

What We Heard Report

Residential Property Tax Subclassing

February 2023

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I. Project Introduction

Property taxes collected from residential and non-residential properties are a significant revenue source for the City of Edmonton to pay for municipal services. Residential Property Tax Subclassing is the concept of charging different property tax rates for different types of residential properties.

According to the *Municipal Government Act* (MGA), City Council can create one or more Residential Property Tax Subclasses. Residential subclasses can only be based on the physical characteristics of a property, such as property type (e.g., single detached houses, apartments, row houses and apartment buildings). Residential tax subclasses could also include establishing different residential property tax rates based on the size of a house or the size of the lot that a house sits on. Tax subclasses cannot be based on characteristics of the people who own or live in the home, like income or the services that are provided to the property.

Setting separate residential property rates could be used to more accurately align actual costs to groups of properties, or as a tool to promote the City's long-term plans. The City of Edmonton currently has one Residential Subclass called "Other Residential." The Other Residential Subclass is made up of residential properties with four or more units on a single title, like fourplexes and high-rise apartments, which are often called Multi-Family properties. This tax subclass is charged a 15 percent higher tax rate than other residential properties.

On March 9, 2022, Executive Committee moved:

"That Administration consult with industry and community stakeholders to develop options to phase out the other residential subclass, as well as, exploring the use of property tax subclassing to support The City Plan, including possible definitions and information on the effectiveness and considerations associated with property tax subclassing and return with a report to Committee."

The broad public engagement objectives were to identify:

- Preferences and implications of phasing out the Other Residential Tax Subclass, including potential timelines;
- Considerations and potential options for creating a new Residential Subclass(es); and,
- Exploring the potential for Residential Property Tax Subclassing to support elements in The City Plan.

II. How We Used Your Feedback

All of the feedback collected through the various methods of engagement was considered by the Project Team. Feedback and perspectives were also used by the Project Team to create [an information report](#) and a [summary](#) of the engagement findings, which will be presented to Executive Committee on February 15, 2023. More specific details of what feedback was received and how feedback impacted the project are included below, as well as in the Appendices.

What we heard	Sample Comments from participants	How feedback impacted the project
Many respondents did not feel they had enough information or specific knowledge about property taxes to provide an informed opinion.	<i>I realize I don't have enough information to have an opinion. City could provide more awareness on how property taxes work....</i>	This finding from the insight survey guided some of the preparation for the community engagement sessions. The project team added more explanation and examples in the introduction to the virtual engagement sessions. In future engagements regarding property taxes, the project team will put additional effort into ensuring that participants have sufficient knowledge to participate meaningfully.
Reducing taxes on multi-family properties will not reduce rents.	<i>We all know that landlords will just pass the costs of property taxes onto renters. More support for affordable, tenant-owned housing would be better.</i>	This validates Administration's understanding of how rents are established. It also confirms that members of the community do not have unrealistic expectations about the impacts of phasing out the Other Residential subclass.
Some survey respondents believed municipal costs are primarily based on population	<i>Multi-family properties cause additional stress on roads and city amenities vs homes that are of a single or two people in the residence. Therefore they should be taxed higher.</i>	This will inform how we communicate any decisions regarding a density-based subclass, perhaps on a per dwelling unit basis rather than a per property basis. While some municipal costs do scale with population, denser development is expected to result in lower municipal costs overall. It would not be possible to establish tax subclasses based on a

		property's residents.
Some survey respondents believed municipal costs are primarily based on geographic factors.	<i>It seems to me that multiple family properties use less city resources per unit, so perhaps their property taxes should be lower.</i>	This perspective validates research suggesting that denser development results in lower municipal costs.
While opinions are mixed, survey respondents were more likely to support maintaining the Other Residential subclass.	<i>Current situation works.</i>	This information will be provided to Council to inform their decisions, and if Council wishes to proceed with eliminating the subclass it will inform subsequent communications about this shift.
Industry stakeholders were unanimous in their support for phasing out the Other Residential Subclass, and almost all supported phasing it out immediately.	<i>As a community provider, the phase out of 'Other Residential' subclass would provide greater certainty on one of the largest expense items in the sector. With a more competitive property tax levy relative to other markets, the industry can better assess opportunities for new development and acquisition of existing assets which in time leads to increased housing supply.</i>	This information will be provided to Council to inform their decisions, and if Council wishes to proceed with eliminating the subclass it will inform subsequent communications about this shift.
Community stakeholders were mixed in their support for phasing out the Other Residential Subclass.	<i>It seems odd to me that we tax apartment buildings higher when they take less resources to service them.</i> <i>Making homeowner, non-landlords pay for a greater percentage of</i>	This information will be provided to Council to inform their decisions, and if Council wishes to proceed with eliminating the subclass it will inform subsequent communications about this shift.

	<i>taxes puts more pressure on people who do not receive additional income that is not taxed differently.</i>	
Industry stakeholders saw potential opportunities for new subclasses.	<i>Potential to incentivize higher density development if there were a density based subclass.</i>	This information will be provided to Council to inform their decisions.
Community stakeholders saw potential opportunities for new subclasses.	<i>Unoccupied or vacant status. Basement suites/garden suites</i>	This information will be provided to Council to inform their decisions.
Industry stakeholders saw connections between subclassing and the City Plan.	<i>With a plan to house 2 million Edmontonians, a competitive and lower taxation system is required to incentivize developers to choose Edmonton as a market to grow in.</i>	This information will be provided to Council to inform their decisions.
Community stakeholders saw connections between subclassing and the City Plan.	<i>Green energy, non-car commuting, and higher density/better access to services within a 15 min walk (grocery for example) need to be encouraged.</i>	This information will be provided to Council to inform their decisions.

III. What We Heard

General themes that emerged from the various methods of engagement include the following:

- + Among survey respondents, most found the basic model of residential property taxes, where property taxes are distributed based only on the market value of the property, to be fair or very fair.

- + Overall survey respondents supported a relatively higher tax rate for multi-family properties, particularly because owners of these properties earn income and receive income tax benefits.

- + Industry stakeholders supported eliminating the Other Residential subclass and voiced a preference for an immediate phase out. A small number of industry stakeholders supported phasing out the Other Residential subclass over three years to allow a period of adjustment.

- + Community stakeholders were mixed regarding the Other Residential subclass. Many did not support phasing out this subclass. However, almost half of participants did support phasing out the Other Residential subclass. Where participants favoured phasing out the Other Residential subclass, a gradual timeline between three to five years was supported to allow those who will be negatively impacted to adjust to the changes.

