

2022 Hotel/Motel Property Tax Deferral Program

RECOMMENDATION:

That Executive Committee recommend that Council approve the list of qualifying properties contained on Attachment 2 for the deferral of 2022 municipal and provincial property tax, with one-half of the amount owing deferred to 2022 September 30, and the remaining balance deferred to 2023 December 31 without penalty, provided each qualifying property's 2021 taxes are paid by 2022 December 31 in accordance with the 2021 Hotel and Motel Property Tax Deferral Program (C2021-1106).

RECOMMENDATION OF THE EXECUTIVE COMMITTEE, 2022 NOVEMBER 15:

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HIGHLIGHTS

- Recognizing that COVID-19 has led to a decrease in tourism and reduced hotel/motel occupancy, Council directed Administration to develop a program for hotel/motel property owners experiencing financial strain in 2021 and 2022 to have their property taxes deferred.
- This is the second consecutive year that Council has offered deferrals as tax relief for hotel/motel property owners.
- 62 hotel/motel properties had property taxes deferred under the 2021 Hotel/Motel Property Tax Deferral Program. This year, 39 hotel/motel may benefit from the 2022 Hotel/Motel Property Tax Deferral Program.
- Hotel/motel property owners who were eligible to defer their 2021 property taxes must pay their 2021 property taxes by 2022 December 31 to be eligible for deferral of 2022 property taxes.
- **Why does it matter?**
 - Property tax deferral is a legislative tool available to Council to provide tax relief to property owners experiencing cash flow challenges.
 - This property tax deferral program has supported the hotel/motel industry through unprecedented times and recovery from the pandemic.
- **What does this mean for Calgarians?**
 - The impacts of the COVID-19 pandemic profoundly affected the hotel/motel industry. To support this vital local industry, Council directed property tax deferral programs to provide tax relief in 2021 and 2022.
 - The decrease in number of eligible properties from 2021 to 2022 indicates that more hotel/motel properties were able to pay their property taxes on time in 2022 and fewer required tax relief.
 - This suggests economic recovery in the hotel/motel sector since 2021.
- Strategic Alignment to Council's Citizen Priorities: A prosperous city
- Background and Previous Council Direction is included as Attachment 1.

2022 Hotel/Motel Property Tax Deferral Program

DISCUSSION

In March 2022, Council approved a notice of motion (EC2022-0366) to provide targeted relief to the hotel/motel and hospitality industries due to the effects of COVID-19. This included direction for Administration to develop a similar program to the 2021 Hotel/Motel Property Tax Deferral Program (C2021-1106 and C2021-0725), with a few differences. The 2022 program allows hotel/motel non-residential property owners to be considered for a deferral of 2022 municipal and provincial property taxes, without penalties, with one-half of the amount owing deferred to 2022 September 30 and the remaining balance deferred to 2023 December 31.

The Notice of Motion also specified that this further property tax relief should account for the timing of the previously deferred taxes coming due on 2022 December 31 and that Administration must bring a report to Council no later than Q4 2022 with a list of roll numbers of qualifying properties for approval. Council has authority to defer the collection of a tax if it considers it equitable to do so under section 347(1)(c) of the *Municipal Government Act* (MGA).

Based on this Council direction, Administration designed a deferral program with the following criteria:

1. The property must be taxable;
2. The property must be classed as non-residential;
3. A minimum of 50 per cent of the improved area must be currently occupied by a hotel/motel business and in operation since at least 2020 December 31;
4. 2022 property taxes were not paid by 2022 June 30; and
5. 2021 property taxes must be paid in full by 2022 December 31.

Based on the first three criteria, Administration identified 92 hotel/motel properties in Calgary:

- 43 properties, including eight that terminated enrolment in TIPP in order to participate, were identified as pre-qualified to benefit from this program.
- 49 properties chose to remain enrolled in the Tax Instalment Payment Program (TIPP) instead of participating in the deferral program.

Of the 42 pre-qualified properties, three paid their 2022 property taxes by the 2022 June 30 deadline, leaving 39 properties eligible for their 2022 property taxes to be deferred. Of the 39 eligible properties, 10 have not yet paid their deferred 2021 property taxes which are due on 2022 December 31. Pursuant to Council direction, these properties will not receive a deferral for their 2022 property taxes if their 2021 property taxes are unpaid by that date.

Of note, all but eight of the eligible properties paid half of their 2022 property taxes by 30 September 2022. Provided their 2021 property taxes are paid by 2022 December 31, those eight properties will still receive the deferral and are only incurring penalties for the unpaid amount that was due 2022 September 30 (rather than the full balance, which without the deferral would have been due 2022 June 30).

Compared to 2021, there are fewer eligible properties and fewer taxes deferred – this likely indicates that more hotel/motel property owners were able to pay their 2022 property taxes by the 2022 June 30 deadline and suggests some improvement in the hotel/motel sector and economic recovery since 2021. Additionally, 4 properties have been converted from hotel/motel to residential use, slightly reducing the number of eligible properties overall.

2022 Hotel/Motel Property Tax Deferral Program

	2021	2022
Eligible hotel/motel properties	62	39
Eligible taxes for deferral	\$12,860,158.66	\$6,916,272.74

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

In January 2022, the Calgary Hotel Association (CHA) wrote to The City to request continued tax relief and other financial support for the hotel/motel industry. Administration has met with the CHA twice in August and November to share updates and learn about the context of hotels that are participating in this program. CHA has expressed that it values the deferral programs implemented by Council, affirmed that these programs have been utilized primarily by smaller, local ownership groups, and attested that support from all three levels of government have been critical to ensure CHA members have not gone insolvent. A letter from CHA about this program is provided in Attachment 4.

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

Not applicable.

Economic

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

Service and Financial Implications

Existing operating funding - base

Up to \$6,916,272.74 in deferred property tax revenue.

Additionally, the relief option in this report is estimated to save affected property owners approximately \$235,255.30 in penalties for taxes due by 2022 September 30. Affected property owners will save an additional \$984,157.60 in penalties on property taxes deferred to 2023

2022 Hotel/Motel Property Tax Deferral Program

December 31. The City budgets for penalty revenues each year and will likely incur a variance as a result of the foregone penalties in this program.

These amounts represent the amount of penalty revenue that would have been charged to these accounts if the property tax had remained outstanding to 2022 September 30 and 2023 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

Legal - Council has the authority to cancel, reduce, refund or defer taxes under Section 347(1) of the MGA for a taxable property or class of taxable property, if it considers it equitable to do so, with or without conditions. Council's exercise of this authority has been reviewed by Law and is considered to be consistent with the provisions of the MGA.

Reputational Impact to The City and Financial Impact to Property Owners – Hotel and motel property owners in Calgary have been operating under the assumption that Council will approve the deferral of their 2022 taxes without penalty based on the Notice of Motion approved by Council on 2022 March 29 (EC2022-0366). If this deferral is not approved, properties listed in Attachment 2 will become immediately liable to pay both their taxes and penalties that have accrued for unpaid taxes since 2022 July 1.

ATTACHMENT(S)

1. Background and Previous Council Direction
2. List of Qualifying Properties
3. 2022 Hotel/Motel Property Tax Deferral Program Communications Summary
4. Calgary Hotel Association (CHA) Letter

Department Circulation

General Manager/Director	Department	Approve/Consult/Inform
Carla Male	Corporate Planning & Financial Services	Approve
Eddie Lee	Assessment & Tax	Approve