AltusGroup

Canadian Property Tax Rate Benchmark Report

OCTOBER 2022

About the report

Since its inception in 2003, the Altus Group Canadian Property Tax Rate Benchmark report has provided comparisons between property tax rates for residential and business properties in major urban centres across Canada.

Property tax is the primary source of revenue for Canadian municipalities and is used to fund services such as police, fire and municipal services, including (but not limited to) public transit, road repair, education and recreational programs. Across Canada, all owners of property pay property tax based on the assessed value of their property, but the tax rate per dollar of property value varies depending on whether the property is used for residential or business purposes.

This annual report provides a comparison of the distribution of taxes between commercial and residential properties in each municipality over time, as well as insights regarding the drivers of those changes. In this edition, we examine how shifts in value between classes of property can cause tax increases, and place a spotlight on how the tools municipalities have been given to mitigate those increases can contribute to inequities. While tax mitigation tools are intended to ease the pain of property tax changes, they can also make a bad situation worse.

The findings of this report are used by Altus Group and REALPAC to create dialogue with taxing authorities, influence public policy, and promote a healthy and competitive business environment for the commercial real estate sector.

"What's fair?"

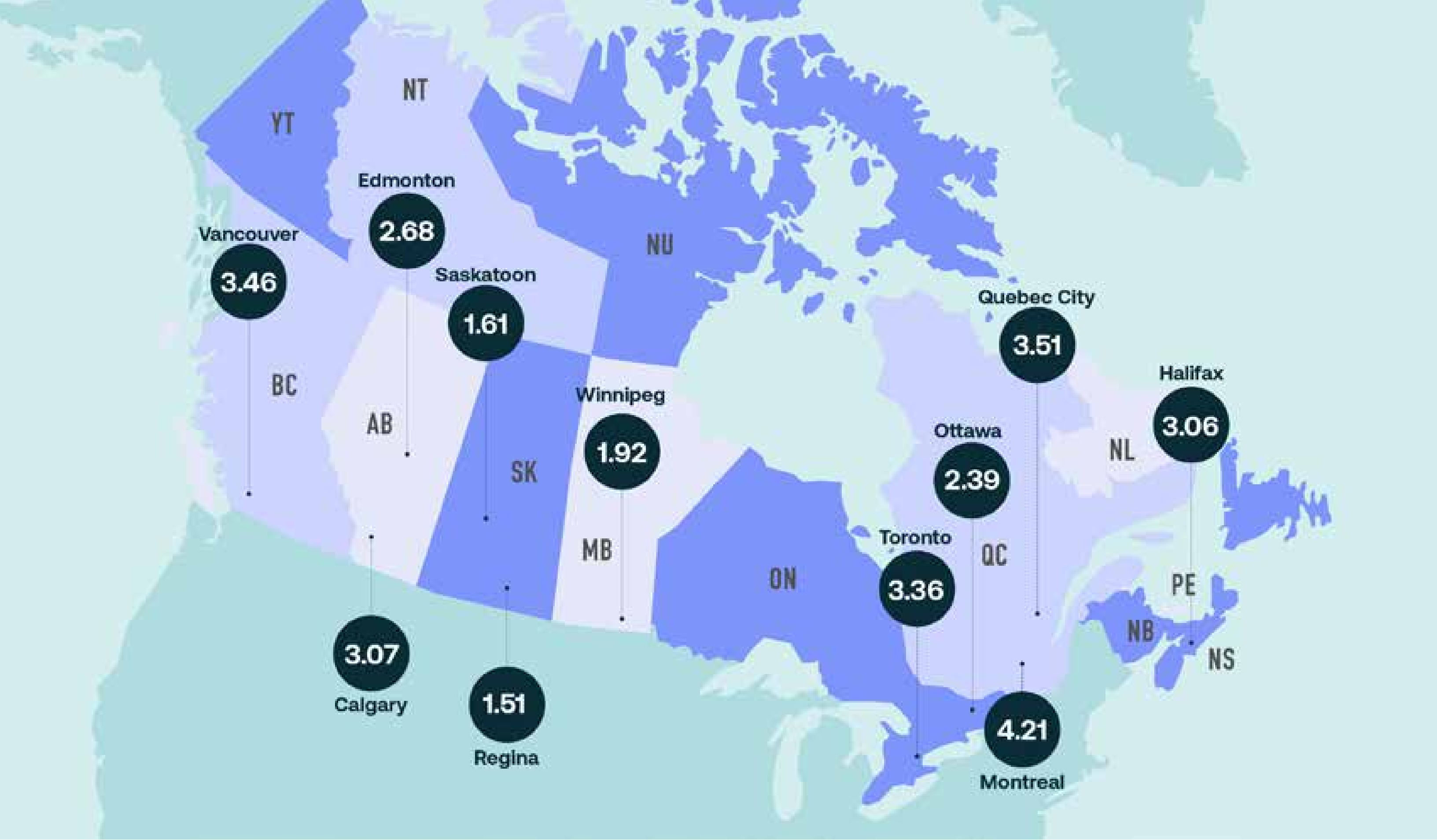
The case for lower commercial property tax rates

Business properties generally use less of the services paid for by the property tax. Business property owners cannot impact municipal governments through voting power – but may base decisions on whether to locate or expand in a municipal jurisdiction based on comparative property tax rates. While raising the rate of taxation for homeowners is always unpopular, balancing the burden between business and residential properties is not only equitable, it attracts commercial investment, promotes job growth and supports the health of the local economy.

Commercial property owners are willing to pay their fair share of property taxes to meet the needs of municipal government, in a manner that is reasonable and equitable. Tax systems should annually reflect up-to-date market values. The property tax system should enable accuracy, economic competitiveness, and trust between the private sector and government. We encourage municipal decision-makers to work with REALPAC and our members to better develop that equitable, trusted system."

- Michael Brooks, CEO, REALPAC

What's inside



2022 commercial-to-residential tax ratios of major urban centres across Canada

The map above shows the 11 cities surveyed and their respective commercial-to-residential ratios. In 7 out of the 11 municipalities, commercial tax rates are currently more than 2.5 times greater than residential tax rates.

About commercial-to-residential tax ratios

The commercial-to-residential tax ratio compares the commercial tax rate to the residential tax rate. For example, if the ratio is 2.50, this means that the commercial tax rate is two-and-a-half times (2.5x) the residential tax rate.

At a ratio of 2.50, a property with a value of $1 million used for business purposes will pay 2.5 times the property tax of the same property used for residential purposes.

In regions with more than one non-residential tax rate, this report references the rate labeled commercial. The residential tax rate used in this report is the one that applies to primary residences.

NEW FOR 2022: 12 additional municipalities analyzed

As in previous years, this report is focused on 11 key benchmark cities. For 2022, in response to reader requests, we have analyzed the rates for an additional 12 municipalities: Victoria, Burnaby, Richmond, Surrey, Coquitlam, Windsor, London, Sudbury, Hamilton, Mississauga, Moncton, and St. John’s.

A rate and ratio comparison for the benchmark and additional municipalities is provided in the appendix of this report.

