

2025 Property Tax Phase-in Plan

ISSUE

Provincial legislation in Saskatchewan requires the reassessment of all properties every four years to reflect a more current assessment value. Historically, the tax impact resulting from the difference in assessed value between reassessment cycles has been phased in. City Council approval is required for the tax phase-in plan due to the 2025 Reassessment for the residential and commercial tax classes.

BACKGROUND

Provincial legislation in Saskatchewan requires that a reassessment of all properties be completed every four years to determine new assessment values. This four-year cycle began in 1997, and 2025 is the eighth reassessment under this schedule.

As per *The Cities Act*, City Council may phase-in a tax change resulting from a reassessment for a taxable property, a class, or a subclass of property. City Council has approved a phase-in of property tax for each reassessment beginning in 1997. The phase-in plan must be structured so it is completed within the current reassessment cycle. Summarized below are the phase-in terms for the four most recent cycles.

	Residential / Condominium Property Tax Class	Multi-Residential Property Tax Class	Commercial Property Tax Class
2009	2-year	4-year	4-year
2013	4-year	4-year	4-year
2017	2-year	4-year	4-year
2021	No phase-in used		2-year

CURRENT STATUS

For this reassessment cycle, the residential property class saw an average increase of 13%, while the commercial and industrial class saw an average decrease in assessment of 2%, as seen below.

Property Class	2024 Assessed Value	2025 Assessed Value	Aggregate Fair Value Shift (%)	2024 % of Total Assessment	2025 % of Total Assessment
Residential	\$33.4B	\$37.6B	13%	77%	80%
Non-Residential	\$9.8B	\$9.6B	-2%	23%	20%

Property tax phase-in is most impactful when reassessment has resulted in significant distribution within property tax classes relative to the average. Individual properties with a change close to the average will have smaller phase-in amounts, while properties with changes larger, or smaller, than the average will have larger phase-in amounts.

Residential Properties Class Data Analysis

The residential property class makes up 80% of the assessment distribution for the 2025 reassessment cycle and represents 96% of taxable properties in Saskatoon. The following table displays the eligible phase-in amounts for each residential property subclass, provided the property has the median assessed value for its respective subclass.

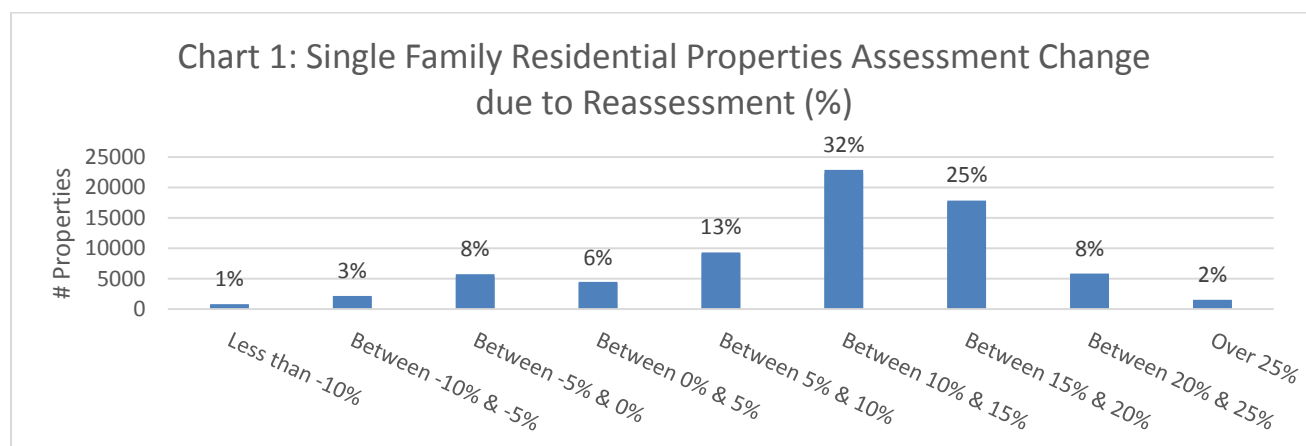
Property Subclass	2024 Fair Value Assessment	2025 Shifted Fair Value Assessment	% Change in Assessed Value	Tax Change due to Reassessment*
Single-Family Residential	\$ 348,800	\$ 394,200	13%	\$9.15 (0.4%)
Residential Condominium	\$ 206,200	\$ 216,500	5%	\$-98.65 (-7%)
Multi-Residential	\$1,581,900	\$1,966,000	24%	\$1,162.66 (10%)

*Eligible amount to be phased in by calculating the difference between the revenue neutral tax and the 2024 tax bases.