- + There was broad interest in creating new residential subclasses across all groups who were engaged. Suggestions for creating a new subclass(es) were often on the basis of density and encouraging development around nodes and corridors. Other suggestions included creating subclasses that are location based, such as encouraging housing closer to the core, and subclasses that are based on physical characteristics of a residential property, such as size and secondary suites.

- + There was broad support for using residential property tax subclassing to support elements in The City Plan, including densification and encouraging development around nodes and corridors.

- + Considerations if the Other Residential subclass was phased out is that it will increase property taxes for residential properties, such as single family homes and condos, which was met with some aversion by representatives of these groups.

- + Reducing taxes on multi-family properties will not reduce rents.

Full details of what we heard are available in the Appendices.

IV. Public Engagement Approach

The City's public engagement spectrum defines the level of influence in engagement processes. **The engagement level of industry and community stakeholders was at the ADVISE level on the City of Edmonton's Public Engagement Spectrum.** The Advise level is where the public is consulted by the City to share feedback and perspectives that are considered in decision making.



Multiple online and virtual engagement opportunities were provided to encourage broad participation with a diversity of voices in the engagement process.

Visit edmonton.ca/publicengagement for more information on the City's public engagement process.

V. How We Engaged

This engagement process focused on the following opportunities for individuals to share their feedback and perspectives on Residential Property Tax Subclassing:

Method	Date	Number of Participants	Purpose
Edmonton Insight Community Survey 	August 9 - 15, 2022	3,739 Respondents	Feedback from the broader public
Engaged Edmonton Page 	September 19 - October 17, 2022	480 total visits	Feedback from the broader public
Virtual Industry Session - By Invitation 	October 7, 2022	10 Attended	Feedback from pertinent industry stakeholders (e.g., developers, major owners / landlords)
Virtual Community Sessions (2) 	October 17 and 19, 2022	20 Attended	Feedback from interested and impacted community stakeholders
Total		4,239	

Full details of how we engaged and what we heard through each tactic are available in the appendices.

VI. Who We Engaged

Public Engagement seeks to hear and understand the perspectives of a wide variety of Edmontonians. This engagement heard from the following people who participated and provided their demographic information.

Mixed Topic Survey

From August 9th to August 16th 2022, a total of 3,739 Insight Community members provided feedback on Residential Property Tax Subclassing by answering a Mixed Topic survey that was sent to them via email. Participants in the Mixed Topic Survey included:

- Those who own (86 per cent) and those who rent (14 per cent) their current residence;
- Those with annual household income \$59,999 and under (17 per cent);
- Those not born in Canada (14 per cent);
- Those who have not completed post-secondary education (14 per cent of those who indicated their level of education); and
- Those who identify as non-binary, transgender or two-spirit (three per cent of those who indicated their gender).

Engaged Edmonton Page

There were 480 total visits to the Residential Property Tax Subclassing page between September 19 and October 17, 2022. There were 37 Engaged visitors who participated on the page; this number represents the visitors who actively used an engagement tool such as the Ideas Tool and the Quick Polls. There were 164 Informed participants, which includes those who clicked on further information and/or resources such as a video or a report. There were 369 aware visitors who interacted with the page. This means they visited the page, but did not participate in an engagement tool or click on any of the resources available.

There is limited demographic information available for those who participated in the Engaged Edmonton page. Of those who participated and provided their demographic information:

- 3 identified as visible minorities
- 4 identified as persons with disabilities

Industry Stakeholder Virtual Event

There were 10 key stakeholders representing landlords, owners of multi-family housing properties, builders, developers, infill builders and real estate professionals who participated in the virtual engagement event.

Community Stakeholder Virtual Event

There were 20 Edmontonians who participated in two separate virtual community engagement events. People in the Virtual Engagement Events included members of community leagues, owners of single detached family homes, renters in apartment buildings, condo owners, condo renters and those with rental properties as additional income. Where information was offered voluntarily, one participant identified as speaking English as an additional language and another reported living in a Crime Free Multi-Housing building, which is a community safety program administered by the Edmonton Police Service.

Full details on who we engaged can be found in the Appendices.

Next Steps

Administration will present a [summary](#) of these engagement findings, along with a project update and an [information report](#), to Executive Committee on February 15, 2023.

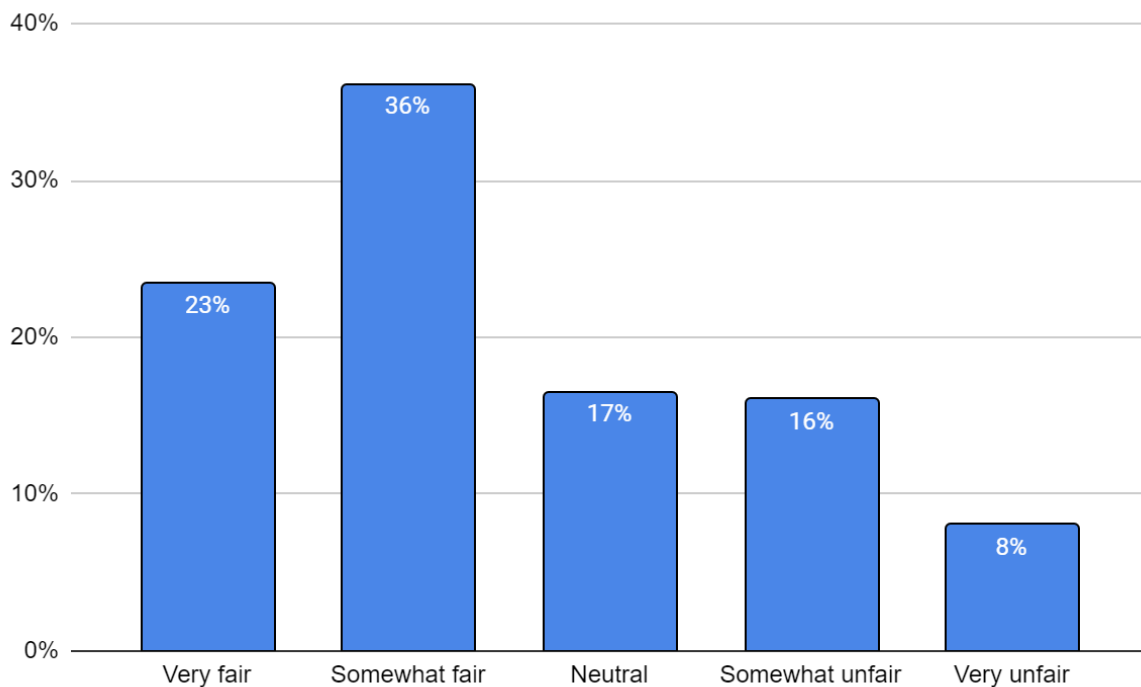
CONTACT:

If you have questions or concerns about this project, please email Cecily Poohkay, Public Engagement Advisor at cecily.poohkay@edmonton.ca or Greg Hutchinson, Project Manager at greg.hutchinson@edmonton.ca. We aim to reply to your inquiry within 5 business days.

