



Report Number: C2020-0885

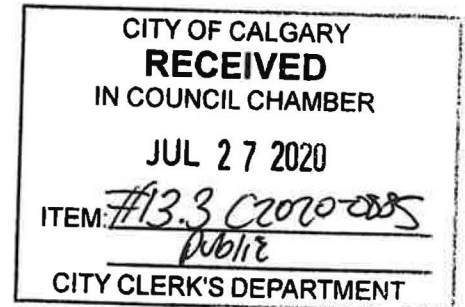
Meeting: Combined Meeting of Council

Meeting Date: 2020 July 27

NOTICE OF MOTION

RE: Financial Relief for Taxpayers

Sponsoring Councillor(s): George Chahal, Peter Demong



WHEREAS in March 2020, the World Health Organization (WHO) officially declared the outbreak of the novel coronavirus disease (COVID-19) a pandemic, followed by The City of Calgary declaring a state of local emergency which resulted in self-isolation requirements, business and facility closures, and loss of employment;

AND WHEREAS in Calgary, businesses and residents were already confronting significant financial challenges from the economic downfall since 2015 including sustained negative pressure on downtown office vacancy which is currently at 27%;

AND WHEREAS the current unemployment rate in Calgary is hovering around 15% and some experts have suggested it may get much worse;

AND WHEREAS the geopolitics of oil and gas in early 2020 saw aggressive moves by major players including Saudi Arabia and Russia which resulted in the largest oil price collapse in recent history which further depressed the Calgary economy;

AND WHEREAS on 2020 June 13, northeast Calgary was devastated with a catastrophic hail and rain storm that caused substantial damage to public and private infrastructure including businesses, homes, and automobiles with an estimated total insurable loss of over \$1.2 billion;

AND WHEREAS section 256 of the Municipal Government Act (MGA) gives The City authority to borrow for the purpose of financing operating expenditures and section 252 of the MGA does not allow The City to borrow an amount that would exceed its debt limit;

AND WHEREAS under section 347 of the MGA, Council has the power to cancel, refund, or defer taxes and in April 2020, Calgary Council approved the cancellation of the portion of the property tax comprised of the penalties imposed under section 2(a) of Bylaw Number 8M2002 that would have accrued between 2020 July 1 and 2020 September 30;

AND WHEREAS Bylaw Number 8M2002 which supports property tax late payment penalties, provides for a 7% penalty on the unpaid amount of the current year's property tax on July 1, and a further 7% penalty on the unpaid amount of the current year's property tax on October 1;

AND WHEREAS an example of a residential property at the 2020 median assessed value of \$455k would pay approximately \$3400 in property taxes for 2020 and under Bylaw 8M2002 if the property has its total tax bill fully outstanding on July 1 and October 1, the penalty of 7% would equate to \$238 charged on both dates;

AND WHEREAS an example of a non-residential property at the 2020 median assessed value of \$5 million would pay approximately \$96,000 in property taxes for 2020 and under Bylaw 8M2002 if the property has its total tax bill fully outstanding on July 1 and October 1, the penalty of 7% would equate to approximately \$6,720 charged on both dates;

AND WHEREAS The City of Calgary provides quarterly payments to the Province for their share of the municipal tax revenue;

AND WHEREAS as of 2020 June 30, approximately 42% of residential property taxes (\$298 million) billed as a lump sum (i.e., not through the Tax Installment Payment Plan (TIPP)) had been paid, and approximately 30% of non-residential property taxes (\$225 million) billed as a lump sum had been paid which resulted in an approximately \$560 million shortfall when compared with the prior year;

AND WHEREAS this \$560 million shortfall resulted in less cash being available in the short-term for income-bearing investments, and expectations of lost income due to tax deferrals is now estimated between \$1 - \$2.5 million;

AND WHEREAS The City currently borrows through short-term money markets at 0.45% - 0.50%, or through the Alberta Capital Finance Authority (AFCA) at approximately 0.76% for a term of three years;

AND WHEREAS in October of 2019, The Government of Alberta (GOA) introduced legislation to dissolve the AFCA, which is the program of providing low-cost loans to local authorities, and these loans will now be continued by the GOA;

AND WHEREAS The City must acknowledge the current economic reality for taxpayers and focus on short and long-term solutions to respond to these challenging times.

NOW THEREFORE BE IT RESOLVED that Council direct Administration to report back to Council no later than 2020 September 14 with a resolution under section 347 of the MGA to approve the cancellation and/or amendment of the portion of the property tax comprised of the penalties imposed under section 2(b) of Bylaw Number 8M2002 that would be imposed on 2020 October 1, with consideration given to incentivizing early payment while allowing deferral of payment with relaxed penalties, but incorporating the borrowing or carrying costs of loaned money, with the following scenarios:

1. Change the current penalty to 0%;
2. Change the current penalty to 1.5%;
3. Change the current penalty to 3.5%;
4. Provide other scenarios that incentivize early payment while allowing deferral of payment with relaxed penalties;

AND FURTHER BE IT RESOLVED THAT Council immediately directs Administration to ask The Government of Alberta to defer The City's quarterly payments to the Province, which is the GOA's portion of the municipal tax bill;

AND FURTHER BE IT RESOLVED THAT Council immediately directs Administration to advocate to the Government of Canada to create new direct borrowing relationships with The City and explore what options are available to achieve preferred interest rate loans and report back to the Priorities and Finance Committee no later than Q4 2020 with a formal plan to establish these relationships.