

2026 Commercial Appeal Contingency

ISSUE

It has been a longstanding practice for the City of Saskatoon (City) to collect a commercial contingency levy to fund the effects of commercial appeal losses. This report provides additional background on the commercial contingency as well as the recommended 2026 commercial contingency levy.

RECOMMENDATION

That the Standing Policy Committee on Finance recommend to City Council that a \$1,500,000 appeal contingency be added to the property tax levy for the Commercial/Industrial property class for 2026.

BACKGROUND

Once the annual City Budget is approved, the City uses updated assessment values and the approved business tax ratio to determine the amount of property tax each sector is required to pay to meet the property tax requirement in the budget. The business tax ratio, which is set at each reassessment cycle, establishes how much more a commercial property owner will pay compared to a residential property owner with the same assessed value. Under the current policy, a commercial property owner pays 1.71 times more property tax.

This approach determines the share of the City's operating budget that will be funded by each sector (residential and commercial). However, when a property assessment is appealed, it can create a shortfall in the City's budget and affect its ability to deliver approved service levels, particularly since appeals may take several years to resolve. For this reason, the City has a long-standing practice of implementing an appeal contingency to ensure that each sector funds the financial impact of its own appeals.

Once an appeal decision is issued, the City must adjust the assessment for all properties involved, retroactive to the date the original appeal was filed. Because some appeals can take several years to resolve and may involve many properties within a single appeal, the resulting retroactive adjustments can create significant financial impacts.

It is important to note that only the properties that were part of the appeal receive the benefit of the decision and its retroactive application, which is funded through the contingency. However, if an appeal decision requires broader changes to the assessment model, the assessed values of many additional properties may be affected on a go-forward basis.

In developing its assessment models and overall approach, the Administration follows Saskatchewan Assessment Management Agency (SAMA) guidelines and generally accepted appraisal practices to meet the requirements of *The Cities Act* (the "Act").

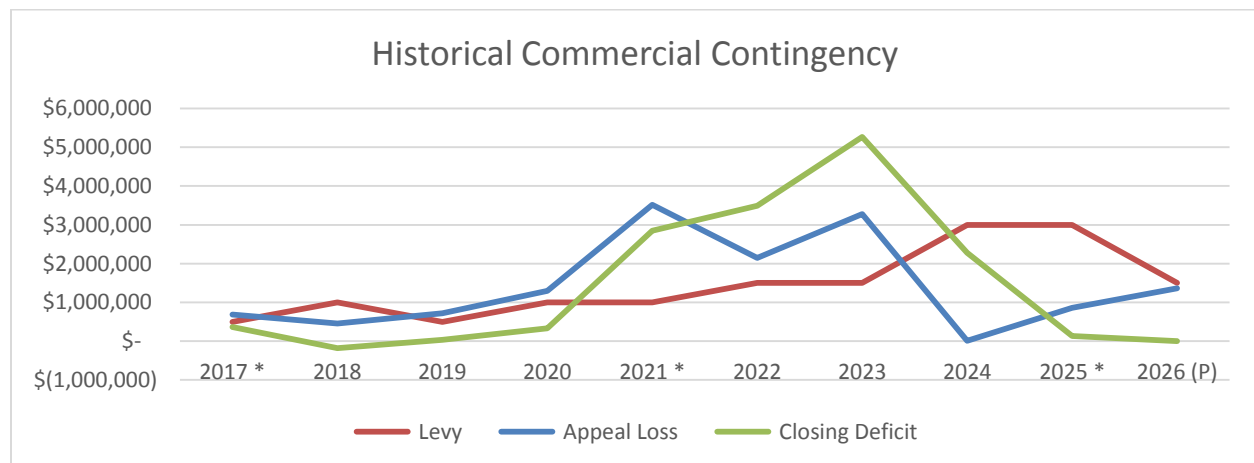
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Since the legislative changes implemented in 2009, the Act has required a significantly greater degree of professional judgment in model development. Now in the fifth assessment cycle under this framework, that professional judgment continues to produce multiple defensible modeling approaches, which are routinely tested through the appeal process. While decisions from the Court of Appeal and assessment appeal bodies have progressively clarified the interpretation of the legislation and provided greater certainty for future model development, appeals continue to challenge the application of professional judgment.

Each year, before this report is presented to Committee, Administration communicates with the Greater Saskatoon Chamber of Commerce (Chamber) and the North Saskatoon Business Association (NSBA). They are provided with Administration's recommended annual contingency levy, the commercial contingency account balance and appeal results for the previous year. To date, neither organization has expressed any concerns with the proposed contingency amount.

DISCUSSION/ANALYSIS

Significant progress towards reducing the commercial contingency deficit balance was made due to higher-than-average contingency levies in 2024 and 2025. Currently, the commercial contingency account is at a \$137,182 deficit balance. The chart below demonstrates the historical trends of this account:



The City continues to see a sustained increase in assessment appeal volumes over successive revaluation cycles. Since the 2009 Revaluation, when 726 appeals were filed over the four-year assessment cycle, total appeals have more than tripled, with 2,442 appeals filed during the 2021 cycle. The 2025 cycle also shows a trend in this direction, with 2,143 appeals filed in the first two years.

A contingency amount of \$1,500,000 would provide a reasonable buffer to mitigate the risk of commercial appeal losses in 2026. The proposed approach is to maintain this \$1.5 million contingency allocation in years three and four of a typical assessment cycle. Combined with the projected reduction in appeal volumes in the later years of the cycle,

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this level of funding is expected to offset the potential appeal-related losses, which are estimated to be approximately \$1.4 million in 2026.

If approved, the 2026 appeal contingency levy rate for commercial properties would be \$0.18 per \$1,000 of commercial assessment, which results in an additional \$207.42 property tax requirement for a median value commercial property above the 2026 budgetary requirement. Also, it should be noted that as the commercial contingency is applied on top of the commercial tax ratio, it is forecasted that a \$1,500,000 contingency amount would increase the assumed ratio from 1.71 to 1.73, which is still below the Canadian average of 2.83¹.

The following chart shows the actual 2025 balance and the estimated 2026 balance for the commercial appeal contingency:

Commercial Appeal Contingency	2025	2026 Projection
Opening Balance	\$ (2,281,058)	\$ (137,182)
Contingency Levy	\$ 3,000,000	\$ 1,500,000
Appeal Decisions	\$ (856,124)	\$ (1,400,000)
Closing Balance	\$ (137,182)	\$ (37,182)

FINANCIAL IMPLICATIONS

The financial implications are outlined within this report.

OTHER IMPLICATIONS

There are no privacy, legal, social or environmental implications identified.

NEXT STEPS

The contingency amount will be added to the commercial/industrial property class tax rates and included in the 2026 Property Tax Levy Bylaw for City Council approval before the end of April 2026.

REPORT APPROVAL

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Reviewed by: Bryce Trew, City Assessor

Approved by: Mike Voth, Director of Corporate Revenue

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¹ Altus Group. (2024, November 20) Canadian Property Tax Rate Benchmark Report: Altus Group's comparative analysis of property tax rates for commercial real estate in Canada. https://assets.ctfassets.net/8jgyidtyr4v/10K5oUs2wflXLjLgS8s44T/7dd2acc41dd82873f2e3e459f176e1f7/ENG_-_2024_Canadian_Tax_Rate_Benchmark_Report.pdf