Appendix 1: Mixed Topic Survey

Respondents were first asked about their perceptions of the fairness of a property tax system with a single residential tax rate (i.e. a system with no residential subclassing). They were asked to rate the fairness of this system on a five-point scale, and to explain their response.

Under a basic model, property taxes would be distributed based only on the market value of the property. A \$400,000 property, for example, would pay twice as much as a \$200,000 property and half as much as a \$800,000 property. How fair is the basic model of residential property taxes? Please explain your answer. (n = 3769)



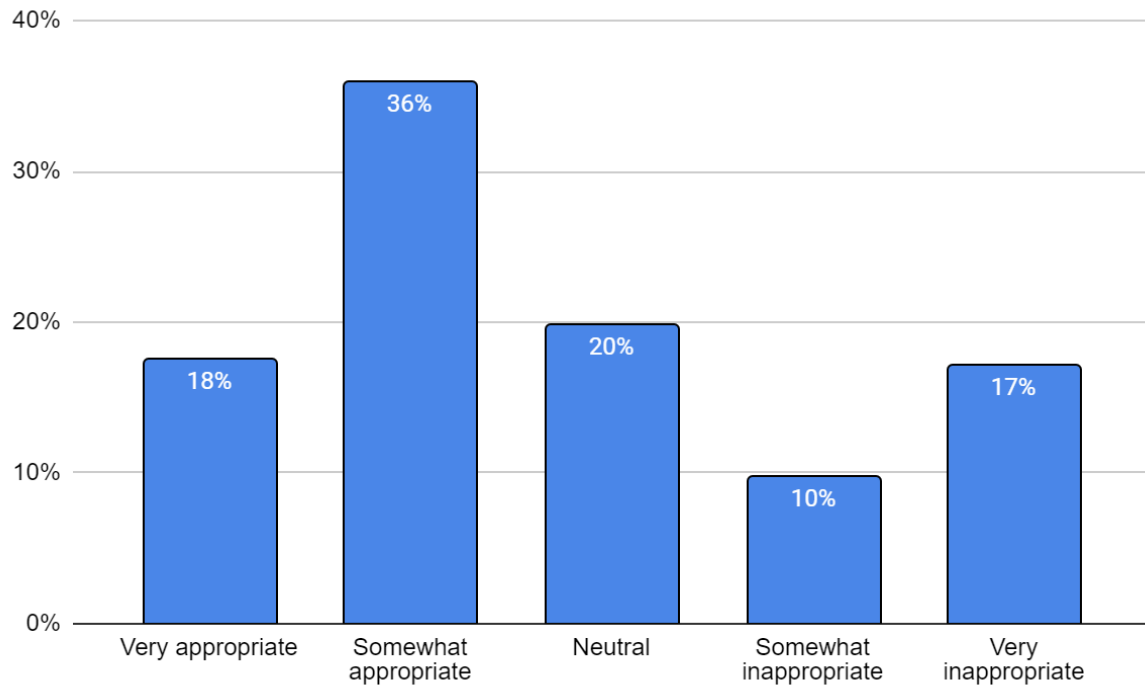
Response	Sample Comments
Very fair	<i>How else can an accurate, unbiased, objective assessment be made?</i> <i>I believe it is fair that everyone is assessed equally based on market value.</i>
Somewhat fair	<i>As long as relative market values are reasonable from one property to another, this method should be the most fair for residential taxes.</i> <i>Condos are not taxed fairly in my opinion.</i>
Neutral	<i>Appears fair, however I would need data regarding taxation regarding different values of property.</i> <i>I can see why the tax would increase but I worry about how it might impact people living in neighbourhoods that suddenly experience an increase in buying and infill.</i>
Somewhat unfair	<i>Everyone uses the same services, regardless of how much they paid for their house.</i> <i>I don't think it should be 2x more. You are going to have people go to smaller centers to live. Edmonton is a very expensive place to live.</i>
Very unfair	<i>It's well known that the lower income people use the most city services so should not pay less! Pay equal for everyone.</i> <i>Property valuations are volatile. If Edmonton property valuations were to drop by 50%, would the city still be able to function with the drop in tax revenue tied to this metric?</i>
Other Opinion	<i>A senior with a low income may be living in a home where the assessed value for tax purposes is more than they can afford and they may be forced to sell.</i> <i>Depends on multiple factors that could make it fair OR unfair.</i>

Respondents were provided with a brief description introducing the concept of tax subclassing.

Residential property taxes cannot be determined directly based on services used or income levels. However, the City can set different tax rates for different types of residential properties, based on physical characteristics of the property (such as the number of residences on the property, floor area or lot size), to adjust tax distribution or to achieve policy objectives. This is called 'tax subclassing.'