Appendix 1 provides a further analysis of the potential impacts a residential phase-in would have (Tables 1 & 2 present data on a full residential phase-in, whereas Table 3 presents data on multi-residential only).

Single-Family Residential Property Subclass Data Analysis

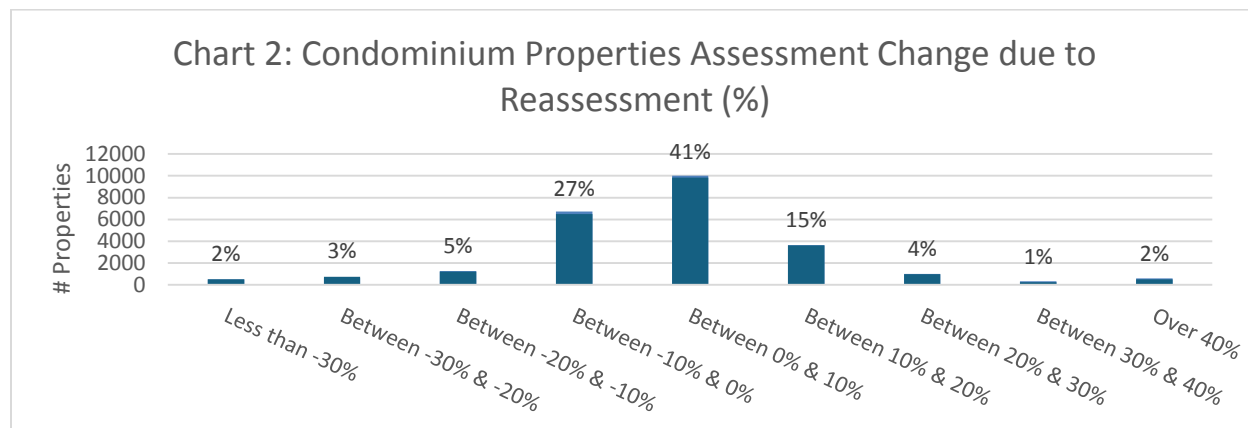
The single-family residential property subclass makes up 73% of the residential class, and approximately 80% of all single-family residential properties experienced a change of +/- 10% of the single-family subclass average (13%). Chart 1 demonstrates the distribution of assessed value changes within the subclass and is located below:



The narrow distribution of value changes from reassessment means the overall dollar impact eligible for phase-in will be smaller than if there was a wider distribution.

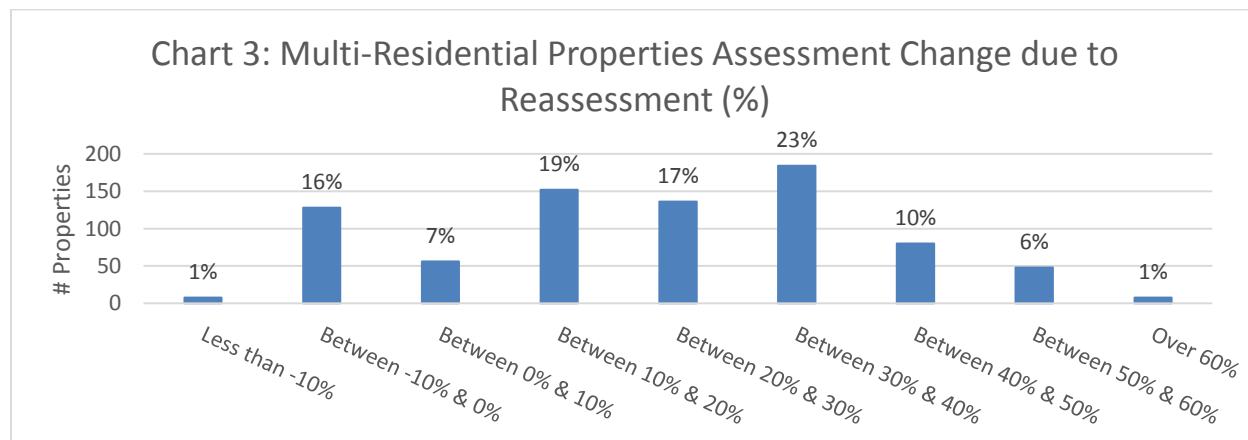
Condominium Residential Property Subclass Data Analysis

The condominium residential property subclass makes up 26% of all residential properties. 68% of condominium properties experienced a change in value within +/- 10% of the average (5%) due to reassessment. As shown in Chart 2, and like the single-family residential properties, a narrow distribution of the change implies that the dollar amount eligible for phase-in will be smaller than if there was a wider distribution.



