

2017 PROPERTY TAX RELATED BYLAWS

EXECUTIVE SUMMARY

Council approval is required for the 2017 Property Tax Related Bylaws and the Rivers District Community Revitalization Levy Rate Bylaw. With the Provincial tax rate being lower than the approved Municipal property tax rate of 1.5%, tax room in the amount of \$23.7 million is vacated and is available for the City to fund various critical initiatives if Council so chooses. The information and attached bylaws contained in this report is for not taking the tax room. Approval of the related bylaws on 2017 April 10 is required to avoid the risk of delaying the mail out of this year's property tax bills and for The City to meet its financial obligations to the Province.

ADMINISTRATION RECOMMENDATION(S)

That Council:

- 1) Give three readings to the proposed Property Tax Bylaw 17M2017 (Attachment 3) for a combined property tax rate increase of 0.7% for residential (1.5% for municipal purposes and -0.6% for provincial purposes) and 0.4% for non-residential properties (1.5% for municipal purposes before the 2017 transfer of business tax revenues and -3.3% for provincial purposes);
- 2) Give three readings to the proposed Machinery and Equipment Property Tax Exemption Bylaw 18M2017 (Attachment 4); and
- 3) Give three readings to the proposed Rivers District Community Revitalization Levy Rate Bylaw 19M2017 (Attachment 5).

PREVIOUS COUNCIL DIRECTION / POLICY

On 2017 January 23, Council approved C2017-0079 and gave three readings to the 2017 Business Tax Rate Bylaw 2M2017.

On 2017 January 23, Council approved C2017-0057 Municipal Non-Residential Phased Tax Program (PTP), which phased in 2017 non-residential property tax increases (municipal portion only) by limiting the increase in 2017 to 5% (not including the effect of the Business Tax Consolidation).

On 2016 November 28, Council approved PFC2016-0859 and gave three readings to the 2017 Business Tax Bylaw 1M2017.

On 2016 November 21, Council approved C2016-0863, Action Plan Mid-cycle Adjustments, which reduced the previously-approved 2017 tax rate increase from 4.7% down to 1.5%, with a 1.5% rebate for 2017, effectively bringing the 2017 tax rate increase to 0%.

On 2013 November 18, Council approved NM2013-32 that Council rescind its motion to automatically absorb tax room offered by the Province by reconsidering their decision contained in the Minutes of the Special Meeting of Council held 2011 June 28, with respect to Recommendation 6, as amended, contained in Report C2011-65.

On 2012 April 09, Council approved PFC2012-35, the consolidation of business tax revenue into the non-residential property tax, based on the following schedule for the incremental transfer of budgeted 2013 business tax revenues, adjusted for physical growth and contingency amounts in future years:

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(a) zero per cent in 2013,
(b) 10 per cent in each of the years 2014 - 2015, and
(c) 20 per cent in each of the years 2016 - 2019,
with the business tax, for business tax revenue purposes, eliminated in 2019.

On 2011 June 28, Council approved C2011-65, as amended, as follows:

6. Should tax room be offered by the Province, in the absence of structural tax reform, Council will take the tax room, and with the proceeds, will prioritize:
- debt reduction; and
 - capital funding, including lifecycle maintenance.

On 2007 April 16, Council passed Bylaw 27M2007 to authorize the creation of a community revitalization levy area in the Rivers District. The Bylaw was approved by the Lieutenant Governor in Council of Alberta on 2007 July 17. Legislation requires Council to pass a community revitalization levy rate bylaw annually.

BACKGROUND

The property tax bylaw must be prepared in accordance with the Municipal Government Act. Municipal Government Act (MGA), Chapter M-26, RSA 2000
Section 353 Property tax bylaw

- (1) Each council must pass a property tax bylaw annually.
(2) The property tax bylaw authorizes the council to impose a tax in respect of property in the municipality to raise revenue to be used toward the payment of
- the expenditures and transfers set out in the budget of the municipality, and
 - the requisitions.

Phased Tax Program

One-time funding of \$45 million was approved by Council for the Phased Tax Program (PTP). As a result, non-residential property owners will experience a maximum increase in the municipal non-residential property tax of 5% (not including the effect of the Business Tax Consolidation) resulting from the preparation of the 2017 market value assessment.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

Provincial Property Tax Requisition

The 2017 provincial property tax requisition on The City is \$785.2 million, an increase from 2016 of \$0.4 million or 0.05%. A summary of the requisitions and the resulting levy to be raised from the 2017 Property Tax Bylaw is provided in Attachment 1.

Municipal Property Taxes

Attachment 2 summarizes the amount to be generated through the 2017 Property Tax Bylaw. The total municipal property tax requirement is \$1,734.5 million.