2022 commercial-to-residential tax ratios

Our 2022 analysis revealed an average commercial-to-residential tax ratio of 2.80, an increase of 2.42% from the 2021 average ratio of 2.73 for the cities surveyed. The rise in the average ratio was largely driven by Calgary, Edmonton, and Halifax, with ratio increases ranging from 6.5% to more than 10%.

The placement of each city in our study relative to the average remains unchanged from 2021. Commercial-to-residential tax ratios for Regina, Saskatoon, Winnipeg, Ottawa and Edmonton remain below the average, while Calgary, Halifax, Vancouver, Toronto, Quebec City and Montreal rates are above the average. With this year's increase, the Calgary ratio now exceeds that of Halifax, while Vancouver has bypassed Toronto to rank third highest. Montreal continues to have the highest ratio, at 4.21, while Quebec City remains in second place.

Vancouver saw a decrease in both residential and commercial tax rates in 2022, reporting the lowest tax rates of the cities surveyed. As the rate of taxation for residential properties dropped further than the commercial rate, Vancouver's commercial-to-residential tax ratio increased by 1.35% to 3.46.

Calgary and **Edmonton** straddle the average ratio, with Calgary at 3.07 (a 10.27% increase over 2021) and Edmonton at 2.68 (a 6.5% increase). Both cities conduct annual reassessments, with the latest update in 2022 with a valuation date of 2021. Reductions in the commercial assessment bases as a result of the economic fallout of the pandemic have led to increases in the commercial tax rates, while the residential rates either increased at a lesser rate or decreased.

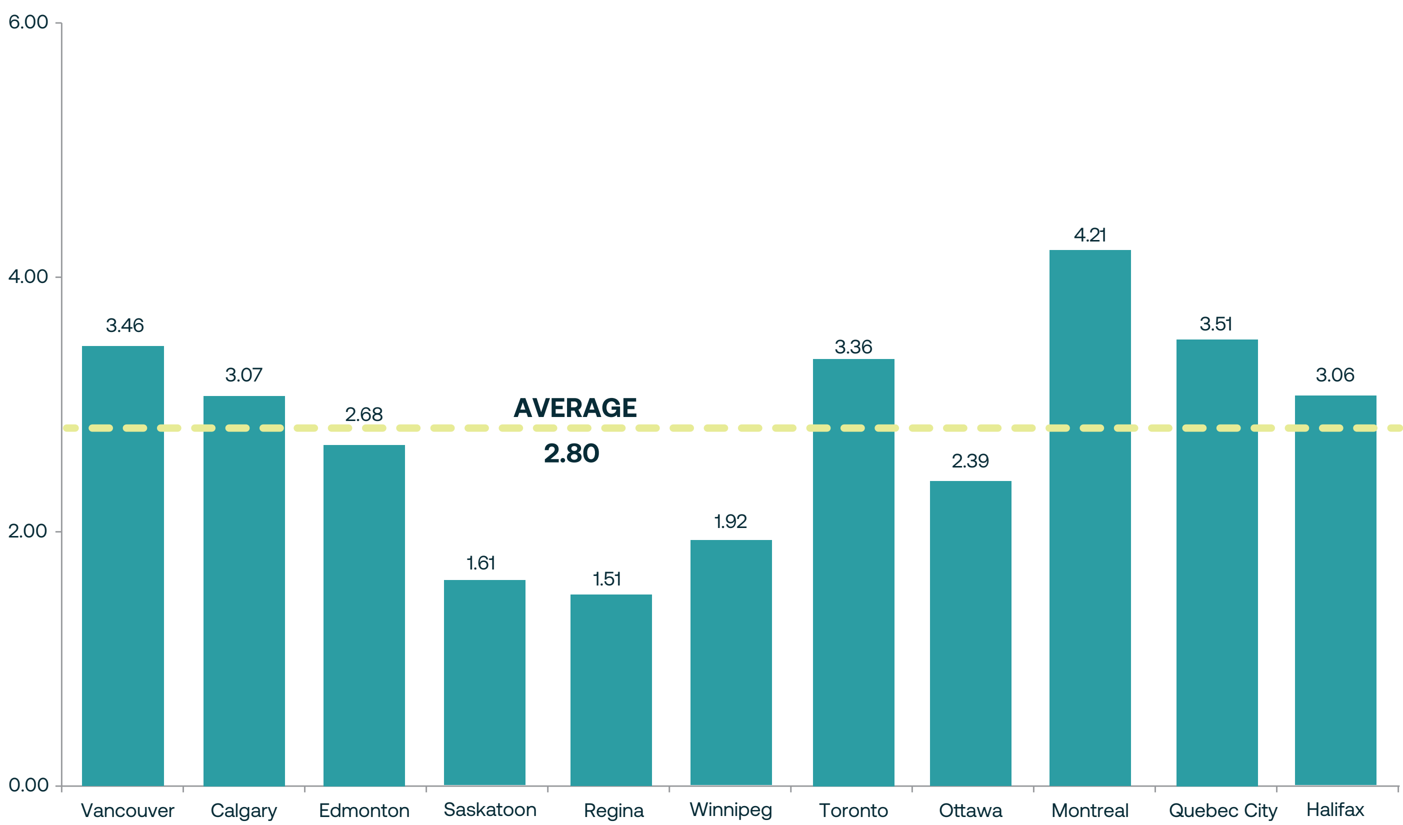
Tax ratios in **Saskatoon** and **Regina** remain the lowest in our survey at 1.61 and 1.51, respectively - unchanged from 2021. Saskatchewan is in the second year of its four-year assessment cycle and values have not shifted.

Manitoba property taxes were further influenced again in 2022 by the Provincial Education Tax Rebate. The rebate, issued by the province (via cheque) to property owners after the 2022 tax bills were sent, effectively reduced the School Tax portion (not municipal portion) of the 2022 property tax by 37.5% for all residential (single and multi) and farm properties, and 10% for all commercial/industrial properties. The result was essentially a rebate of 24% of the total 2022 property tax paid for the residential/farm properties and 6.5% for commercial/industrial. While **Winnipeg's** commercial-to-residential ratio dropped slightly from 1.93 to 1.92, if the School Tax rebate were included in the calculation the ratio would be more than 2.20. In addition, Winnipeg businesses are liable for business tax, which further increases their rate of taxation relative to residential properties.

Ontario properties are in the second year of an assessment freeze following the last four-year assessment cycle, and assessments continue to be based on values as of January 1, 2016. Any changes in the commercial-to-residential tax ratios in **Toronto** and **Ottawa** are the result of tax policies. For 2021, Ontario chose to reduce the Business Education Rate, cutting the provincial portion of the tax rate by up to 30% in some regions. Toronto continues to move toward tax equity, increasing the tax rate for residential properties by a higher percentage than commercial. As a result, the commercial-to-residential ratio has dropped by 2.42% to 3.36 - the most substantial reduction in our analysis. Ottawa raised the commercial rate by a greater percentage than residential; as a result, its ratio rose by .95% to 2.39. **Montreal** reduced both residential and commercial tax rates, but the greater reduction to residential resulted in a ratio increase of 1.08% to 4.21. **Quebec City** raised commercial rates slightly while dropping the residential rate, increasing its ratio by 1.3% to 3.51.