Multi-Residential Properties Subclass Data Analysis

The multi-residential property subclass makes up less than 1% of all properties within the residential class; however, due to the higher assessed value of those properties, the subclass makes up almost 9% of the total residential class value. Approximately 50% of the of multi-residential properties saw an increase within 10% of the average (24%) assessment change. Unlike the first two subclasses, the wide distribution indicates a larger amount eligible for phase-in. Chart 3 demonstrates the distribution within this subclass typically ranges between a 10% decrease and a 60% increase. Due to the wider distribution, phase-in would be more impactful to multi-residential properties.



Commercial Properties Class Data Analysis

The commercial property class makes up 20% of the assessment distribution for the 2025 reassessment cycle and represents 4% of taxable properties in Saskatoon. Within the current reassessment cycle, the -2% average change in commercial values sees

significant variance by subgroup. Please see the chart below for additional information on the impacts reassessment has had for a median valued property within the subgroups:

Property Subgroup	2024 Fair Value Assessment	2025 Shifted Fair Value Assessment	% Change in Assessed Value	Tax Change due to Reassessment*
Retail	\$1,548,400	\$1,393,600	-10%	-\$1,405.47 (-8%)
Office	\$1,596,400	\$1,325,000	-17%	-\$2,735.53 (-15%)
Warehouse/Industrial	\$1,366,000	\$1,502,550	10%	\$1,902.85 (12%)
Hotel	\$9,827,100	\$8,549,600	-13%	-\$12,314.99 (-11%)

Implementing a phase-in for commercial properties will result in retail, office and hotel/motels properties seeing a delay in receiving their tax decrease and warehouse and other industrial commercial properties seeing a delay in receiving their tax increase.

Public Engagement & Approaches in other Jurisdictions

In the summer of 2024, Property Tax Phase-In and Reassessment Engagement was undertaken (Appendix 2). Property owners were asked about their preferred phase-in options, communication methods, and topics of interest. Some key highlights from this engagement include:

- Most participants favoured the City using a four-year phase-in (45%);
- At the same time, 32% of respondents also highlighted they wanted to see any potential decreases in property taxes reflected as soon as possible; and
- Participants found the City's property tax process, including phase-in, to be somewhat confusing (average three out of five).

Over the last three assessment cycles, the City of Regina has used three-year phase-in for commercial properties and no phase-in for residential properties. The cities of Prince Albert and Swift Current do not use phase-in for the purpose of distributing the property tax load following a reassessment cycle.

ADDITIONAL IMPLICATIONS/CONSIDERATIONS

It is important to note that not all property owners benefit from phase-in, as the increases in property tax due to reassessment are offset by the decreases within each class and subclass. Property owners with larger increases are typically in favor of phase-in; however, property owners with larger decreases typically do not favor phase-in and want to see the impact of the decrease immediately.

In addition, phase-in adds another level of complexity for property owners to understand their property tax bill. For example, property owners often do not realize the budget, tax policy and contingency amounts are not eligible for phase-in. For many properties,

these changes account for a larger portion of the tax increase which is not phased-in than the reassessment shift that is phased-in.

OPTIONS

Option 1 – No Phase-in for any Property Class

Under this option, the City would not use property tax phase-in for any property class.

Pros:

- More Closely follows Ad Valorem, owners are paying taxes based on the most up-to-date value of their property.
- Easier for taxpayers to understand, reduces the confusion and questions that result from the phase-in charge or credit appearing on tax bills for the remainder of the assessment cycle.

Cons:

- Provide the least amount of time for property owners to prepare for their tax shift.
- Not consistent with precedent, as historically the City has implemented tax phase-in policy for each cycle.
- Not consistent with the public engagement results where respondents indicated a preference for some level of phase-in.

Option 2 – 4-year phase-in for multi-residential and commercial classes and 2-year phase in for the remainder of the residential class.

