

**Chief Financial Officer's Report to  
Combined Meeting of Council  
2021 September 13**

**ISC: UNRESTRICTED  
C2021-1106  
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## **Hotel and Motel Property Tax Deferral Program – Report Back**

### **RECOMMENDATION(S):**

That Council approve the list of qualifying properties contained on Attachment 2 for the deferral of 2021 municipal and provincial property tax to 2022 December 31, without penalty.

### **HIGHLIGHTS**

- COVID restrictions contributed to challenges for Calgary's hotel industry and resulted in the lowest occupancy rates ever experienced by Calgary's downtown hotels, and the lowest occupancy rates of any major market in Canada in early 2021. Offering a property tax deferral provides Calgary's accommodation sector with support as it works through a period of recovery.
- What does this mean to Calgarians? Offering a property tax deferral program to these non-residential properties provides some financial relief through challenging circumstances.
- Why does it matter? It is important in these unprecedented times that supports are available to property owners facing financial challenges.
- Strategic Alignment to Council's Citizen Priorities: A prosperous city
- Background and Previous Council Direction is included as Attachment 1.

### **DISCUSSION**

Travel restrictions associated with COVID created challenges in 2020 and 2021 for the hospitality and accommodation business sector. This was especially pronounced in the Calgary hotel market. The January 2021 National Market Report – Trends in the Canadian Hotel Industry prepared by CBRE Hotels identified that Calgary hotels were especially impacted. The occupancy percentage for the first part of 2021 for all Calgary hotels was 14.3%. The national average in Canada for the same period was 22.5%. For hotels in Downtown Calgary the occupancy percentage for this period was 6.8%. This low occupancy rate was without precedent and on 2021 April 01, the Calgary Hotel Association submitted a request for relief to His Worship Mayor Nenshi and Members of Council on behalf of the local hotel industry.

In recognition of the hardship being faced by hotel and motel property owners as a result of the pandemic, Council directed Administration to evaluate the use of tax deferral powers available under Section 347 of the Municipal Government Act. This legislation provides a Council with the authority to defer tax for a taxable property or class of property if it considers it equitable to do so. Council further directed Administration to report back no later than 2021 Q3 with a list of roll numbers of qualifying properties for approval. This report fulfills that requirement

Given the authority available to Council under Section 347 of the Municipal Government Act, Administration proposed to offer property tax relief to hotel/motel properties through a hotel/motel tax deferral program. Using the following criteria, Administration identified 96 properties eligible for property tax deferral:

- The property must be taxable;
- The property must be classed as non-residential;
- A minimum of 50% of the improved area must be currently occupied by a hotel/motel business and in operation since at least 2020 December 31.
- Property tax for 2020 must have been paid in full.

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Of the 96 eligible properties, 62 have been qualified for inclusion in the program for the purposes of deferring their 2021 property tax until 2022 December 31. The remaining 34 properties have made alternate payment arrangements such as continuing on The City's Tax Instalment Payment Plan or paying their property tax in a single payment.

Tax year	Number of properties	Value of taxes deferred
2021	62	\$12,860,158.66

### **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

On 2021 April 01 and again on 2021 May 21, the Calgary Hotel Association sent a letter to members of Council advocating for financial relief through the deferral of municipal taxes and utility fees for Calgary's downtown hotels, which have experienced the lowest occupancy rates of hotels in any major market in Canada in the first part of 2021.

Subsequent to Council's direction to allow hotel and motel properties to be considered for a property tax deferral, Administration contacted the property owners individually to make them aware of the program and their eligibility. Administration has maintained contact with these property owners, as appropriate, to ensure their questions and concerns about the program continue to be addressed.

### **IMPLICATIONS**

#### **Social**

The relief option outlined in this report supports the Social Wellbeing Policy principle of equity. Remaining responsive to the needs of property owners through unprecedented times is a critical social consideration.

#### **Environmental**

There are no direct environmental impacts associated with the implementation of the recommendations in this report.

#### **Economic**

Enabling direct financial support to those facing challenges from the pandemic will facilitate their participation in the local economy.

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**Service and Financial Implications**

**Existing operating funding - base**

Service and Financial Implications

The relief option in this report is estimated to cost The City approximately \$1.6 million in foregone penalty revenue. This represents the amount of penalty revenue that would have been charged to these accounts if the property tax had remained outstanding to 2022 December 31, and without the support of a Council approved property tax deferral.

All work performed to support this initiative was accomplished using existing resources and within existing budgets. Some reprioritization of existing work was required to accommodate this initiative.

**RISK**

Council has the authority to cancel, reduce, refund or defer taxes under Section 347(1) of the *Municipal Government Act* for a taxable property or class of taxable property, if it considers it equitable to do so. Council's exercise of this authority in this situation has been reviewed by Law and is considered to be consistent with the provisions of the *Municipal Government Act*.

**ATTACHMENT(S)**

1. Attachment 1 - Previous Council Direction, Background
2. Attachment 2 - List of qualifying properties – for approval

Department Circulation

General Manager/Director	Department	Approve/Consult/Inform
David Duckworth, City Manager	City Manager's Office	Inform
Carla Male, Chief Financial Officer	Chief Financial Officer's	Approve
Les Tochor, Director Finance/City Treasurer	Chief Financial Officer's	Approve
Eddie Lee, Director/City Assessor	Chief Financial Officer's	Inform