Halifax had made positive changes in its ratio for 2021 taxation but reversed course for 2022. The Halifax Regional Municipality (HRM) increased the commercial tax rate and dropped the residential rate, resulting in a 7.16% increase in its commercial-to-residential ratio, to 3.06.

2022 commercial-to-residential tax rate ratios



Year-over-year commercial and residential tax rate activity

The chart below illustrates the changes in commercial and residential rates and resulting ratio changes for the benchmark cities between 2021 and 2022. Rates for additional municipalities are found in the appendix.

	COMMERCIAL			RESIDENTIAL			COMMERCIAL / RESIDENTIAL RATIO		
City	2021	2022	% Change	2021	2022	% Change	2021	2022	% Change
Vancouver	$9.97	$9.31	-6.61%	$2.92	$2.69	-7.86%	3.41	3.46	1.35%
Calgary	$20.61	$21.93	6.44%	$7.41	$7.15	-3.47%	2.78	3.07	10.27%
Edmonton	$24.15	$25.18	4.28%	$9.59	$9.39	-2.11%	2.52	2.68	6.53%
Saskatoon	$15.63	$16.15	3.30%	$9.72	$10.02	3.12%	1.61	1.61	0.18%
Regina	$16.68	$17.14	2.74%	$11.07	$11.38	2.83%	1.51	1.51	-0.09%
Winnipeg	$23.05	$23.00	-0.22%	$11.95	$11.95	0.01%	1.93	1.92	-0.23%
Toronto	$21.03	$21.22	0.92%	$6.11	$6.32	3.42%	3.44	3.36	-2.42%
Ottawa	$26.48	$27.41	3.51%	$11.16	$11.45	2.54%	2.37	2.39	0.95%
Montreal	$36.24	$34.66	-4.35%	$8.70	$8.23	-5.37%	4.17	4.21	1.08%
Quebec City	$34.97	$35.28	0.90%	$10.09	$10.05	-0.40%	3.47	3.51	1.30%
Halifax	$33.94	$35.30	4.01%	$11.89	$11.54	-2.94%	2.85	3.06	7.16%
Average	$23.88	$24.23	1.46%	$9.15	$9.11	-0.43%	2.73	2.80	2.42%

Tax rates in this chart are calculated by multiplying the commercial tax rate by 1,000 to give the taxes paid per $1,000 of assessment. Where mill rate factors are applicable, the mill rate is multiplied by the mill rate factor before calculating the ratio.

Rates shown have been rounded to two decimal places. The % change is based on unrounded values.

Commercial rates

In 2022, on average, commercial properties paid $24.23 per $1,000 of assessment, an increase of 1.47% from the average rate in 2021. Commercial tax rates in Saskatoon, Regina, Calgary and Toronto, as well as Winnipeg (before business tax) remain below the average. Montreal, Quebec City and Halifax continue to post the highest commercial tax rates in our study for the twelfth consecutive year.

Vancouver rates dropped from $9.97 to $9.31 per $1,000 of assessment and remain the lowest of the cities surveyed. **Calgary's** commercial rate increase of 6.44% was the highest in our study, increasing the rate to $21.93 per $1,000 in assessment and surpassing Toronto's commercial tax rate. **Edmonton's** rate increase was the second highest, climbing from $24.15 to $25.18, an increase of 4.28%.

Saskatoon and **Regina** both raised commercial tax rates, with Saskatoon increasing by 3.3% to $16.15 and Regina by 2.74% to $17.14. In **Winnipeg**, the commercial tax rate dropped slightly, from $23.05 to $23.00 (before the business tax, which is calculated separately for each property based on rental value).

Toronto's commercial tax rate increased by less than 1%, to $21.22, while **Ottawa** posted a significant increase of 3.51% as the rate climbed to $27.41 per $1,000.

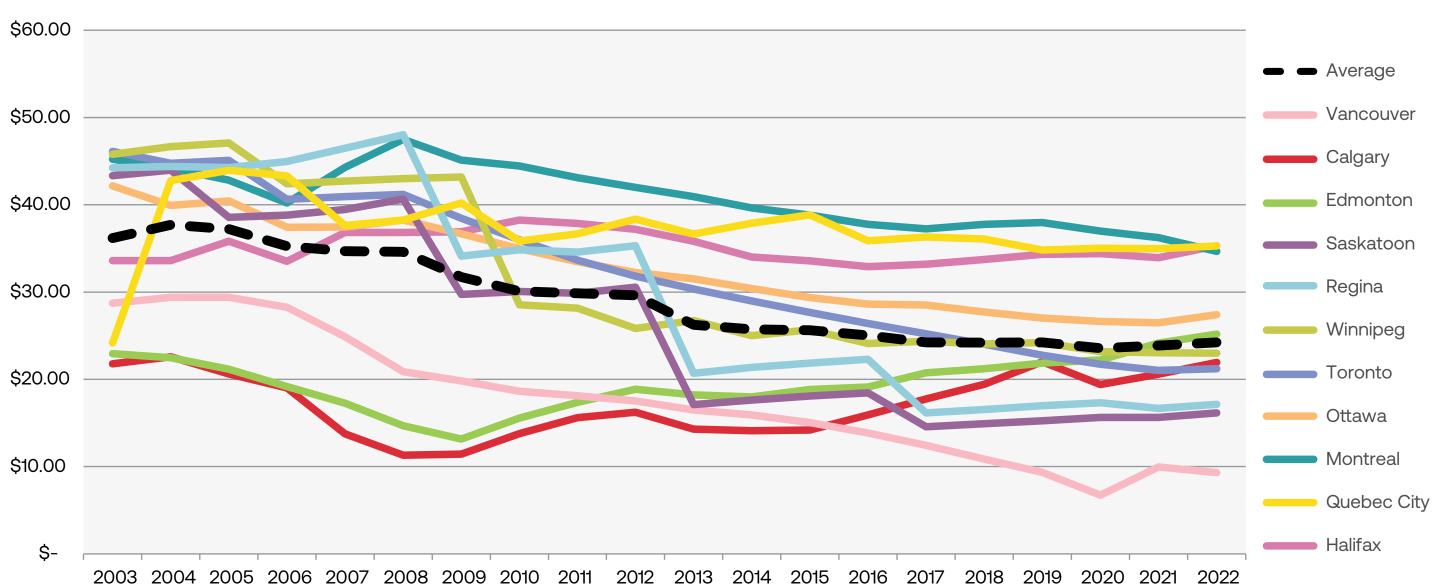
Quebec City's rate increase brought it to second place, with $35.28 per square foot while **Montreal's** rate reduction of 4.35% dropped it to third, at $34.66 per square foot. Quebec City began a new triennial roll in 2022, and the overall tax increased by 2.2% as compared to 2021. For Montreal, 2022 is the last year of the 2020-2022 cycle, and taxes generally increased by 2%. There are two non-residential tax rates in Montreal; for 2022 taxation the first $900,000 of value (up from $750,000 in 2021) is taxed at a reduced rate. We anticipate significant shifts in assessed values for the 2023-2025 triennial roll in Montreal, which will in turn result in shifts in tax burden between property classes.

