

City of Calgary Corporate Approach to Property Tax Incentives Pursuant to Bill 7

RECOMMENDATION(S):

The Intergovernmental Affairs Committee recommends that Council:

- 1) Direct Administration to use the framework in the Attachment when considering or developing a program to use property tax incentives pursuant to Bill 7; and
- 2) Continue to advocate to the Government of Alberta for additional property tax measures that would assist in Calgary's downtown recovery efforts, including but not limited to residential uses.

HIGHLIGHTS

- The attached framework was developed to provide guidance on prioritizing use of property tax incentives pursuant to Bill 7 as well as steps that Administration should take to avoid unnecessary conflict and risk.
- What does this mean to Calgarians? Calgarians benefit from efforts and initiatives aimed at Calgary's economic recovery, including possible use of Bill 7.
- Why does it matter? Efforts to help Calgary's growth and recovery efforts should be purposeful, coordinated, and not risk or undermine other efforts underway.
- Use of Bill 7 should prioritize cooperative and collaborative efforts, as well as those with triple bottom line benefit.
- When developing (or considering) a program to use Bill 7, Administration should take steps to consult with stakeholders, consider the impact on regional relationships, align with City priorities, and identify and mitigate risk.
- Strategic Alignment to Council's Citizen Priorities: A prosperous city
- Previous Council Direction "That Council direct Intergovernmental and Corporate Strategy to advance the approach described in this presentation and report back to the Intergovernmental Affairs Committee by Q3 2021.

DISCUSSION

There has been some local interest in using property tax incentives pursuant to Bill 7 to incent economic recovery / growth in Calgary. Currently, there are at least five strategic programs/projects underway that may consider using Bill 7 or be affected by use of Bill 7, including the Downtown Strategy; Industrial Area Growth Strategy; Real Estate Working Group; Financial Implementation Task Force; Calgary's involvement in the Calgary Metropolitan Regional Board; and additionally, Calgary Economic Development's Calgary in the New Economy strategy.

Intergovernmental and Corporate Strategy convened key corporate stakeholders to determine if there is a common corporate position for using Bill 7. Participants were asked the following:

- 1) Have property tax incentives generally, or Bill 7 specifically, been considered as part of your ongoing work?
- 2) How could Bill 7 advance your departmental objectives?
- 3) Do you have any other thoughts or ideas about how Bill 7 could be used to advance City goals?
- 4) What are the risks associated with using Bill 7 from your perspective?

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Responses were summarized into three key points, as follows:

- 1) If tax incentives are used, they should be used in a specific and targeted manner. They do not appear useful for residential or downtown redevelopment but may be useful for incenting industrial development on City-owned lands, or redevelopment of contaminated lands.
- 2) It is imperative to consider the use of the incentive from a regional perspective. Ideally, it would be used in a coordinated and collaborative manner within the region. There are concerns that neighbouring municipalities could use it to continue to attract industrial uses, potentially triggering a race to the bottom where municipalities, in a bid to attract business, undercut each other's property taxes to an unsustainably low levels.

Additionally, use of the incentive by The City could be perceived as uncollaborative and disingenuous as Calgary's elected officials have promoted the need for a regional economic plan and a better relationship with neighbouring municipalities.

- 3) Use of tax incentives is not without risk. Risks include:
 - tax instability / tax inequity
 - for existing businesses, a flight from existing development to new incentive locations; plus it raises issues of fairness
 - further competition between municipalities
 - damaging relationships with neighboring municipalities if used in an uncoordinated manner

Bill 7 presents both possible benefits and risks to The City. Overall, Administration recognizes that tax incentives, if used, should occur in a targeted manner, with risks carefully considered and mitigated.

Using Bill 7 - Principles

A Corporate-wide approach to Bill 7 is needed to ensure that its use is carefully considered, not isolated, and does not put other City initiatives at risk. As such, Administration recommends that the following be considered if enacting a program to use Bill 7:

I) Prioritization:

Priority should be given to Bill 7 initiatives where its use:

- Supports two or more priority City of Calgary initiatives; and/or
- Is in conjunction and/or cooperation with Calgary Regional Municipal Board (CMRB) membership; and/or
- Demonstrates well-defined social and/or environmental benefits, in addition to economic benefit; and/or
- Does not have a negative impact on other City interests

Note that initiatives currently including Downtown Strategy, Industrial Area Growth Strategy, Real Estate Working Group, Financial Implementation Task Force and Calgary's involvement in the Calgary Metropolitan Regional Board, and additionally, Calgary Economic Development's Calgary in the New Economy Strategy. As these initiatives may change over time, this list should not be considered exhaustive.

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II) Process:

When considering the use of Bill 7, the following steps should be taken:

- Ensure broad corporate awareness of intended use to avoid competing or conflicting use of Bill 7
- Consider the Calgary Regional Municipal Board (CMRB)
- Ensure alignment with City of Calgary priorities
- Determine an estimated financial cost to The City as a result of the proposed property tax deferral or tax exemption incentive program
- Ensure possible risks have been identified; determine appropriate mitigations
- Demonstrate adherence to these priorities and principles in Council reporting

The Attachment contains the detailed framework. Proponents of Bill 7 programs should use the Attachment as a guide in the early stages of project planning, and as a check-point throughout the project's development.

Advocacy

As is, Bill 7 could be applied in certain situations across Calgary. However, it does not currently support the Downtown Strategy, which is one of The City's most pressing ongoing priorities. As such, Administration should continue to advocate to the Government of Alberta for additional property tax measures that would assist in downtown recovery, including but not limited to residential uses.

STAKEHOLDER ENGAGEMENT AND COMMUNICATION (EXTERNAL)

- ☐ Public Engagement was undertaken
- ☒ Public Communication or Engagement was not required
- ☐ Public/Stakeholders were informed
- ☒ Stakeholder dialogue/relations were undertaken

Intergovernmental and Corporate Strategy engaged with stakeholders from 12 business units and/or project teams (e.g. Real Estate Working Group) across the Corporation, and Calgary Economic Development. Stakeholders were invited to provide feedback on possible uses for Bill 7 from their work group's perspective via survey. The results were circulated back to participants. Participants were also circulated the Attachment for comment.

IMPLICATIONS

Social / Environmental

Although economic benefit is the primary driver for using Bill 7, priority should be given to its programs where there is also strong demonstration of social and/or environmental benefit.

Economic

When used in a carefully considered manner, Bill 7 can support specific aspects of Calgary's overall economic recovery generally; however, it does not currently apply to Calgary's downtown recovery efforts.

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Service and Financial Implications

No anticipated financial impact

Adopting the framework in the Attachment does not have a direct impact on service or finances.

RISK

As outlined in the discussion above, there are risks to using tax incentive measures, ranging from tax instability, to fairness towards established taxpaying businesses, to maintaining positive working relationship with Calgary's regional neighbours. A 2021 April 27 report to the Priorities and Finance Committee (PFC2021-0237) identified more disadvantages than advantages in using Bill 7.

In addition, Bill 7 in its current form is not useful for supporting the Downtown Strategy, and its use could result in unintended consequences. Therefore, how, when, and where Bill 7 is used must be carefully considered. This can be accomplished through a common understanding of how and when to proceed, as well as early conversations with other City stakeholders as outlined in the Attachment. These principles do not necessary mitigate risk in and of themselves, however, they can reveal areas of possible conflict and concerns in developing a program.

ATTACHMENT

1. City of Calgary Corporate Approach to Property Tax Incentives Pursuant to Bill 7

Department Circulation

General Manager/Director	Department	Approve/Consult/Inform
Chris Arthurs	Deputy City Manager's Office	Approve