



COMMERCIAL REAL ESTATE
DEVELOPMENT ASSOCIATION
CALGARY * CHAPTER

March 18, 2019

Mayor Nenshi and City Councillors
P.O. Box 2100, Station M
700 Macleod Trail South
Calgary, AB
T2P 2M5

Re: Downtown Tax Shift Response

Dear Mayor Nenshi and City Council,

On behalf of NAIOP Calgary, we would like to thank Council and Administration for your focus and attention to the critical issue of the current split in property tax allocation between business properties and residential properties.

We have actively participated in several meetings hosted by various stakeholders to discuss this issue, and our members have a deep level of concern with respect to how property taxes are allocated currently by the City of Calgary. It has been one of our members highest priorities for years now, and we believe that considering the current and foreseeable economic environment, the time has come to ask City Council to address the property tax allocation between residential and business taxpayers with the core values of fairness, transparency and reasonableness being fundamental to finding the right solution to create sustainability amongst companies operating in Calgary.

While we recognize that shifting property tax allocation away from non-residential property owners towards residential property owners can be a polarizing choice, it is noteworthy for Council and Administration to both acknowledge and understand the magnitude of the disproportionate balance between residential and non-residential taxpayers:

In 2018, over 496,000 residential accounts had a taxable assessment base of about \$214.8 billion, against which municipal taxes generated revenue of about \$838M. This is contrasted against only approximately 13,800 non-residential accounts with a taxable assessment base of about \$65 billion being asked to provide just over \$1 billion in municipal tax revenue.

Put in a different light, this means that only 2.7% of all property tax accounts are being asked to shoulder the burden of over 54% of the entire revenue

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generated for municipal property taxes, despite only owning 23% of the taxable assessment base.

Clearly, there have been many years of very heavy subsidization of residential property taxes by non-residential ratepayers, and a different solution needs to be found in order to maintain a sustainable economic environment for the non-residential ratepayers. After all, both non-residential and residential taxpayers are citizens of the City of Calgary, and we should all be in it together to find appropriate and reasonable solutions that create a sustainable place to live and work.

The tax split between non-residential and residential taxpayers needs to be adjusted. NAIOP Calgary recognizes that the ratio between the two classes can be difficult to compare exactly and perfectly with other cities, but setting aside any marginal differences, quite simply, the comparison captures the fact that Calgary has one of the highest ratios in Canada, and by a large margin compared to most other Canadian cities.

We are deeply concerned that the effect of this imbalance between the two classes continues to harm Calgary's competitiveness, and is absolutely hurting many small businesses (especially outside of downtown) who have seen their operating costs go up as a result of significantly higher property tax rates. Since the majority of commercial leases are typically triple net, the burden of these high and increasing property taxes falls directly on the business owners. In many cases, this has either limited their ability to maintain their current staffing levels or, even stay in business. The same tough choices need to be made even by those tenants that might have leases based on a gross rate, as they are finding upon lease renegotiation or renewal that their gross lease rates go up substantially as landlords pass on significantly increased property tax costs.

Beyond the taxation split, we wish to encourage City Council to continue to find savings wherever possible, including changes in the level of services supplied if required. Calgary continues to struggle as a result of the economic environment and all businesses need time to adjust to new financial realities arising out of these current and foreseeable circumstances. We also ask for Council and Administration to undertake a strategic review of non-core, potentially underperforming assets that could provide a return as well as ongoing tax revenue through disposition.

In conclusion, we believe that the property tax allocation between non-residential and residential taxpayers should be 50/50 at a minimum (and possibly even weighted higher for residential given that they own 77% of the assessment base, and makeup over 97% of the taxable accounts). We would support a Residential Phased Tax Program to help residential

taxpayers adjust to a new allocation between the two classes, but we would suggest no longer than 4 years for that to occur. Finally, we support the City continuing its efforts to find cost savings within its budgets, even if there is a reasonable impact on level of services provided in some areas, as most other Calgarians have been doing the same whether at home or at work to endure these tough economic times.

We would emphasize that this tax shift should not be seen as a temporary measure, but a new reality of both businesses and residents being in it together, and to provide the City with a more resilient, fair, balanced and sustainable revenue from property taxes.

Our members would be pleased to assist in any way we can.

Sincerely, and on behalf of,
NAIOP Calgary



Chris Ollenberger, P. Eng., ICD. D.
Chair, NAIOP Calgary Government Affairs Committee