For **Halifax**, the commercial tax rate of $35.30 per $1,000 is a 4.01% increase, the highest jump in more than eight years. The city is moving ahead with an aggressive capital budget put on ice during the pandemic. This, as well as the climate change tax and inflationary pressures are driving the need for increased revenues. At the same time, the city has decreased the residential rate, increasing the inequity between tax classes.

2022 estimated commercial property taxes per $1,000 of assessment

Tax rates in this chart are calculated by multiplying the commercial tax rate by 1,000 to give the taxes paid per $1,000 of assessment. Where mill rate factors are applicable, the mill rate is multiplied by the mill rate factor before calculating the ratio.

Commercial property taxes per $1,000 of assessment



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Residential rates

For the 2022 taxation year, the average residential tax rate for the cities analyzed dropped slightly from $9.15 to $9.11 per $1,000 of assessment, a reduction of 0.43%. Rates in Montreal and Vancouver saw the greatest declines, with Vancouver dropping by 7.86%, and Montreal by 5.37%. Increases were seen in Saskatoon and Regina, as well as Toronto and Ottawa, where rates rose by between 2.54% and 3.42%.

Vancouver continues to have the lowest residential tax rate of the cities surveyed, at $2.69 per $1,000 of assessment: a drop of 7.86%. Residential properties subject to the province's Speculation and Vacancy Tax will pay an additional $5 to $20 per $1,000. Properties valued over $3 million will also be liable for Additional School Tax, which adds $2 to $4 per $1,000, while properties subject to Vancouver's Empty Homes Tax may pay an additional $30 per $1,000 of assessment.

Calgary's residential tax rate trended downward for 2021 and 2022. At $7.15, it remains one of the three lowest residential rates in our analysis, contributing to its fast-growing commercial-to-residential ratio. **Edmonton's** residential rate remains higher than average but reduced for 2022 to $9.39 per $1,000.

In 2022, **Regina** and **Saskatoon** increased residential rates by 2.83% and 3.12%, respectively – Regina increased to $11.38 per $1,000 and Saskatoon to $10.02. Both residential and commercial rates were increased to meet municipal funding requirements, resulting in stable ratios.

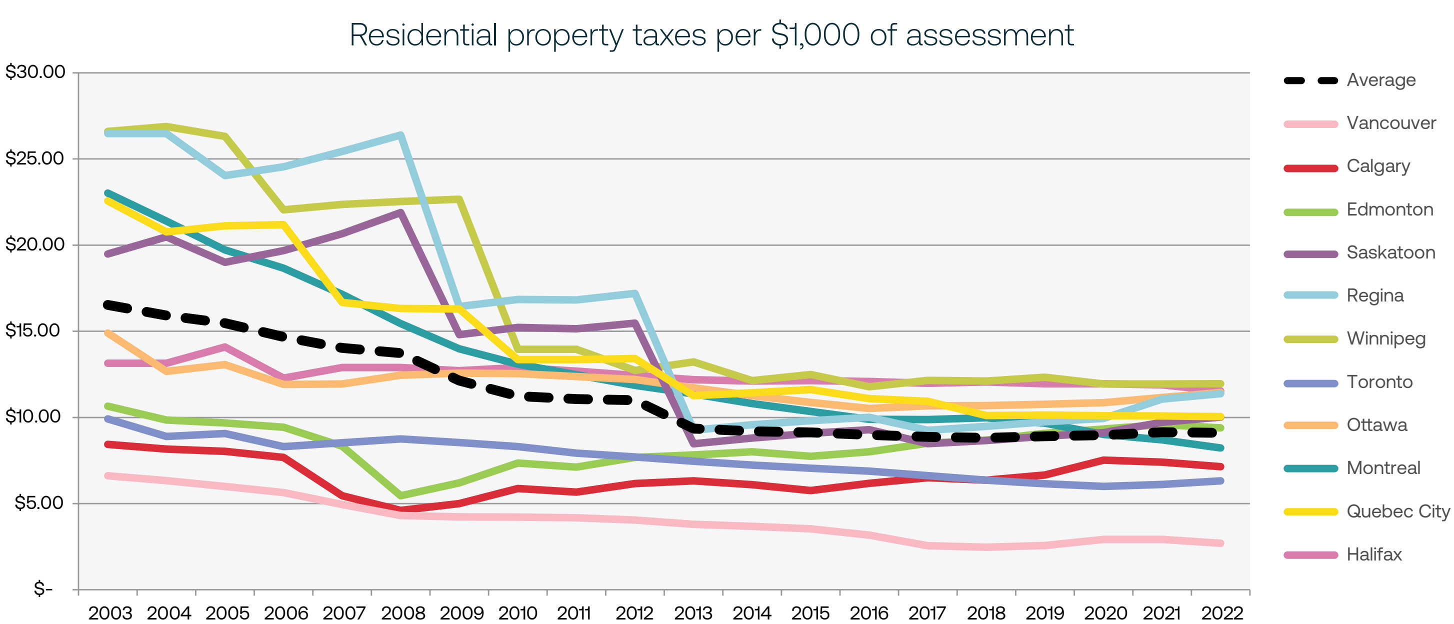
Winnipeg's residential tax rate remained flat at $11.95 per $1,000 of assessed value. This does not, however, account for the Education Tax rebate, which effectively provided a 24% reduction in taxes for residential properties. After the rebate, the adjusted residential rate for Winnipeg is approximately $9.08 per $1,000.

Toronto's residential tax rate began to decline in 2008 and has trended steadily downward, but began an upward turn in 2021 as the city responded to financial pressures due to the pandemic. For 2022, the rate increased again to $6.32 per $1,000. **Ottawa's** residential rate climbed by 2.54% to $11.45. This was slightly less than the rate of the commercial increase, and the result is a slight rise in the commercial-to-residential ratio. Toronto and Ottawa are both implementing a Vacant Homes tax in 2023, which will increase the rate paid for dwelling units that are empty for more than six months by $10 per $1,000. Revenues raised from the Vacant Homes and Vacant Units taxes will be used to fund affordable housing initiatives.

The tax rate for residential properties in **Montreal** dropped below the average for 2021 and continued its downward trajectory, dropping by 5.37% to $8.23. As Montreal has a new triennial roll commencing in 2023, future declines in the residential tax rate are anticipated as residential values have risen. **Quebec City's** residential taxation rate remained relatively stable, dropping from $10.09 to $10.05.

In **Halifax**, the residential tax rate dropped by almost 3%, from $11.89 to $11.54 per $1,000 of value. This is the greatest decrease in the residential rate in more than eight years. At a time when the city is facing tremendous economic pressure, this places additional burden on the commercial sector.

Tax rates in this chart are calculated by multiplying the commercial tax rate by 1,000 to give the taxes paid per $1,000 of assessment. Where mill rate factors are applicable, the mill rate is multiplied by the mill rate factor before calculating the ratio.



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2003–2022 trend analysis

When Altus Group began producing the Canadian Property Tax Rate Benchmark Report in 2003, the commercial-to-residential tax ratios of Toronto and Vancouver were well above the rest of the cities in our analysis. For the past several years, Toronto has consistently moved toward fairness, and Vancouver more recently began a similar trend.

