Previous Council Direction

Context

Through Council directed work, via the Financial Task Force's (FTF) recommendation #26, this report investigates how non-residential subclasses may be used to mitigate tax distribution changes, including to support targeted, temporary tax relief.

Previous Council Direction

DATE	REPORT	DIRECTION/DESCRIPTON
2019 June 17	PFC2019-0707	Council approved the amended Terms of Reference of the Financial Task Force and directed Administration to commence setting up the Task Force. Council directed the Financial Task Force to develop a strategy on: a) short term mitigation b) long term solutions, and c) revenue options to improve financial resiliency.
2020 June 29	C2020-0742	Financial Task Force Report and Recommendations, Council approved the following: 1. Accept the reports and recommendations of the Financial Task Force in Attachments 2 and 3; 2. Direct Administration to scope the costs of implementation based on Administration's responses and timelines in Attachment 5 and report to Council with a request for approval of resources, where appropriate by 2020 July 29; 3. Direct the City Manager to assign a lead to monitor and report back with a semi-annual schedule for reporting on the implementation of the Financial Task Force's recommendations; 4. Receive a presentation and this report as part of the Council orientation in 2021; and 5. Thank the citizen volunteers for their professional contributions and their passion for Calgary's success
2020 July 27	C2020-0815	Financial Task Force Recommendations – Implementation Approach and Resources, Council approved the following: 1. Direct Administration to implement the 17 Financial Task Force recommendations that only require existing resources (expanded work programs or re-directed to prioritize the action items).

2. Direct Administration to implement the 18 Financial Task Force recommendations identified in Attachment 4 that require new one-time resources using the 2020 investment income attributable to the Fiscal Stability Reserve as the funding source for one-time funding components.
3. Approve up to $4 million in one-time funding across City departments for 2020 and 2021 to be funded from the Fiscal Stability Reserve.
4. Direct Administration includes a request for the base funding required for implementation in 2021 and beyond in the Mid-Cycle Adjustment report to Council in November 2020.

Bylaws, Regulations, Council Policies

Municipal Government Act, RSA 2000, C M-26

Currently, the property classes that The City applies (as required by legislation) are: “residential”, “non-residential”, “farm land”, and “machinery and equipment”. Each class is assigned its own tax rate through the annual Property Tax Bylaw (most recently, Property Tax Bylaw 10M2022).

The *Municipal Government Act* (*MGA*) provides the authority for Council to create sub-classes within certain classes. In previous years, Council had the option of dividing the non-residential property class into two sub-classes – “improved” and “vacant” property – for the purposes of assigning separate municipal tax rates. These sub-classes have not been used by The City to date.

Matters Relating to Assessment Sub-Classes Regulation, Alta Reg 202/2017

The Regulation provides the option for a municipality to adopt three non-residential property sub-classes: (1) “vacant non-residential property” (2) “small business property”; and, (3) “other non-residential property”. Vacant non-residential property (Vacant) is not defined in the Regulation, nor is it defined in the MGA. It is often understood to mean vacant, unimproved land. Other non-residential property (Other) captures properties that do not fall into the other two sub-classes. The City may consider use of all three sub-classes prescribed in the Regulation but must adopt at least two of the three (e.g. “small business property” and “other non-residential property”) for the purposes of assigning separate tax rates within the sub-class. If these sub-classes are implemented, each non-residential property must be assigned at least one sub-class.

Section 2(3) of the Regulation defines “small business property” as:

“…property in a municipality, other than designated industrial property, that is owned or leased by a business

(a) operating under a business licence or that is otherwise identified in a municipal bylaw, and

(b) that has fewer than

(i) 50 full-time employees across Canada, or

(ii) a lesser number of employees as set out in a municipal bylaw,

as at December 31 or an alternative date established in a municipal bylaw."

The Regulation states that the tax rate for the small business property sub-class must be between 75 and 100 per cent of the Other non-residential property sub-class, providing for the shifting of the tax burden from properties occupied by small businesses to properties occupied by businesses that do not qualify for the small business subclass. The small business subclass provides a means for municipalities to directly promote and incentivize small business through a lower municipal property tax rate.

More than one class or sub-class may be assigned to a property. For example, if 50 percent of a property is owned or leased by small business, 50 percent of the property would be assigned the small business subclass, while the remaining 50 percent would receive another class or sub-class, as applicable.

City of Calgary Charter, 2018 Regulation, Alta Reg 40/2018

The Charter also provides the option for The City to establish two additional non-residential sub-classes for "derelict" or "contaminated" properties.

Note:

As per the Council approved "Problem Properties" Notice of Motion (PFC2021-1113), Administration has been directed to investigate the potential to define and identify "derelict properties" that could be taxed at varying rates (e.g. through the implementation of a derelict property assessment subclass).