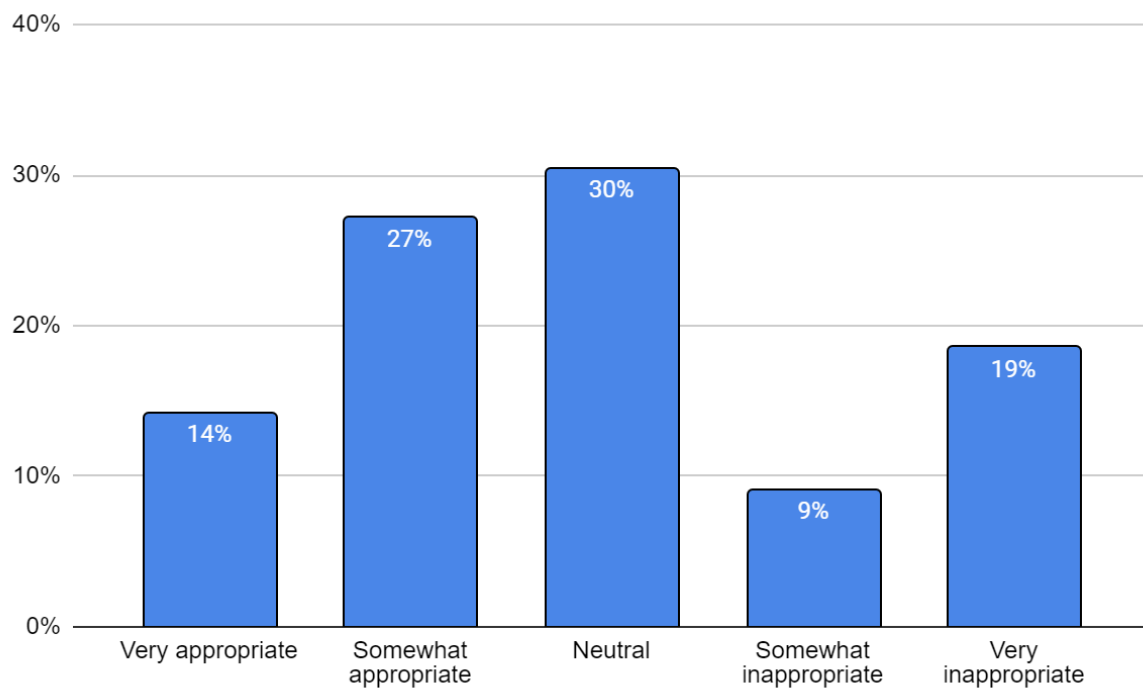
They were then asked about whether it would be appropriate to use tax subclassing to change tax distribution, or to achieve policy objectives. In both cases, respondents were asked to explain their responses to provide greater insight into their perspectives.

How appropriate would it be for Edmonton to use residential property tax subclasses (based on physical property characteristics) to change tax distribution (in other words, change who pays how much)? Please explain your answer. (n = 3769)



Response	Sample Comments
Very appropriate	<i>Just makes sense. If properties have other residences (basement and/or garage suites), their taxes should be higher, based on more people, more income, etc.</i> <i>This seems like the only way to make the present "market value" system fair.</i>
Somewhat appropriate	<i>Services used and income levels are not directly correlated. Not sure how this would be resolved in a new model.</i> <i>Property taxes in Edmonton are already very high and adding additional tax burden to my already large property tax bill does not seem fair nor sustainable.</i>
Neutral	<i>Explanation of taxing method must be made clear and fair so that expectations are realistic.</i> <i>Some of our friends with the highest income levels live in two-bedroom stucco bungalows. Income and property do not always compute.</i>
Somewhat inappropriate	<i>Owners should not be penalized for improving their property. If anything owners that do not keep up maintenance should pay more this may discourage derelict properties.</i> <i>Should have more tax for properties further from the core. These cost much more to deliver services.</i>
Very inappropriate	<i>I feel this is another money grab on the low to middle class taxpayers.</i> <i>Property taxes based on market value is the easiest [system] to administer, is fair to all and is understood by all.</i>
Other Opinion	<i>It depends on the subclasses. Who is being penalized?</i> <i>This seems like a proposition where the "devil is in the details". I don't have an opinion based on the information at hand.</i>

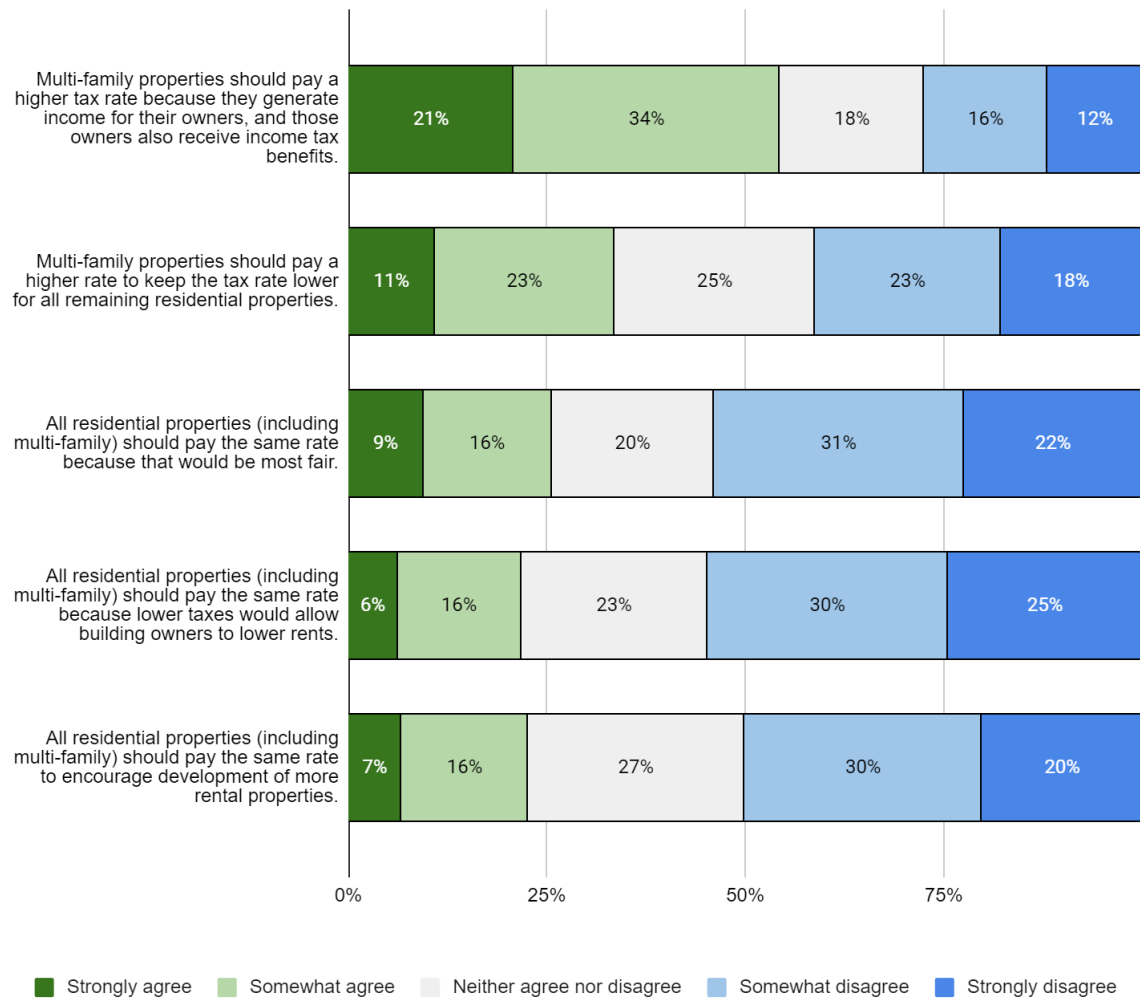
How appropriate would it be for Edmonton to use residential property tax subclasses (based on physical property characteristics) to achieve specific policy objectives (such as those laid out in The City Plan)? (n = 3769)