Saskatoon and Regina have maintained consistently low ratios, and Ottawa has moved from slightly above to below the average ratio. In many of the remaining municipalities, we are witnessing a concerning upward trend, particularly in Montreal and Quebec City.

Vancouver's commercial-to-residential tax ratio jumped in 2021 with the return of the Provincial School Tax portion and continued a shallow climb in 2022 – although the ratio remains well below pre-2017 levels.

In **Calgary**, continuing the trend since 2015, the non-residential assessment base contracted year-over-year (-3.5%) due once again to declining office assessment values. The residential assessment base experienced a notable increase year-over-year (8%) due to a surging single-family market. This divergence of the assessment bases has caused a significant increase in the ratio, placing it above the national average. **Edmonton** faces similar pressures as a result of the latest reassessment, which has caused its ratio to increase.

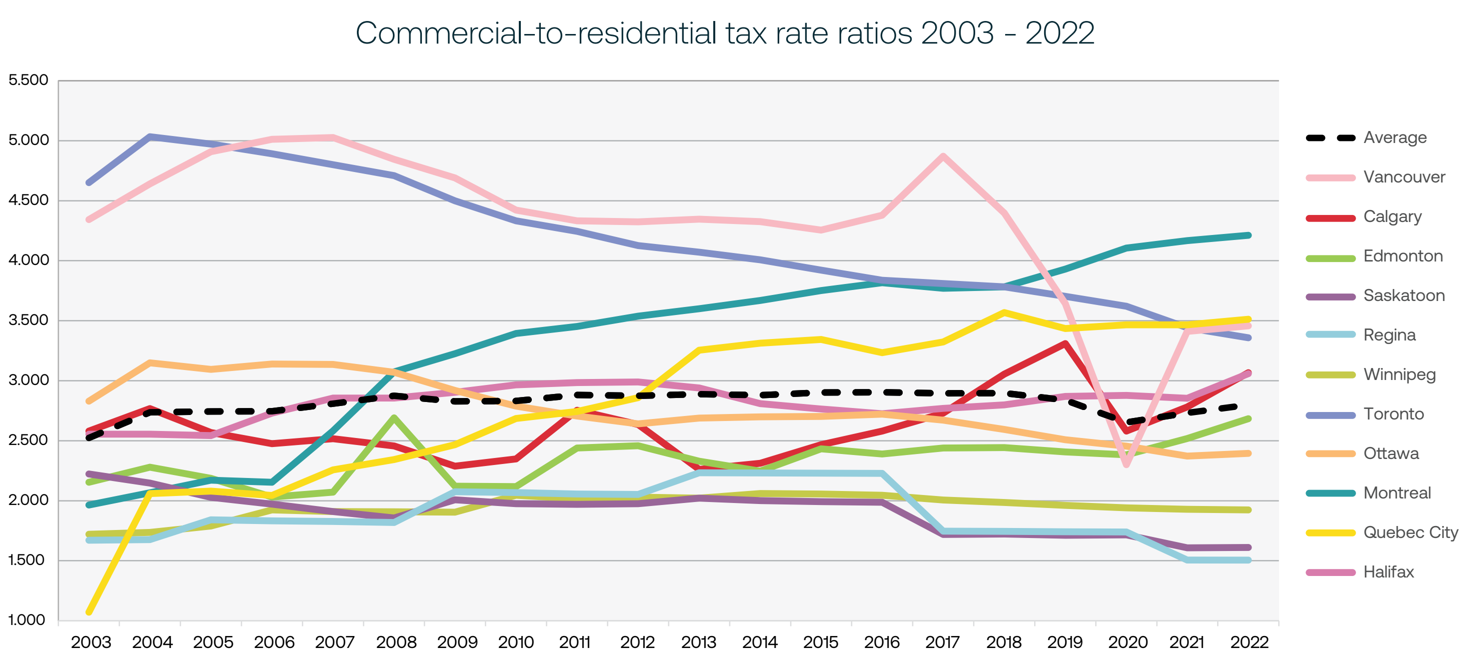
The commercial-to-residential ratio in **Regina** and **Saskatoon** has remained below 2.00% since 2017 and remained static between 2021 and 2022 in the second year of the assessment cycle.

Winnipeg's ratio remains relatively stable at less than 2.00, but would be above 2.20 if the School Rebate and business tax were taken into account. We anticipate that the School Rebate will be increased for 2023, further widening the gap between commercial and residential taxes.

The City of **Toronto** continues to make positive policy changes trending toward a lower ratio and taxation equity, but we anticipate that when reassessment finally takes place (in 2024 or later) the assessment shifts as a result of the update from a 2016 valuation date may compel the city to implement renewed tax mitigation tools, which will further delay the long-awaited relief for business impacted by the pandemic, and exacerbate tax inequities between properties in the commercial class. Substantial shifts and resulting tax impact mitigation measures are also anticipated in **Ottawa**, as well as the rest of Ontario.

Montreal's commercial-to-residential ratio has continued to climb, and with shifts in assessment expected to occur with the 2023 triennial role, the city will face pressure to further increase the commercial tax rate relative to residential. When our survey began, both Montreal and **Quebec City** enjoyed ratios at just over 2.00, some of the lowest in our survey – now these two municipalities have pushed past Toronto and Vancouver with the highest commercial-to-residential ratios (and greater inequities for business properties).

Finally, while the ratio in **Halifax** dipped encouragingly in 2021, the City has again responded to economic pressures by increasing the tax rate for commercial property, while decreasing residential rates. As a result, Halifax's commercial-to-residential tax ratio has climbed to 3.06, within 3 points of Toronto, which once topped our list.



SPOTLIGHT

Tax mitigation tools - when market losers subsidize the winners

Canadian real estate markets have been highly volatile since 2020. Municipalities are facing increasing costs and deferred capital expenses. These two factors combined have led to some significant tax shifts for 2022, but even more dramatic changes are expected for the next year or two. There are a number of ways municipal and provincial governments may manipulate assessments or tax rates to try to limit the impact of tax changes; these are commonly referred to as tax mitigation tools. The challenge with tax mitigation tools is that for every property that benefits (the winners) there is a property that must subsidize those benefits (the losers). These tools may have significant negative impacts on the transparency and efficiency of the tax system, but the real danger of tax impact mitigation is that it sacrifices fairness and equity in the pursuit of stability.

In our annual Canadian Property Tax Benchmark Report 2022, we illustrate how municipalities are moving toward, or away from, fairness between the residential and non-residential tax classes over time. In response to sudden, significant increases in tax burden, or for other policy reasons, provincial or local governments may implement tax mitigation tools such as assessment phase-in, tax rate adjustments, capping or rebate programs to impact the amount of taxes paid by a segment of properties.

This spotlight section of the report will highlight some of the measures currently being implemented or proposed in the cities analyzed, as well as future concerns for some jurisdictions.

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ASSESSMENT PHASE-INS

In an assessment phase-in system, significant increases in assessment are phased in over time.

Ontario first implemented its assessment phase-in for 2009, having reversed the decision to move to annual assessments and instead implemented a four-year assessment cycle. Reassessment increases are phased in over four years, while reductions are implemented immediately. In the final year of the cycle, the tax rate can be based on the full Current Value Assessment (CVA) – but for years 1-3, the tax rate must be higher to account for the amount of assessment yet to be phased in. As a result, although assessment reductions are implemented immediately, the higher tax rate means that declining properties don't see full relief until year 4, when all properties pay taxes based on their full market values. An example of the inequitable tax rates that result from phase-in is provided in the example below.