The tax rate changes for municipal and provincial purposes produces a combined rate increase of 0.7% for residential properties (representing 1.5% for municipal purposes and -0.6% for provincial purposes). For the 2017 median assessed residential property value of \$460,000, the overall effect would be an annual increase of \$20 (\$1.65/month) in total property taxes in 2017

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to \$2,966 with 60% of that remaining in Calgary to meet municipal needs, and 40% being remitted to the Province.

On 2016 November 21, Council approved a one-time 1.5% municipal property tax rebate for 2017 for both residential and non-residential tax payers (funded from the Fiscal Stability Reserve). This does not impact the tax rate itself, but will bring the effective municipal property tax rate increase to 0% for 2017 only. After the 1.5% municipal property tax rebate, the 2017 median assessed residential property value of \$460,000, the overall effect would be an annual decrease of \$7 (\$0.60/month) in total property taxes to \$2,939.

The combined rate increase is 0.4% for non-residential properties (1.5% for municipal purposes and -3.3 % for provincial purposes) in 2017. Additionally, there is the 2017 transfer of business tax revenues to non-residential property taxes. This is the fourth year of the incremental transfer of business tax revenues to non-residential property taxes. The incremental increase in non-residential taxes due to business tax consolidation will result in an associated decrease in business tax revenues by an equivalent amount.

Administration is recommending three readings of the proposed Property Tax Bylaw 17M2017 (Attachment 3), so that property tax bills can be prepared and mailed by 2017 May 31.

Machinery and Equipment Property Tax

The City of Calgary has elected to exempt the machinery and equipment tax. To exempt machinery and equipment property from the municipal portion of property taxes, The City annually passes an exemption bylaw, which is provided in Attachment 4 as Bylaw 18M2017 and recommended for three readings.

The provincial requisition pertaining to machinery and equipment property is zero.

Community Revitalization Levy Rate Bylaw

The City of Calgary Rivers District Community Revitalization Levy Regulation (AR 232/2006) established a community revitalization levy area known as the Rivers District. The Municipal Government Act authorizes a council to pass a bylaw to impose a levy in respect of the incremental assessed value of property in a community revitalization levy area. The levy will raise revenue to be used toward the payment of infrastructure and other costs associated with the redevelopment of property in the community revitalization levy area. The estimated revenues required for the payment of infrastructure, and other costs associated with the redevelopment of property in the Rivers District, for the year 2017 will be \$39.8 million.

Administration is recommending three readings of the proposed Rivers District Community Revitalization Levy Rate Bylaw 19M2017 (Attachment 5).

Stakeholder Engagement, Research and Communication

All property owners in Calgary have received their 2017 Property Assessment Notices which gave them their 2017 property assessed values and notification that tax billing would occur in May.

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Strategic Alignment

The recommendations are in alignment with the direction in Council's approval of Action Plan Mid-cycle Adjustments (C2016-0863), as amended.

Social, Environmental, Economic (External)

The Property Tax Bylaw allows the municipality to generate the tax funds necessary for its operation, and to pay the 2017 provincial property tax requisition. This allows The City to deliver the full range of municipal services approved in Action Plan Mid-cycle Adjustments, as amended.

Financial Capacity

Current and Future Operating Budget:

The estimated funding of \$1,734.5 million generated through the Property Tax Bylaw will meet the 2017 operating budget requirements that align with the Action Plan Mid-cycle Adjustments (C2016-0863), as amended.

Current and Future Capital Budget:

Property tax revenues are part of the source of capital funding.

Risk Assessment

Any major delay in passing the 2017 Property Tax Bylaw may affect the mailing date of property tax bills, which in turn would change the customary property tax payment cycle with which the public and business communities have become accustomed.

Until the 2017 Property Tax Bylaw is passed, The City of Calgary cannot meet its 2017 municipal financing obligations, and would be unable to make full payment on its provincial property tax requisition.

REASON(S) FOR RECOMMENDATION(S):

The 2017 Property Tax and Related Bylaws are needed for The City to collect property taxes in 2017. The Property Tax and Related Bylaws are in alignment with the Action Plan Mid-cycle Adjustments, as amended. The 2017 Budget relies on the property tax as a municipal revenue source. The City is also legally required to collect Provincial Property Tax on behalf of the Provincial Government.

ATTACHMENT(S)

1. 2017 Provincial Property Tax Summary
2. 2017 Municipal Property Tax Summary
3. Proposed 2017 Property Tax Bylaw 17M2017
4. Proposed Machinery and Equipment Property Tax Exemption Bylaw 18M2017
5. Proposed Rivers District Community Revitalization Levy Rate Bylaw 19M2017