regulatory requirement but should not be considered in isolation for the following reasons:

- Comparing property tax information across municipalities is not an apples-to-apples comparison due to differences in: assessment methodologies, property values, legislation, tax classes, specific services offered and service levels provided, what's included in a municipality's property taxes versus what's included under separate rates (i.e. utilities), and the revenue each jurisdiction requires.
- Each municipality offers a different suite of services and service levels citizens place varying importance on. For example, some municipalities place importance on maintaining roadways, snow removal and transportation infrastructure, while others may place more value on community services.
- Calgary has experienced low residential property taxes over the past two decades in part because of a vibrant local business community that has historically helped share the tax load.

Tax Share

Tax Relief

City Council has provided one-time funds to mitigate the impact of extraordinary increases to eligible non-residential properties by implementing separate one-year tax cap programs, called the Municipal Non-Residential Phased Tax Program (PTP).

2017 Phased Tax Program (PTP)	2018 Phased Tax Program (PTP)
• Capped the municipal tax increase at 5% • Distributed approx. $26.5 million in 2017 tax credits to over 5,000 non-residential property owners	• Capped the municipal tax increase at 5% • Distributed approx. $29.3 million in 2018 tax credits to over 6,900 non-residential property owners to date

These PTPs have capped tax increases in the municipal tax portion of the non-residential property tax in the year offered. However, the following year property owners receive a compound effect of the increase from the previous year and tax increase from the current year.

Looking ahead

The new economic reality in Calgary provides an opportunity to evaluate tax solutions to shape the future and ultimately make life better for all.