Response	Sample Comments
Very appropriate	<i>Give tax incentives for net-zero homes and ones with solar panels. Penalize homes with bad carbon footprints.</i> <i>I think this approach should lead to more equitable taxing, so people who can afford more opulence pay tax on it.</i>
Somewhat appropriate	<i>As a tool to change negative behavior, such as substandard or vacant housing, the tool is much more appropriate.</i> <i>Different communities have different ideals and goals which should always be considered in city planning.</i>
Neutral	<i>I can't have an opinion until I understand what is being proposed.</i> <i>Not sure this new model will be equitable or cause a class division amongst neighbourhoods.</i>
Somewhat inappropriate	<i>Classes can lead to grouping and biases and be unrepresentative of an individual's specific situation.</i> <i>I already feel over taxed. Who will bear the burden of lowering taxes for condo owners?</i>
Very inappropriate	<i>All politically driven - more social welfare is not in the best interest of</i>

	<i>making Edmonton a business and jobs leader.</i> <i>City planners need to use the available tax dollars prudently instead of squeezing more money out of homeowners on false pretexts.</i>
Other Opinion	<i>It is difficult to answer this question without knowing how the tax distribution would work. I sense that this is merely another way of the city trying to increase property tax income.</i> <i>These questions are pretty inaccessible to renters who haven't had to think about tax rates because it's all included in rent.</i>

Respondents were also asked to rate their agreement with a set of five statements regarding property tax rates for the Residential and Other Residential subclasses. (n = 3769)



Is there anything else you would like to share about how residential property tax rates should be set for these two subclasses?

Theme	Responses	Sample Comments
Lowering taxes on multifamily properties won't lower rents without rent controls	305	<i>I'm not sure that most building owners would decrease rents if their property taxes were decreased. Trickle-down benefits never seem to work!</i> <i>Reducing taxes for multi-family rentals will not reduce rents - it will just increase profits for landlords.</i>
Multi family rate should be the same or lower than single family	125	<i>Single family houses have a larger per person footprint than multi-family dwellings so if anyone is to pay a higher tax rate it should be single family houses.</i> <i>Revert to an accurate market value for both classes and apply your mill rate evenly. These properties trade all the time and accurate sales information is available.</i>
Multi family rate should be higher than single family (including status quo); should be taxed as business	114	<i>The rates should be left the way they are.</i> <i>Apartment rental buildings should be higher as they are a commercial business generating revenue and should be taxed based on this.</i>
No response; off topic; unclear; need more information	447	<i>I wish I knew more about this; I'd like to hear different people's opinions.</i> <i>Business Property Taxes are extremely high in Edmonton and they pay much more than any residential or multi-family. It is unfair to tax businesses more when they receive less services from the City.</i>
Total	991	

Do you have anything else you would like to share about residential property tax subclassing?

Theme	Responses	Sample Comments
Open to supporting subclassing	185	<i>The subclassing needs to have more classes to make it more fair.</i> <i>Tax luxury and expensive properties at a higher rate.</i>
Opposed to subclassing; not a priority	123	<i>Stop wasting your time and our money trying to manipulate a system.</i> <i>No more subclassing. Lower everyone's property taxes. Try budgeting and run the city with a modicum of efficiency.</i>
Use property taxes to support seniors	19	<i>Retired seniors are on a fixed income and cannot always keep up with the increase in taxes every year.</i> <i>Be careful that low income seniors are not forced out of homes because they have fewer residents.</i>
No response; off topic; unclear; need more information	415	<i>As a single income household, it would be nice to get a break. For example, I don't have kids and pay education tax.</i> <i>I want to encourage people to take care of their properties and encourage families but it needs to be fair as well. It's not something black and white.</i>
Total	742	

As it was a non-random online survey, a margin of error was not reported for these results. However, if a probability sample had been used, results for a random sample of 3,739 would be accurate to + 1.4 percentage points, 19 times out of 20.

Appendix 2: Engaged Edmonton Page

Engaged Edmonton is the City of Edmonton's official online public engagement space that offers a digital public engagement platform on a project by project basis. The City of Edmonton promotes a digital-first approach to engagement, which allows for participation in a variety of engagement activities that are convenient and more accessible than scheduled and/or in-person options only.

The Engaged Edmonton page was advertised in a variety of ways to draw broad and diverse participation. A [PSA](#) released on September 26th, as well as a [Facebook post](#) and a [tweet](#) published on October 4th, increased awareness of engagement opportunities, generated interest in this topic and directed the public to participate in engagement opportunities, including the Engaged Edmonton page and virtual engagement events.

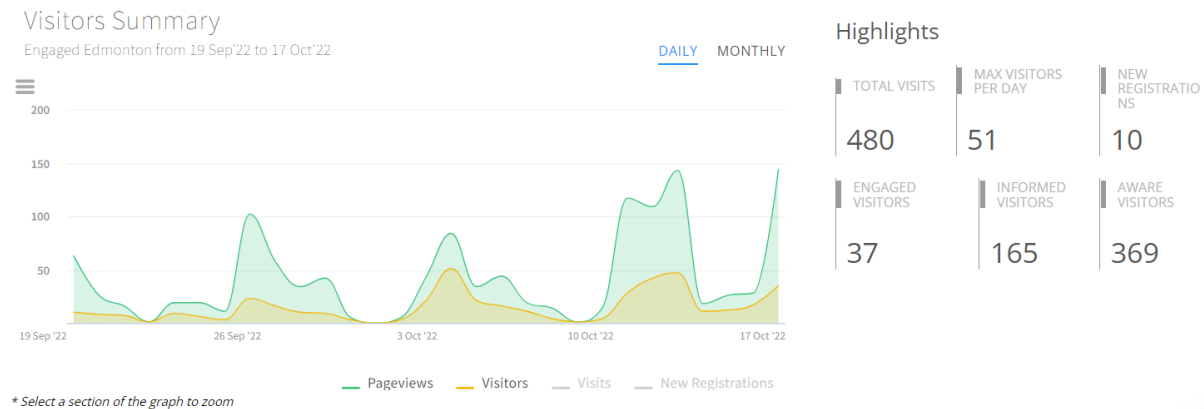
A primary objective of the Residential Property Tax Subclassing page on Engaged Edmonton, available at: <https://engaged.edmonton.ca/residentialpropertytaxsubclassing>, was to demonstrate our commitment to offering accessible engagement opportunities, and to show that Administration is listening to the feedback and perspectives of a wide variety of Edmontonians.

