Calgary

C2017-0057

Municipal Non-Residential Phased Tax Program (PTP)

23 January 2017

Regular Meeting of Council

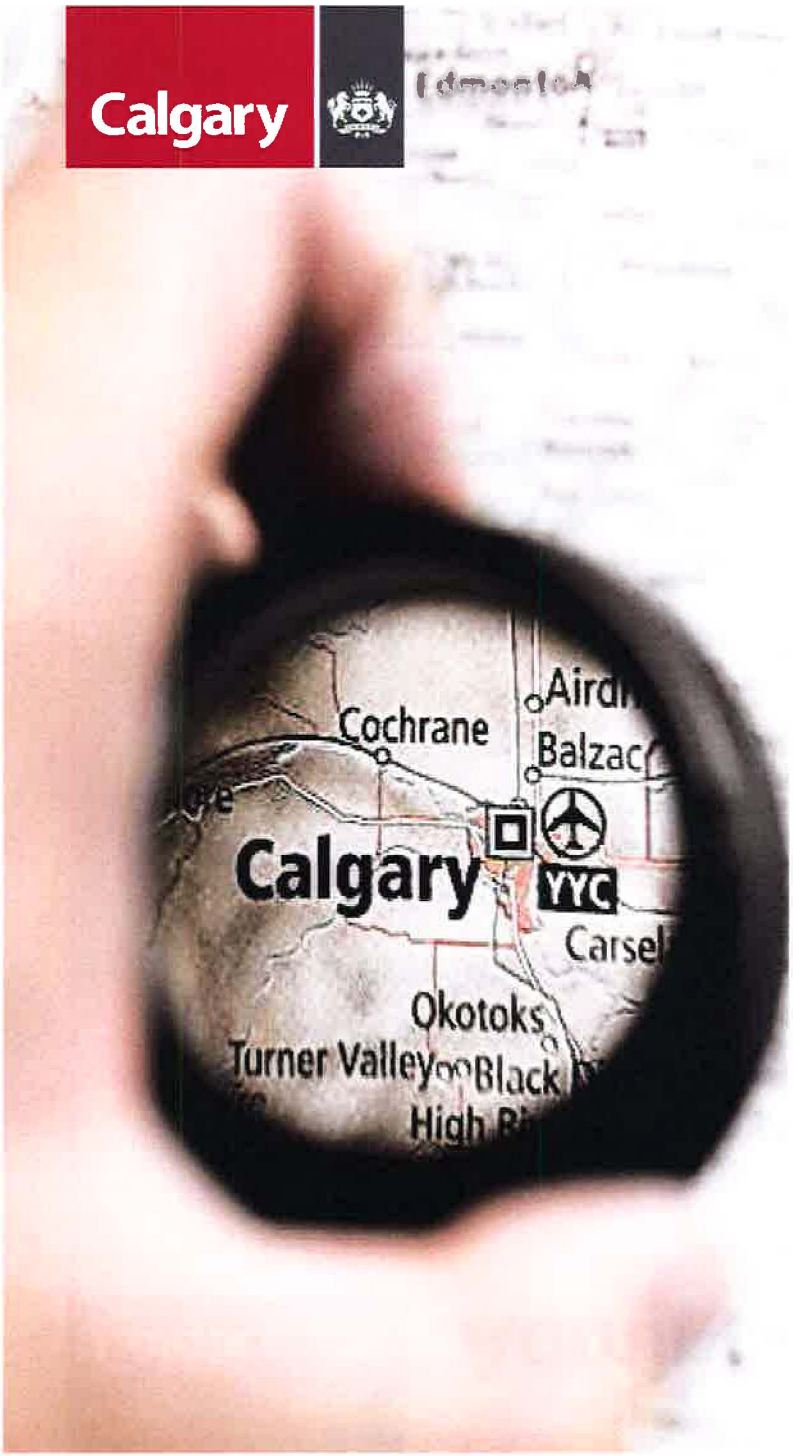
Current situation

- Current economic downturn has affected the financial health of local businesses.

- Change in the market value of non-residential properties will cause a tax shift, increasing the municipal property tax for some non-residential properties.