For the 2023 taxation year, the **Halifax** Regional Municipality is contemplating a phase-in of reassessment-related increases of more than 5%, but is limiting the assessment increase to $500,000 per year, over three years. This not only delays full implementation of market value for several years, it also complicates the tax calculation.

The most significant concern with assessment phase-in is that as assessed values are added more slowly, municipalities must increase the tax rate to raise the same amount of revenue from the tax class. This means that, not only do owners of properties which have become less valuable than their competitors, pay taxes at a higher rate, they must pay taxes at a higher percentage of current market value than their competitors.

LAND ASSESSMENT AVERAGING

Land assessment averaging is a practice whereby a property's taxes are adjusted to reflect average land values over a number of years.

In **Vancouver** land averaging applies to residential (class 1), light industrial (class 5), or business and other (class 6), where taxable value has increased over a threshold. For 2022, that threshold was a 20.78 % increase for residential properties and a 21.24% increase for light industrial and business. For properties that meet the threshold, the program calculates property taxes using an average of the assessed land value for the current and prior four years, plus their current assessed improvement value.

Tax mitigation tools create winners and losers. Winners are properties protected from potentially devastating tax increases, and losers are the less valuable properties prevented from fully realizing relief.

Land averaging makes taxation less transparent, greatly complicating the tax calculation for impacted properties, and obscuring the relationship between assessed value and taxation. As averaging reduces the total amount of taxable assessment, the tax rate must increase to compensate. This means that a property with an assessment increase of 20% will pay a higher rate of tax on its full value, while a property whose value increased by 21.24% pays the same rate of tax, but on a reduced average value.

Example of phase-in impact - Ontario

				Year 1 tax – no phase-in		Year 1 tax – with phase-in		
				2.420%	CVA rate	2.852%	Phase-in rate	
Property value change	Previous assessment	Current value assessment	Year 1 phase-in	Unadjusted tax	Tax per 1,000	Adjusted tax	Tax per 1,000 current value	Tax impact of phase In
+100%	$15,000,000	$30,000,000	$18,750,000	$726,000	$24.20	$534,713	$17.82	-26.36%
-33%	$15,000,000	$10,000,000	$10,000,000	$242,000	$24.20	$285,180	$28.52	17.85%
+33%	$15,000,000	$20,000,000	$16,250,000	$484,000	$24.20	$463,418	$23.17	-4.26%

Note: Sample tax rate is Ottawa 2020 rate (fully phased in assessment), adjusted to remove municipal levy increases 2017-2020.

SUBSIDIZED OR PENALIZED – SMALL BUSINESS RATES, MULTIPLE TAX RATES

Applying different tax rates to different categories of property can be used to mitigate tax increases due to extreme shifts in market value, or to protect more vulnerable businesses.

Montreal and **Toronto** both provide reduced commercial tax rates for properties below a threshold of value (for 2022 this was $900,000 in Montreal, and $1,000,000 in Toronto). In addition, for 2022 taxation Toronto implemented a new small business property tax subclass which provides a 15% reduction in the municipal and provincial portion of the tax rate for eligible properties.

Toronto small business subclass – a 15% tax reduction

Eligible properties are:

- Anywhere in the city, assessed as commercial (CT or XT) and with assessed value less than $1 million.
- Properties in select redevelopment areas (downtown, waterfront, growth centres, avenues) with assessed values less than $7 million, lot size less than 7,500 square feet, or commercial condo less than 2,500 square feet

Ottawa has also implemented a small business subclass for select types of property in the commercial/new construction commercial (CT/XT) or industrial/new construction industrial (IT/JT) classes. For some types of properties, the assessed square footage must be 25,000 square feet or less. Ottawa's 15% reduction is being phased in over two years. In both Toronto and Ottawa, the municipal portion of the rate reduction is funded through an increase in the tax rate applied to all other non-residential properties.

There are many challenges to targeting tax relief to small business. The size and value threshold means the benefit will not extend to small business tenants in larger properties

Ontario municipalities also have a number of tax classes, including optional classes for business properties. Classes include (among others) vacant land, parking lot, industrial, large industrial, office and shopping centre. Each of these classes may be taxed at a different rate. Within certain limits, the tax rate can be used to increase the share of taxes borne by a sector of businesses.

When assessments shift between classes, the resulting tax shifts can be moderated by increasing or decreasing the tax rate. For example, if the next reassessment shows a sharp increase in the value of commercial warehousing, an Ontario municipality may choose to reduce the general commercial rate by increasing the tax rate applied to sectors experiencing declining values, such as shopping centres and office.

FUTURE CONCERNS

Halifax is proposing to provide relief to small business through tiered tax rates. The city has designated five business zones: Small/Medium Enterprise (SME), High Density (Downtown), Industrial Parks and Business Parks (retail focused), and is proposing varied tax rates depending on the value tier and the zone. The proposal reduces taxes for all properties valued at less than $2 million, as well as properties located in the SME and High Density zones. The reductions would be funded by taxing higher valued properties in Industrial Parks and Business Parks at rates up to 16.8% higher than currently. The impact of the proposed tiered tax rates is outlined in the chart below.

Property value	SME & HD	Industrial Parks	Business Parks
$500,000	-5.1%	-5.1%	-5.1%
$1,000,000	-5.1%	-5.1%	-5.1%
$1,500,000	-6.8%	-6.8%	-6.8%
$2,000,000	-7.6%	-7.6%	-7.6%
$2,800,000	-5.4%	-4.0%	0.0%
$3,000,000	-5.1%	-3.4%	1.2%
$5,000,000	-3.0%	0.0%	8.3%
$10,000,000	-1.5%	2.5%	13.7%
$25,000,000	-0.6%	4.1%	16.8%