The Engaged Edmonton page was also used to take a complex topic with a lot of technical jargon, and make it more relatable and accessible to the public. Visitors were able to learn more about Residential Property Tax Subclassing in plain language. This was done through a variety of resources such as a Frequently Asked Questions section, background reports, a video explaining how property taxes are calculated in easy to understand language and a video in accessible language that explains The City Plan. The project team was also available by email to answer any questions or concerns from the public.

Three community members contacted the Project Team via email. Two people reached out to get copies of the information slide deck that was provided at the Community Stakeholder Virtual Engagement events. One person reached out to identify concerns with the engagement process, including the timing and notice that was provided to be able to engage, and concerns that the questions on the Engaged Edmonton Page were vague. This welcome feedback was appreciated to learn more about how engagement timing and questions can be better communicated, and this input influenced the questions that were asked of participants in subsequent virtual engagement events. These community members were also encouraged to share their thoughts and perspectives directly with the Project Team for consideration, even though the Engaged Edmonton Page was closed for participation.

A summary is provided below of the traffic and participation on the Engaged Edmonton Page from its launch on September 19th to its close on October 17, 2022.

TRAFFIC



The Ideas Tool

The first method to engage with this project was an “Ideas” tool. The Ideas Tool is simple in its design and can be used to get the community involved in conversations quickly and easily. Participants can post as many ideas as they wish, or contribute to the ideas of others by voting and/or commenting on their posts. Visitors to the Engaged Edmonton page were asked two questions through this tool:

1. What are your thoughts about the City charging different tax rates based on physical characteristics of different types of residential buildings?
2. What could be improved about the way the city charges property taxes for residential properties?

Nine Ideas were provided in total, with an additional 16 comments and a total of 32 Likes. Broad themes within these comments and likes included:

- Assess Multi Family residential at a lower tax rate than single detached homes (14).
 - Participants supported this view on the basis that single family homes strain the City's resources more due to low density and the related increases in costs to service them.
- Tax according to occupancy status (6).
 - Participants supported taxing longer term unoccupied properties or unimproved properties more to promote their sale, occupancy, and/or (re)development.
- Encourage living in the core (6).
- Tax suburban sprawl/suburbs more (4).

- Participants supported this view because it was felt that outlying areas strained City resources more than properties closer to the core.
- Tax based on the number of bedrooms (3).
- Incentivize density (1).
- Tax based on amenities (e.g., in-ground pool) (1).
- Tax based on square footage of the dwelling (1).
- Tax based on square footage of the lot (1).

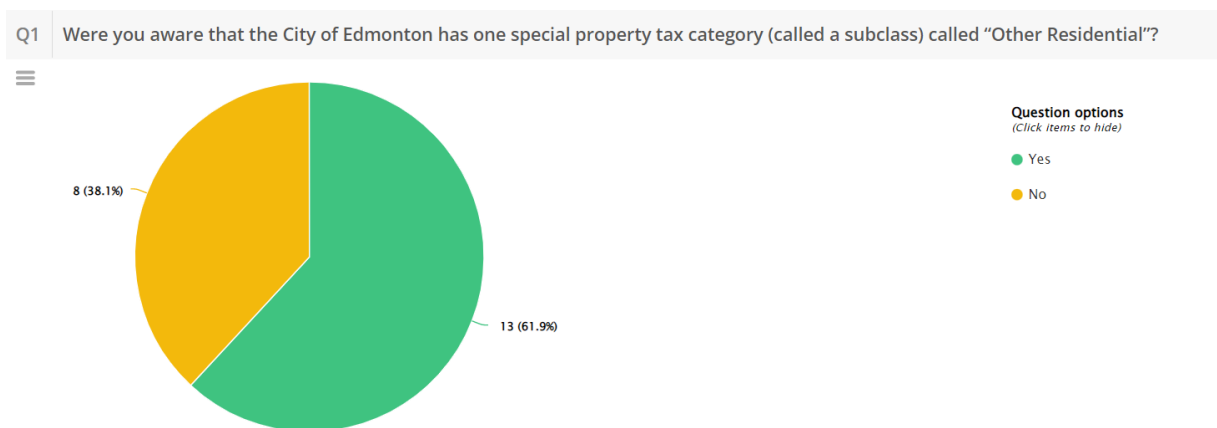
The Quick Poll Tool

A series of Quick Poll questions aimed to get a better understanding of visitors' knowledge around Residential Property Tax Subclassing in Edmonton.

Question #1

Were you aware that the City of Edmonton has one special property tax subclass category called "Other Residential"?

Out of the 21 participants, eight said they did not and 13 said that they were aware of this subclass.

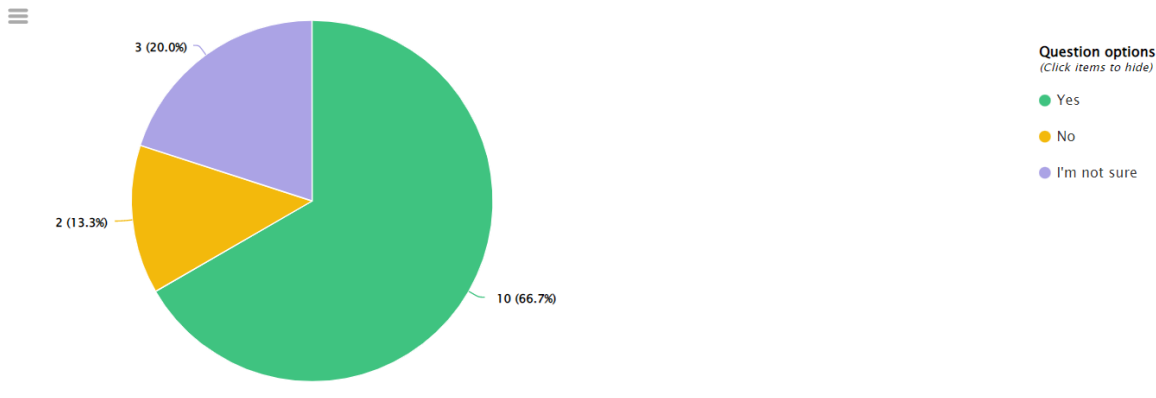


Question #2

Do you believe property tax impacts people who rent their accommodation?