Under this option, the City would use a four-year property tax phase-in for the commercial class and multi-residential subclass where property tax changes due to reassessment are the most significant and utilize a shorter two-year phase-in for less significant shifts in the remainder of the residential class.

Pros:

- Consistent with historical practice. Four-year multi-residential and commercial phase-ins have been applied in three of the last four cycles whereas a two-year phase-in for single-family and condominium has also occurred in cycles experiencing similar assessment shifts.
- Provides additional time for property owners to prepare for their tax shifts as the full change in property tax will not be realized until 2026 or 2028 respectively.
- Considers the assessment distribution within the property classes/subclasses and has applied a longer phase-in where it will be the most impactful.
- Two-year phase-in for residential properties most closely aligns with the engagement results whereas a preference for some level of phase-in was identified but also ensuring decreases in property taxes for individual properties are reflected as soon as possible

Cons:

- For properties with a four-year phase-in the impact of reassessment and corresponding property tax changes will be delayed from the January 2023 valuation until 2028.

- Phase-in can be complicated to explain to property owners and the impact it has on their property tax bill.

Option 3 – 4-year phase-in for all property classes.

Under this option, all property owners would have their property tax increase phased-in over the full four-year period.

Pros:

- Somewhat consistent with historical precedent to phase-in all classes; however, phase-in for single family and condominium properties has not been consistent as three different phase-in options have all been used in the last four cycles.
- Provides the most time possible for all property owners to prepare for their tax shift as the full property tax change will not be realized until 2028.

Cons:

- Least closely follows the Ad Valorem principals, as all properties will not be taxed at their January 2023 valuation until 2028.
- Does not address the engagement results indicated preference to have decreases in property taxes related to reassessment reflected as soon as possible.
- Phase-in can be complicated to explain to property owners and the impact on their property tax bill.

RECOMMENDATION

That the Standing Policy Committee on Finance recommend to City Council:

1. That the City of Saskatoon proceed with Option 2:
 - a. That the tax impact of the 2025 provincial reassessment for the multi-residential subclass and the non-residential classes be phased-in equally over a four-year period; and
 - b. That there be a two-year phase in of property tax changes for the remainder of the residential property class; and
2. That the City Solicitors be requested to prepare the 2025 Property Tax Phase-in Plan Bylaw for submission to City Council for consideration at the same meet that the Mill Rate Bylaws are presented.

RATIONALE

For the residential single-family home and condominium property subclasses, the Administration is recommending a two-year phase-in for this reassessment cycle as most property owners will see a relatively small change in property tax due to reassessment. This also simplifies the tax calculation and allows eligible residential property owners to realize their decrease due to reassessment sooner (i.e. 2026).

For the commercial property class and multi-residential properties, the Administration is recommending continuation of past practice by phasing in tax shifts due to reassessment over four years. The four-year phase-in will evenly distribute the tax shifts due to reassessment so that 25% is realized in 2025, 50% is realized in 2026, 75% is realized in 2027 and the remainder realized in 2028. This will alleviate significant tax increases for those property owners that had greater than average assessment change, although property owners who saw a lower-than-average change will be waiting the four years to fully realize the decrease.

NEXT STEPS

Once a decision has been made regarding these recommendations, the Property Tax Phase-in Plan bylaw for the 2025 tax year can be prepared and will be presented at the April meeting of City Council. A strategic Communication Plan has been developed to support 2025 Property Tax mail-out to residents, which include:

- Along with other information found on the 2025 Property Tax Notice, a helpful guide explaining how the concept of phase-in works will accompany the mailing and will also be made available on the City's website.
- The City's website will be updated with 2025 Property Tax and Phase-in information and important dates.
- Corporate Revenue Customer Service team, Service Saskatoon Customer Care and City Councilors will be provided information explaining the phase-in process.
- Dedicated social media to support the 2025 Property Tax process, including additions to the reassessment video series which answer frequently asked questions, and where to find additional information or assistance if a property owner wishes to contact the City.
- Social media will also promote two easy-to-use online tools that allow residents to find additional assessment and tax-related information including the Revenue Neutral Property Tax Estimator (does not include 2025 budget changes) and the Property Assessment & Tax Tool

APPENDICES

1. Potential Impacts of Residential Phase-in
2. Public Property Tax Phase-In and Reassessment Engagement

REPORT APPROVAL

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