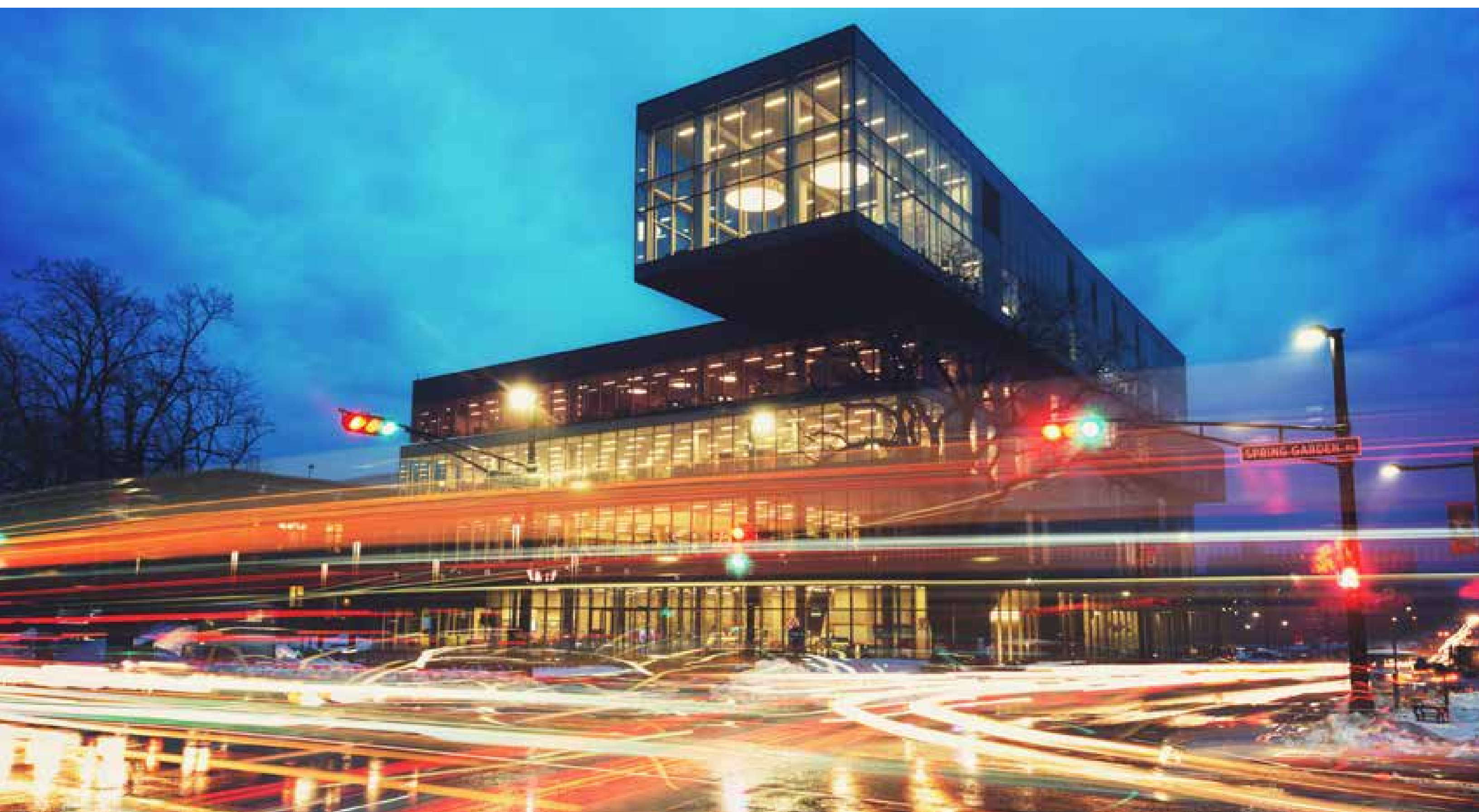
This proposal will not only create inequitable taxation between properties in different value categories but also between regions within the municipality.

In **New Brunswick**, recently passed Bills 82 & 117 may shift more tax burden to commercial property owners despite reduced provincial and municipal rates on the residential front. The legislation, effective for 2023, will allow municipalities to vary the existing commercial-to-residential ratio of 1.5 to a ratio between 1.4 and 1.7. Additionally, it also creates a new heavy industrial tax class, which may be taxed at a different rate than the remainder of commercially classed property. This classification will be determined by the assessment authority and cannot be challenged; assessment legislation in New Brunswick does not currently permit the taxpayer to appeal the classification 'in any court'.

When **Ontario** finally reassesses – which will happen in 2024 at best, and possibly even later - the update in values of at least 8 years is expected to result in extreme shifts in value between classes of property. A likely consequence of this is resurgence of the tax mitigation tools. Tax caps and clawbacks were implemented in Ontario in response to the general reassessment in 1998, which updated values by more than 50 years in some areas. In the first three years of the reassessment, caps limited tax increases to 2.4%, 4.8% and 7.2%, and clawbacks in many regions were 100% - with no possible relief through appeal (as any reduction in taxes was subject to clawback). Most municipalities have been able to eliminate the capping and clawback in recent years, but the City of Toronto was compelled to re-institute a 10% cap in 2018 to mitigate tax increases that resulted from the last four-year assessment update. Caps and clawbacks preserve historic inequities between properties, with the result that properties with declining values or in struggling industries end up subsidizing those who are successful.

Many currently in the commercial real estate industry may not have witnessed Ontario's general reassessment, but it should serve as a cautionary tale for jurisdictions facing dramatic assessment shifts associated with post-pandemic valuations.

When changes in relative property values are quickly reflected in assessments, both taxpayers and municipalities benefit. Tax mitigation not only complicates tax calculations, it prolongs and exacerbates inequities. Inequitable tax treatment may drive businesses to regions offering more competitive tax treatment – particularly those businesses that have been hardest hit by the pandemic. The best way to avoid resorting to tax mitigation tools is to conduct frequent reassessments, and to encourage a robust appeals process.



Appendix

Rate comparison chart
11 benchmark + 12 additional municipalities

This report focused on 11 key cities, and for the 2022 edition we analyzed an additional 12 municipalities including: Victoria, Burnaby, Richmond, Surrey, Coquitlam, Windsor, London, Sudbury, Hamilton, Mississauga, Moncton and St. John's.

In this appendix you will find the results of our analysis for all 23 cities.

Commercial-to-residential ratios

In British Columbia, the cities of Victoria and Coquitlam have higher tax ratios than Vancouver, at 3.65. In Ontario, tax ratios of the additional municipalities reviewed ranged from 2.28 to 2.44- all well below Toronto's ratio. St. John's, Newfoundland has the highest ratio of the cities in Atlantic Canada, at 3.24.

Commercial rates

In British Columbia, commercial tax rates for Richmond and Surrey are lower than in Vancouver, at $8.53 and $8.67 per $1,000, respectively. Of the Ontario cities reviewed, the lowest rate ($19.07) was in Mississauga, and the highest in Windsor, at $43.05. Moncton has the highest rate in Atlantic Canada, at $44.16 per $1,000.

Residential rates

Residential tax rates in the additional BC cities analyzed were higher than in Vancouver, ranging from $2.80 to $3.26 per $1,000 in value. In Ontario, surveyed rates for cities outside Toronto range from $8.30 in Mississauga to $18.54 in Windsor. The residential rate in St. John's is lowest in the Atlantic, at $8.30, while Moncton is highest, at $15.67 per $1,000. The Moncton rate is for principal residences and reflects the credit of the provincial portion of the property tax bill. Owners of multi-tenanted residential properties pay the full tax rate of $28.41 per $1,000. This "double-taxation" of rental residential properties is an ongoing, significant concern for taxpayers in New Brunswick.