Out of the 15 people who participated, 10 said yes, three said they weren't sure and two said no.

Q1 Do you believe that property tax impacts people who rent their accommodations?

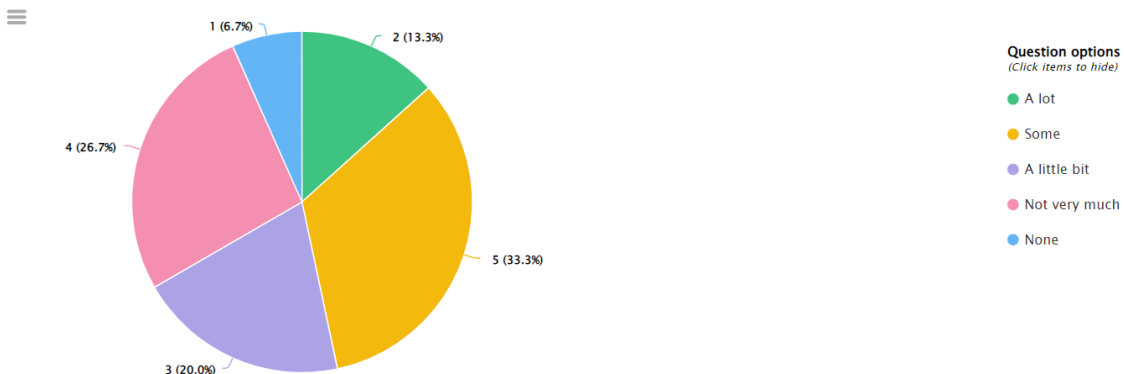


Question #3

How much do you feel you know about residential property tax subclassing?

Out of the 15 people who participated, two said a lot, five said some, three said a little bit, three said not very much and one said none.

Q1 How much do you feel you know about residential property tax subclassing?



The Ideas Tool identified that some participants misunderstood the scope of what factors or criteria can be included in residential property tax subclassing. It also showed that Edmontonians have a variety of insights into opportunities for creating new residential property subclasses and how residential property tax subclassing can be used to support City objectives such as density.

The Quick Poll tool identified that there were knowledge gaps about who is affected by residential property tax subclassing and about subclassing in general. The information gleaned from the Ideas Tool and the Quick Poll tool was considered by the Project Team, and was also used to inform what background information was provided to participants in the subsequent virtual

engagement events with industry and community stakeholders. This included an overview of property taxation, revenues and the services that municipal tax dollars support, how property tax works and an overview of a pure market system of taxation. The Other Residential Subclass was explained in the virtual engagement events, including common arguments to eliminate and maintain this subclass. Residential property tax subclassing was also explained and examples of how this method of taxation could be used were provided to spark discussions.

Appendix 3: Industry Stakeholder Virtual Event, October 7, 2022

Invitations to the Virtual Engagement Event for Industry Stakeholders were personally sent to over 20 stakeholders. Ten of these targeted stakeholders participated in the virtual engagement event. Following the virtual industry stakeholder event, the questions asked were also provided to stakeholders who were unable to attend the scheduled virtual event. This offered industry stakeholders who were unable to attend the scheduled event the opportunity to provide feedback and to respond to the same questions that were asked of the larger group. One stakeholder responded and provided comments to the questions.

The 'Other Residential' Subclass

As a temperature check, a straw poll was used early in the engagement event and participants were asked:

If the Other Residential Subclass was phased out, what timing would you support? (Immediate phase out, phase out over 3 years, phase out over 5 years or, I do not support phasing out this subclass).

Immediate phase out	5
Phase out over three years	2
Phase out over five years	0
I do not support phasing out this subclass	0

Not all those who were present participated in the straw poll. The two participants who voted in favour of phasing this subclass out over three years indicated they preferred this option to reduce impacts to those whose property taxes will increase as a result of phasing out the Other Residential Subclass, such as owners of single family homes.

When asked about the effects and impacts of phasing out the Other Residential Subclass, some expressed a lack of trust in how the current property tax system is organized by stating that they felt that the Other Residential Property Subclass was used as a “cash grab” to make up for the difference in property taxes that are collected. It was strongly supported by those in attendance that phasing out the Other Subclass would not lower rents, and that phasing out the Other Residential Subclass would instead allow Industry stakeholders to recuperate other high costs such as garbage removal. Several participants echoed a participant who commented:

“Knowing the market demand, I don't know if we would lower our rents at all. I think we might just keep rents at what they are and see it as a way to recuperate other operating expenses”.

Some suggested that it would positively impact the quality of materials used in construction, and the quality and diversity of building designs. Others suggested that phasing out the Other Residential subclass could impact density, which has additional positive impacts in communities. A couple of participants noted that:

“More high-density apartment buildings will be built that contribute to density targets”.

“More development creates vibrancy and ‘eyes on the street’ to increase safety and create customers for retail and businesses.”

Participants were also asked what needs to be considered if the Other Residential Subclass was phased out, and what opportunities could be created through creating new Residential Property Tax Subclasses. Participants indicated that phasing out the Other Residential subclass was one step in making higher density housing options more viable by reducing costs. Participants noted that other market considerations, like the cost of building materials, labour, inflation, and incentives such as grants or tax incentives also impacted the landscape of what types of residential properties get built and where. Stakeholders added that market-specific considerations are difficult to see coming in advance, which makes it difficult to plan for and mitigate in the future when planning projects.

It was also identified that Industry stakeholders wanted more specific information to be able to better answer the questions around the creation of new Residential Subclasses. Some participants wanted information about why the Other Residential Subclass was created in the first place to know what to consider when thinking of the opportunities of creating new Residential Subclasses. Others wanted to know more specifically about what Property Subclasses could replace the Other Residential Subclass, the timing of when the Other Residential Subclass would be phased out and what criteria, factors or qualities could underpin the creation of new Residential Property Subclasses. In response to these questions, the Project Team provided examples of alternative Residential Property Subclasses used in other jurisdictions including other multi-family subclasses, vacant property subclasses, and the tourist home residential subclass in the Town of Canmore.