- Council approved $183 million in benefits to Calgarians through Mid-Cycle Adjustments to:
  - Provide tax relief
  - Maintain many user fees at previously approved 2016 levels
  - Invest in targeted initiatives to address greatest needs
  - Absorb revenue shortfalls through operational cuts and draws on previous year savings

- Council also directed Administration to develop a program to assist Calgary businesses affected by the downturn.



Forces affecting Calgary businesses

1. Reduction in economic activity
   - Less traffic/ business = less revenue
   - Increases in a variety of input costs

2. Increase in municipal non-residential property taxes due to redistributive effect of 2017 property assessments
   - Property owner – increase in municipal property tax
   - Business (tenant) – increase in municipal property tax – allocated to individual businesses/ tenants through lease payments to landlords

Administration Recommendation

Municipal Non-Residential Phased Tax Program (PTP)

- Phase in 2017 municipal non-residential property tax increases by limiting the 2017 increase to 5%.
- Non-residential property owners will see a maximum increase in the municipal non-residential property tax of 5% (not including the effect of Business Tax Consolidation).
- Intended to deliver a material positive economic benefit to approximately 6,000 non-residential property owners. It is expected that PTP will in turn result in benefits to individual businesses/tenants.
- Does not include any property tax increase due to the provincial non-residential property tax requirement.

Municipal Non-Residential PTP

How the program would work

- One-year program only.
- No application process required.
- The tax effect of the phase-in will be applied through the 2017 property tax billing in May.
- Applies to non-residential properties with 2017 municipal property tax increases above 5% due to the shift in market value assessment; (properties with increases below 5% are unaffected).
- Decreases are not phased in.
    - Property tax decreases resulting from a decline in market value are unaffected (allowed to continue).

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Municipal Non-Residential PTP

How the program would work (continued)

- Non-residential properties with 2017 assessment increases due to external non-market impacts are not included in the PTP:
  - physical enhancements,
  - zoning change,
  - servicing,
  - remediation,
  - a change in taxable status.

Calgary Municipal Non-Residential PTP

Considerations

- Identified several potential benefits to this option, including:
  - Relatively straightforward to administer.
  - Low cost to administer.
  - Addresses the issue where non-residential properties have experienced the highest increase in municipal non-residential property taxes resulting from the shift in 2017 market value assessment, while allowing the tax benefit (tax reduction) to continue to be applied.
  - Provides a material positive economic benefit to non-residential property owners. It is expected that in turn, a positive economic benefit will be realized by business tenants.
- The total program cost is $45 million, requiring an additional contribution of $30 million over previously approved allocation.

