

Chief Financial Officer's Report to
Priorities and Finance Committee
2020 January 21

ISC: UNRESTRICTED
PFC2020-0009

2020 Business Improvement Area Tax Bylaw

EXECUTIVE SUMMARY

Council approval is required to establish the 2020 Business Improvement Area Tax Bylaw. The 2020 Business Improvement Area Tax Bylaw is required as a measure for Business Improvement Areas (BIAs) to raise the BIA tax identified in each BIA budget through the 2020 Business Improvement Area Tax Rates Bylaw. The 2020 BIA budgets and 2020 Business Improvement Area Tax Rates Bylaw are being brought to Committee and Council concurrent with this report.

ADMINISTRATION RECOMMENDATION:

That the Priorities and Finance Committee recommends that Council give three readings to the proposed 2020 Business Improvement Area Tax Bylaw (Attachment 1).

RECOMMENDATION OF THE PRIORITIES AND FINANCE COMMITTEE, 2020 JANUARY 21:

That Council give three readings to the **Proposed Bylaw 3M2020** (Attachment 1).

PREVIOUS COUNCIL DIRECTION / POLICY

Annually, since the inception of BIAs within Calgary in 1984, Council has approved the BIA annual budgets and bylaws as required by the *Municipal Government Act* (MGA) and *Business Improvement Area Regulation*, AR93/2016 (the BIA Regulation).

Through PFC2018-1068, Council approved the 2019 Business Improvement Area Tax Bylaw.

BACKGROUND

Section 381 of the MGA and section 20 of the BIA Regulation provide Council with the authority to provide for the taxation of businesses within each BIA as a source of funding for that BIA.

The proposed 2020 Business Improvement Area Tax Bylaw authorizes the imposition of a tax on businesses within the BIAs for the 2020 tax year in accordance with section 20 of the current BIA Regulation. This bylaw will apply only to businesses operating within a current BIA or any new BIA established during the 2020 tax year.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

The 2020 Business Improvement Area Tax Bylaw provides the authority for the BIA tax to be collected from businesses operating within BIAs. It specifies the business assessment method as the basis for the BIA tax to be imposed. The criteria for exemptions from the BIA tax are based on the provisions within past Business Improvement Area Tax Bylaws and Business Tax Bylaws.

To enhance administrative efficiency, the draft bylaw also provides for a minimum BIA tax of \$25.00. Businesses with a calculated BIA tax of \$24.99 or less will not receive a 2020 Business Improvement Area Tax Notice. Administration estimates this will result in approximately 180 accounts not being charged a BIA tax for 2020, totaling approximately \$2,700 in BIA tax

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revenue. The difference in revenue as a result of this change will be recovered through adjustments to BIA tax rates in the following year.

The 2020 Business Improvement Area Tax Rates Bylaw is being presented to the Priorities and Finance Committee, and subsequently to Council, concurrent with this report. At the same time Administration is seeking approval of the proposed 2020 BIA budgets. A 2020 Business Improvement Area Levy Notice will be targeted for a mailing to businesses on 2020 February 7. The BIA Tax will be due 2020 March 31.

Stakeholder Engagement, Research and Communication

The preparation of the 2020 Business Improvement Area Tax Bylaw Report involved representatives from Finance, Law, Assessment and Calgary Neighbourhoods.

Representatives of the BIAs within Calgary have been engaged and advised that the BIA tax will continue to be imposed through a form of business tax until changes to the MGA and associated BIA Regulation has been affected and provides for the levying of the BIA tax from the property owner instead of the business owner.

Strategic Alignment

The approval of the BIA budgets and enabling bylaws allows BIAs to receive funding to serve their business communities which supports One Calgary and the "A Prosperous City" Council Priority which notes that "Calgary continues to grow as a magnet for talent, a place where there is opportunity for all, and strives to be the best place in Canada to start and grow a business."

Social, Environmental, Economic (External)

Passing the 2020 Business Improvement Area Tax Bylaw will authorize The City to impose and collect the BIA tax. BIAs provide economic benefit to Calgary by creating a healthy environment for businesses within the BIA to grow and attract customers.

The proposed 2020 Business Improvement Area Tax Bylaw includes exemptions for businesses that meet the eligibility provisions established in the bylaw.

Financial Capacity

Current and Future Operating Budget:

In accordance with the 2020 BIA budgets as approved by Council, the revenue that will be raised as a result of the BIA tax is transferred directly to each respective BIA.

Current and Future Capital Budget:

There are no current impacts on the capital budget.

Risk Assessment

Where the MGA currently enables the imposition of a BIA tax on taxable businesses within a BIA, *An Act to Strengthen Municipal Government* proposes amendments to the MGA which would permit, as an alternative, that the BIA tax be imposed on property within a BIA. To date these amendments are not in force, meaning that the BIA tax must be imposed on taxable

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businesses and collected through business operators. Revisions to the BIA Regulation to allow the BIA tax to be collected through BIA property owners are also anticipated but have not been released by the Province to date.

Once the revisions to the BIA Regulation are released and the amendments to the MGA are in force, it is anticipated that Administration will prepare a report for Council to consider the option to impose the BIA tax on property within a BIA instead of businesses. If these revisions are not approved, The City could potentially face capital costs to maintain or develop information technology systems to allow for the continued taxation of businesses, and the collection of BIA taxes from business operators.

If Council does not pass the 2020 Business Improvement Area Tax Bylaw, The City will not be able to impose and collect the BIA tax and distribute the funds to the respective BIAs.

During preparation of the draft bylaw, it was determined that the legislation contains some limitations on what businesses may be exempted from BIA tax. In previous years, if a business was exempted from business tax through the annual Business Tax Bylaw, Administration's systems also provided an exemption from the BIA tax. However, the legislation only provides for an exemption from BIA taxes for some but not all of these businesses. Similar to the 2019 Business Improvement Area Tax Bylaw, the draft 2020 Business Improvement Area Tax Bylaw will maintain the status quo for 2020. Changes to ensure alignment with the current legislation for BIAs will be reviewed and if required, brought before Council if the BIA tax must continue to be imposed on businesses within BIAs.

REASON(S) FOR RECOMMENDATION(S):

The 2020 Business Improvement Area Tax Bylaw provides The City with the authority to impose the BIA tax on businesses within each Calgary BIA. The BIAs rely on the BIA tax as a revenue source. If the 2020 Business Improvement Area Tax bylaw is passed, then the 2020 Business Improvement Area Tax Rates Bylaw and proposed 2020 BIA Budgets can be considered for approval when presented to Council concurrent with this report.

ATTACHMENT(S)

1. Attachment 1 – **Proposed Bylaw 3M2020**