Industry stakeholders saw connections to elements in the City Plan in terms of using Residential Property Tax Subclassing to encourage density development, and increased development around nodes and corridors. It was highlighted that downtown is currently struggling in terms of vibrancy, safety and development. Some participants asked if time and location-specific subclasses could be created, for instance a 10-year property subclass to support the downtown core. The project team identified that such a subclass could be considered, which led other

participants to note that other areas such as Chinatown and The Quarters are also struggling and they should not be overlooked if location-specific subclasses are considered. Some participants indicated that developments with two units or more should be supported through policy objectives such as lower taxes through property tax subclassing, as this would address the “missing middle.” Some participants supported the position that two units or more is the threshold where service and infrastructure costs begin to decrease, and should be a consideration in these discussions.

Appendix 4: Community Stakeholder Virtual Events

Eleven people participated in the October 17th virtual engagement event, and nine people participated in the October 19th event. People in the Virtual Engagement Events included members of community leagues, owners of single detached family homes, renters in apartment buildings, condo owners, condo renters, those with rental properties as additional income and those with English as an additional language.

A straw poll was used with participants early in the community engagement event to gain insights into what timelines and options community members supported, or didn't support, regarding the Other Residential subclass. Participants were asked:

If the Other Residential Subclass was phased out, what timing would you support? (Immediate phase out, phase out over 3 years, phase out over 5 years or, I do not support phasing out this subclass).

Immediate phase out	0
Phase out over three years	3
Phase out over five years	1
I do not support phasing out this subclass	9

Not all those who were present participated in the straw poll. Among those who did not support phasing out this subclass, they stated it was because it would mean less dense properties would pay more in property taxes. When asked, participants who supported phasing out the Other Residential Subclass over time stated they believed that higher density properties should not be charged higher tax rates as they cost less to service than lower density properties, and they supported phasing out the Other Residential Subclass over a period of time to allow those who will see increases to their property taxes the chance to adjust to the change.

In the discussions that preceded and followed the straw poll, community stakeholders had a wide variety of views and perspectives. When asked about fairness, some participants expressed support for what they saw as the fairness of Multi-Family Housing properties paying more in property taxes. These voices stated that they should be paying more because they operate as businesses and can write property taxes off as a business expense, which is not an option for most owners of lower density properties/single detached homes. Other participants responded that values such as fairness are broader than Residential Property Tax Subclassing alone. Having

adequate affordable housing options for those with limited incomes were also seen as important and distinct from Residential Property Tax Subclassing.

Many participants expressed skepticism about whether a reduction in costs through the elimination of the Other Residential Subclass would actually be passed along to renters after being presented with this scenario as a reason for phasing out the Other Residential subclass. One participant noted:

"I feel if [the Other Residential Subclass] is phased out that landlords will be the ones who will benefit. They will be paying lower taxes but still be able to write off expenses. Rent will not be affected by taxes."

Some participants questioned the fairness of how property taxes would be distributed between different types of residential properties through the elimination of the Other Residential Subclass. One participant stated:

"Making homeowner[/]non-landlords pay for greater percentage of taxes puts more pressure on people who do not receive additional income that is not taxed differently."

Other concerns that were identified when considering phasing out the Other Residential Subclass included impacts to seniors and those on fixed incomes if taxes were increased. It was also noted that the current economic landscape means the challenges of high inflation and increasing costs of living will be exacerbated by increases in property taxes.

Some participants felt that the Other Residential subclass was unfair to higher density properties that require less infrastructure, such as land, roads, alleys, property entrances, sewer, power and other infrastructure, than would be required if the same number of people lived in single detached residential buildings. One participant, who is also a renter, noted:

"It seems odd to me that we tax apartment buildings higher when they take less resources to service them."

New Residential Subclasses/Connecting Residential Subclassing to The City Plan

Participants were asked to share their feedback and perspectives about the potential for new Residential Subclasses. To generate ideas, participants were asked about what opportunities could be created and what challenges may result from creating new Residential Subclasses.

Some participants supported the values of sustainability and addressing climate change by suggesting that properties with a higher proportion of cars to residents should pay more in

property taxes. Others suggested that properties with high upfront carbon costs and fewer trees should pay more, and properties with more trees and a lower carbon footprint should pay less.

Participants also expressed a desire to see a connection between property tax subclassing and the quality, quantity and affordability of available housing. In this respect, many participants supported that vacant and/or derelict properties pay more so that occupancy, development and improvements to the quality of housing is encouraged. Many participants also voiced that housing availability and affordability, especially for vulnerable citizens, is important.

Participants identified distinctions between housing with connections to business(es) and housing that meets core shelter needs. This was heard in the opposition participants voiced to housing that is used to generate a profit paying the same tax rate as housing that is used for core shelter needs. It was also suggested that seniors' buildings, affordable housing buildings, co-operatives and other "alternative" housing schemes should pay less in taxes. Some supported that properties that act as a residence and a business, properties with a secondary suite for income generation and properties that offer short term rentals, such as Air BnBs, should pay more in property taxes.

Participants saw connections between Residential Property Tax Subclassing and The City Plan by helping the City achieve its density goals, and its development goals around nodes and corridors. Others felt that property taxation is not the best tool to influence policy goals, as it is difficult to draw clear cause and effect relationships between the impacts of policy on the decisions and choices people make, especially over the long term. Some noted that decision-making about where to live and what type of property to live in is influenced by many factors, including market conditions that are unpredictable and can be volatile. Property taxes are not the only consideration or highest priority when considering where to live. Qualities and amenities such as access to green space, community safety, public transportation, groceries and schools factored strongly into people's decision making.

Other considerations related to The City Plan, in addition to density, were environmental (rebuildable) and economic (affordability), although participants stated this may be difficult to encourage through Residential Property Tax Subclassing alone.

After the virtual stakeholder events, one community member contacted the project team and noted:

"With respect, I think one residential tax is the best approach, rather than lobbying for more complications to modify a wide range of desirable behaviours that cannot be measured and taxed (or 'de-taxed')."

It is noted that other participants during the virtual events also shared the perspective of keeping the taxation system and rates simple rather than complicating them through trying to achieve specific policy goals.