

2015 PROPERTY TAX RELATED BYLAWS

EXECUTIVE SUMMARY

Council approval is required for the 2015 Property Tax Related Bylaws and the Rivers Community Revitalization Levy Rate Bylaw.

ADMINISTRATION RECOMMENDATION(S)

That Council:

1. Give three readings to the proposed Property Tax Bylaw 16M2015 (Attachment 3) for a combined property tax rate increase of 4.2% for residential (4.5% for municipal purposes and 3.8% for provincial purposes) and 5.4% for non-residential properties (4.5% for municipal purposes before the incremental transfer of business tax revenues and 8.2% for provincial purposes);
2. Give three readings to the proposed Machinery and Equipment Property Tax Exemption Bylaw 17M2015 (Attachment 4); and
3. Give three readings to the proposed Rivers Community Revitalization Levy Rate Bylaw 18M2015 (Attachment 5).

PREVIOUS COUNCIL DIRECTION / POLICY

On 2015 January 12, Council approved C2015-0126 and gave three readings to the 2015 Business Tax Rate Bylaw 3M2015.

On 2014 December 15, Council approved PFC2014-0910 and gave three readings to the 2015 Business Tax Bylaw 1M2015.

On 2014 December 1 Council approved C2014-0863, 2015-2018 Action Plan, which included a tax rate increase of 4.5% for 2015. The Action Plan also included \$10 million in efficiencies in 2015.

On 2013 November 25 Council approved C2013-0668 and directed the unallocated \$52 Million in tax room for 2014 be allocated one-time for a tax rebate to residential and non-residential taxpayers. The tax rate increases indicated in this report are based on the 2014 property taxes before the \$52 million rebate, and therefore do not include the impact of the one-time rebate.

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:

- (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 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.

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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
 - (a) the expenditures and transfers set out in the budget of the municipality, and
 - (b) the requisitions.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

Provincial Property Tax Requisition

The 2015 provincial property tax requisition on The City is \$716.8 million, an increase from 2014 of \$51.2 million or 7.7%. A summary of the requisitions and the resulting levy to be raised from the 2015 Property Tax Bylaw is provided in Attachment 1.

The provincial property tax requisition allows The City room to raise an additional \$3 million in residential property taxes while maintaining a combined residential property tax increase of 4.5%. The provincial tax requisition does not allow The City room to raise any additional funds in non-residential property taxes, but rather pushes the combined non-residential tax rate increase above the municipal tax rate increase. The recommendations in this report assume not taking the tax room but different options exist as per below.

Other options include (Attachment 6):

Option 2 - Taking the \$3 million in residential tax room. The combined residential tax rate increase would be 4.5% (4.9% for municipal purposes and 3.8% for provincial purposes). Council will need to decide at a later time on the use of the funds. Options include applying this to unfunded capital or keeping in Corporate Programs to offset the approximately \$7 million negative variance resulting from the impacts of the Provincial budget.

Option 3 - Having a combined tax rate increase of 4.5% for both residential (4.9% for municipal purposes, 3.8% for provincial purposes) and non-residential (3.2% for municipal purposes, 8.2% for provincial purposes). This will result in the City taking the \$3 million residential tax room and reducing non-residential tax revenues by \$8.4 million resulting in a net \$5.4 million reduction in tax revenues.

Option 4 – Take the \$3 million in residential tax room and reduce the non-residential tax by \$3 million. The combined residential tax rate increase would be 4.5% (4.9% for municipal purposes and 3.8% for provincial purposes). The combined non-residential tax rate increase would be 5.0% (4.0% for municipal purposes and 8.2% for provincial purposes).

Municipal Property Taxes

Attachment 2 summarizes the amount to be generated through the 2015 Property Tax Bylaw. The total municipal property tax requirement is \$1,512.8 million.

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The tax rate changes for municipal and provincial purposes produces a combined rate increase of 4.2% for residential properties (representing 4.5% for municipal purposes and 3.8% for provincial purposes). For the 2015 median assessed residential property of \$475,000, the overall effect would be an annual increase of \$110 (\$9.20/month) in total property taxes in 2015 to \$2,733 with 62% of that remaining in Calgary to meet municipal needs, and 38% being remitted to the Province.

The combined rate increase is 5.4% for non-residential properties (4.5% for municipal purposes and 8.2% for provincial purposes) in 2015. Additionally there is an incremental transfer of business tax revenues to non-residential property taxes. This is the second 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 decrease business tax revenues by an equivalent amount.

Administration is recommending three readings of the proposed Property Tax Bylaw 16M2015 (Attachment 3), so that property tax bills can be prepared and mailed by 2015 May 29. This aligns with Council's direction in Action Plan. The City will manage the financial impacts of the economic downturn and the Provincial Budget within the 4.5% municipal property tax rate increase approved in Action Plan.

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 17M2015 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 2015 will be \$39.9 million.

Administration is recommending three readings of the proposed Rivers Community Revitalization Levy Rate Bylaw 18M2015 (Attachment 5).

Stakeholder Engagement, Research and Communication

All property owners in Calgary have received their 2015 Property Assessment Notices which gave them their 2015 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 2015-2018 Action Plan, 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 2015 provincial property tax requisition. This allows The City to deliver the full range of municipal services approved in 2015-2018 Action Plan, as amended.

Financial Capacity

Current and Future Operating Budget:

The estimated funding of \$1,512.8 million generated through the Property Tax Bylaw will meet the 2015 operating budget requirements that align with the 2015-2018 Action Plan approved by Council, 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 2015 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 2015 Property Tax Bylaw is passed, The City of Calgary cannot meet its 2015 municipal financing obligations, and would be unable to make full payment on its provincial property tax requisition.

REASON(S) FOR RECOMMENDATION(S):

The 2015 Property Tax and Related Bylaws are needed for The City to collect property taxes in 2015. The Property Tax and Related Bylaws are in alignment with the 2015-2018 Action Plan as approved by Council, as amended. The 2015-2018 Action Plan 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. 2015 Provincial Property Tax Summary
2. 2015 Municipal Property Tax Summary
3. Proposed 2015 Property Tax Bylaw 16M2015
4. Proposed Machinery and Equipment Property Tax Exemption Bylaw 17M2015
5. Proposed Rivers Community Revitalization Levy Rate Bylaw 18M2015
6. Tax Rate Increase Options