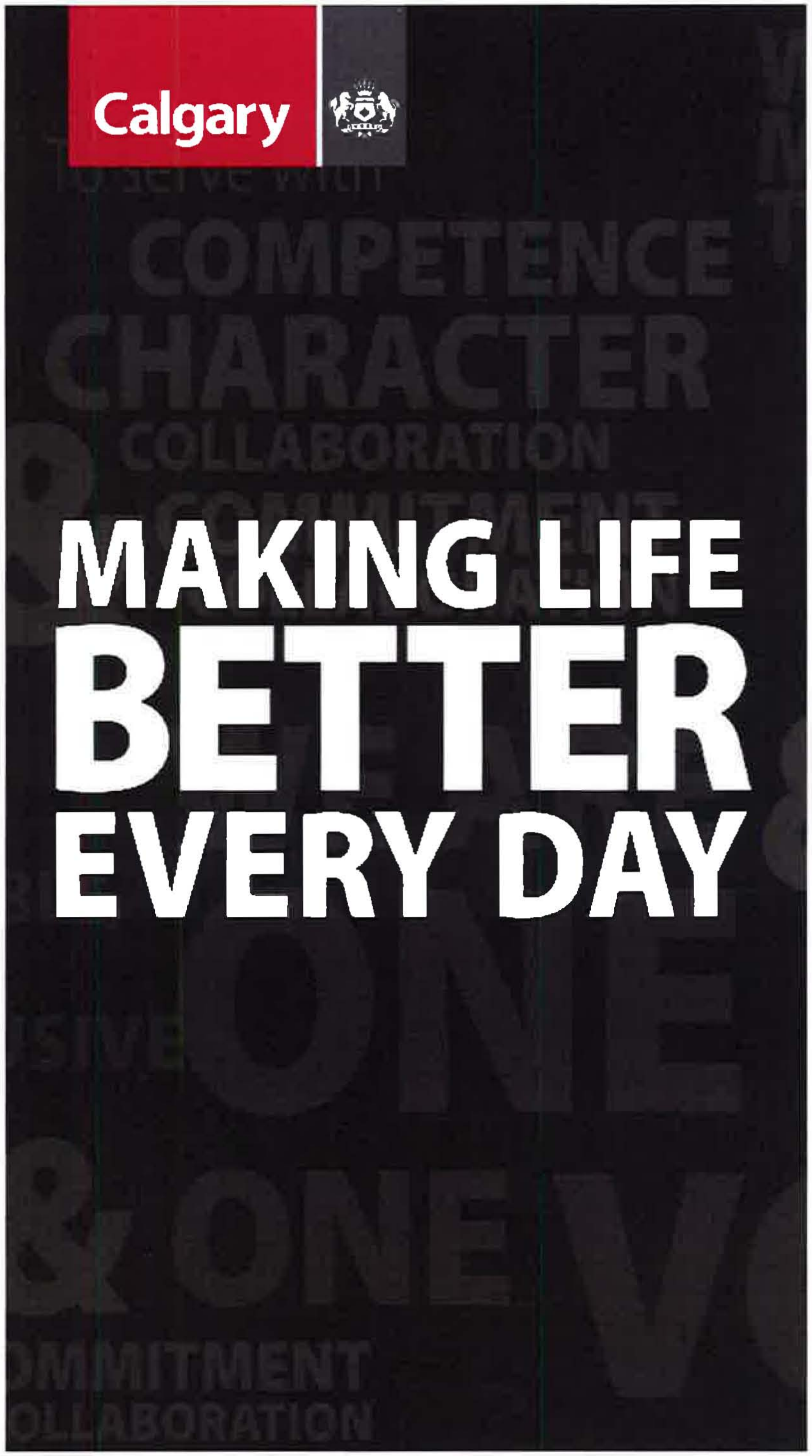
Administration Recommendation

Alternatives explored:

- Business Grant Program
- Reduction in the Non-Residential Tax Rate
- Grant program for Non-Residential Properties Based on Property Value
- Non-Residential Property Tax Deferment Program
- Selective Reduction of the Business Tax
- Business Recovery Task Force

Issues considered:

- Materiality of financial impact - would funding make a difference?
- Complexity of the program
- Cost of administering program
- Responsiveness / timeliness of program delivery
- Ability to leverage ideas, skills, knowledge, and capability of partners and external organizations
- Legal concerns
- Sustainability
- Overall total cost of the program and impact on The City's financial capacity



Total Benefits

- With the addition of the $45 million PTP, the total benefits approved through the Mid-Cycle Adjustments will be $228 million.
- Of this total amount, approximately $113 million in benefits is directed at the non-residential property class.
- PTP will deliver direct positive economic benefits to approximately 6,000 non-residential property owners.
- It is expected that PTP will also provide benefits to individual businesses/tenants contained within the affected non-residential properties.

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Administration Recommendation

1. Approve the Municipal Non-Residential Phased Tax Program (PTP) outlined in Attachment 1;
2. Approve $45 million from the estimated 2016 intentional savings in Corporate Programs be transferred to the Community Economic Resiliency Fund for the PTP;
3. Direct that the report, Attachment 1 and recommendations remain confidential pursuant to sections 23(1)(b), 24(1)(a), 24(1)(g), 25(1)(c) and 27(1)(a) of the Freedom of Information and Protection of Privacy Act until such time as the program is publicly announced;
4. Direct that Attachment 2 remain confidential pursuant to sections 23(1)(b), 24(1)(a), 24(1)(b) and 27(1)(a) of the Freedom of Information and Protection of Privacy Act; and
5. Direct that the in camera discussion remain confidential pursuant to sections 23(1)(b) and 27(1)(a) of the Freedom of Information and Protection of Privacy Act.