	COMMERCIAL			RESIDENTIAL			COMMERCIAL / RESIDENTIAL RATIO		
City	2021	2022	% change	2021	2022	% change	2021	2022	% change
British Columbia									
Vancouver	$9.97	$9.31	-6.61%	$2.92	$2.69	-7.86%	3.41	3.46	1.35%
Burnaby	$10.66	$9.65	-9.52%	$3.17	$2.84	-10.29%	3.36	3.39	0.86%
Coquitlam	$13.09	$11.92	-8.94%	$3.79	$3.26	-13.89%	3.45	3.65	5.74%
Richmond	$9.59	$8.53	-11.05%	$3.40	$2.97	-12.80%	2.82	2.88	2.01%
Surrey	$10.08	$8.67	-13.92%	$3.42	$2.80	-17.97%	2.95	3.09	4.93%
Victoria	$10.71	$10.53	-1.66%	$3.22	$2.89	-10.32%	3.33	3.65	9.67%
Alberta									
Calgary	$20.61	$21.93	6.44%	$7.41	$7.15	-3.47%	2.78	3.07	10.27%
Edmonton	$24.15	$25.18	4.28%	$9.59	$9.39	-2.11%	2.52	2.68	6.53%
Saskatchewan									
Saskatoon	$15.63	$16.15	3.30%	$9.72	$10.02	3.12%	1.61	1.61	0.18%
Regina	$16.68	$17.14	2.74%	$11.07	$11.38	2.83%	1.51	1.51	-0.09%
Manitoba									
Winnipeg	$23.05	$23 .00	-0.22%	$11.95	$11.95	0.01%	1.93	1.92	-0.23%
Ontario									
Toronto	$21.03	$21.22	0.92%	$6.11	$6.32	3.42%	3.44	3.36	-2.42%
Ottawa	$26.48	$27.41	3.51%	$11.16	$11.45	2.54%	2.37	2.39	0.95%
Windsor	$42.35	$43.05	1.67%	$18.19	$18.54	1.93%	2.33	2.32	-0.26%
London	$32.39	$33.04	2.01%	$13.88	$14.22	2.45%	2.33	2.32	-0.43%
Hamilton	$29.70	$30.43	2.45%	$12.09	$12.45	3.04%	2.46	2.44	-0.57%
Sudbury	$33.54	$36.28	8.16%	$15.47	$15.90	2.81%	2.17	2.28	5.20%
Mississauga	$18.66	$19.07	2.17%	$8.03	$8.30	3.32%	2.32	2.30	-1.12%
Quebec									
Montreal	$36.24	$34.66	-4.35%	$8.70	$8.23	-5.37%	4.17	4.21	1.08%
Quebec City	$34.97	$35.28	0.90%	$10.09	$10.05	-0.40%	3.47	3.51	1.30%
Atlantic									
Halifax	$33.94	$35.30	4.01%	$11.89	$11.54	-2.94%	2.85	3.06	7.16%
Moncton, NB	$46.80	$44.16	-5.64%	$16.69	$15.67	-6.14%	2.80	2.82	0.54%
St. John's, NL	$26.10	$26.90	3.07%	$7.70	$8.30	7.79%	3.39	3.24	-4.39%

Tax rates in this chart are calculated by multiplying the commercial tax rate by 1,000 to give the taxes paid per $1,000 of assessment. Where mill rate factors are applicable, the mill rate is multiplied by the mill rate factor before calculating the ratio.

Rates shown have been rounded to two decimal places. The % change is based on unrounded values.

Notes

The property tax rates in this report are comprised of the general provincial, municipal and education portions as posted by the cities surveyed, including provincial assessment value percentages:

- Montreal and Quebec City 2022 – CGTSIM Municipal School Tax, (Comité de gestion de la taxe scolaire de l'île de Montréal)
- Saskatoon and Regina 2022 – Saskatchewan Residential Provincial Percentage (taxes are calculated based on 80% of a residential property's value), Saskatchewan Commercial Provincial Percentage (taxes are calculated based on 85% of a commercial property's value)

Business levies, tax assistance programs and other considerations are not reflected in the rate calculations, including but not limited to:

- Tax deferral assistance programs related to the COVID-19 pandemic
- Municipal business improvement areas
- Manitoba 2022 – Manitoba's Provincial Education Property Tax Credit (EPTC)
- Winnipeg frontage taxes (separately calculated on tax bill for both residential and commercial). Based on a property fronting on a street that contains a sewer main or water main (2019-2022- $5.45 per frontage foot)
- Based on a property fronting on a street that contains a sewer main or water main (2019 - $5.45 per frontage foot)
- The property tax rates for the City of Winnipeg referred to in this report, do not account for business taxes, which are separately charged to taxpayers. The business taxes are based on the business assessment which is the Annual Rental Value of an occupied premise plus occupancy costs.

SOURCE DATA

Source data was retrieved from the municipal websites below:

Vancouver
https://vancouver.ca/home-property-development/

https://www2.gov.bc.ca/gov/content/taxes/property-taxes/annual-property-tax/school-tax/additional-school-tax-rate

https://www2.gov.bc.ca/gov/content/taxes/speculation-vacancy-tax/how-tax-works

Calgary
https://www.calgary.ca/cfod/finance/Pages/Property-Tax/Tax-Bill-and-Tax-Rate-Calculation/Current-Property-Tax-Rates.aspx

Edmonton
https://www.edmonton.ca/residential_neighbourhoods/property-taxes.aspx

Saskatoon
https://www.saskatoon.ca/services-residents/property-tax-assessments/tax-rates-mill-rates

Regina
https://www.regina.ca/home-property/residential-property-tax/property-tax/

Winnipeg
http://www.winnipegassessment.com/AsmtTax/English/Property/TaxRates.stm

Toronto
https://www.toronto.ca/services-payments/property-taxes-utilities

Ottawa
https://ottawa.ca/en/living-ottawa/taxes

Montreal
https://montreal.ca/en/articles/2022-tax-rates-24797

Quebec City
https://www.ville.quebec.qc.ca/apropos/profil-financier/taux-taxation.aspx

Halifax
https://www.halifax.ca/home-property/property-taxes/tax-rates

https://cdn.halifax.ca/sites/default/files/documents/city-hall/regional-council/220215cow05.pdf

Additional Municipalities (Appendix)
https://www.burnaby.ca/services-and-payments/property-taxes

https://www.coquitlam.ca/544/Property-Taxes

https://www.richmond.ca/cityhall/finance/rates/taxrates.htm?PageMode=HTML

https://www.surrey.ca/services-payments/property-payment-services/property-taxes/property-tax-rates

https://www.victoria.ca/EN/main/residents/property-taxes.html

https://www.citywindsor.ca/cityhall/Taxes--and-Assessment-/Pages/Historical-Tax-Rates.aspx

https://london.ca/government/property-taxes-finance/property-taxes

https://www.hamilton.ca/sites/default/files/2022-09/2022-residential-tax-rates.pdf

https://www.greatersudbury.ca/city-hall/tax-services/pdf-documents/2022-tax-rates/

https://pub-mississauga.escribemeetings.com/filestream.ashx?DocumentId=23707

https://www2.gnb.ca/content/gnb/en/departments/finance/taxes/nb_property_tax.html

https://www.stjohns.ca/living-st-johns/your-property/taxation

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REALPAC delivers value through:

- Connecting senior Canadian real estate executives to help build new relationships, identify opportunities, access and build markets, and grow companies and investments
- Advocating nationally directly with government at all levels to achieve the most desirable business, environmental, tax, infrastructure and capital market conditions
- Supporting the industry by providing smart tools, meaningful data services and benchmarks, best practice guides and practical voluntary standards to enhance management practices and results
- Educating the industry by providing events, conferences, training, research reports, education and educational resources to senior real estate professionals