

Corporate Planning and Financial Services Report to
Regular Meeting of Council
2023 May 09

ISC: UNRESTRICTED
C2023-0483
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Tax Relief for Residential Properties Annexed by Annexation Order 333/2007

RECOMMENDATION:

That Council receive this report for the Corporate Record.

HIGHLIGHTS

- In 2022, Council directed that Administration report back so that Council may consider cancelling 50% of the municipal tax differential for 2023 from the residential portion of eligible properties annexed to The City of Calgary in 2007 based on EC2022-0504.
- **What does this mean for Calgarians?** Tax cancellations for annexed properties have implications for equity, fairness, and municipal finances as any amount cancelled are borne by all other taxpayers.
- **Why does this matter?** Following the expiration of the tax provisions of Annexation Order 333/2007 many property owners faced an increase in property tax due to the transitioning from the Rocky View County property tax rate to The City of Calgary tax rate and Council decided to blunt the impact of the 2022 tax change and consider further relief in 2023 and 2024 for eligible properties.
- Background and Previous Council Direction is included as Attachment 1.

DISCUSSION

Approximately 680 properties were annexed from Rocky View County to The City of Calgary in 2007. Under the terms of Order in Council 333/2007 (the “Annexation Order” – Attachment 2), these properties continued to be taxed at the Rocky View County rates for 15 years as a transitional measure unless an action specified in the Annexation Order (e.g. subdivision, change in land use, connection to City water/sewer) triggered a property’s earlier transition to The City of Calgary’s tax rates.

The City does not have the authority to modify the terms of an annexation order so the tax rate must transition in accordance with the provincial order.

In 2022, 466 taxable properties previously under the Annexation Order transitioned to The City of Calgary’s tax rates. Council decided during consideration of [EC2022-0504](#) (described in Attachment 1) to provide a 75% tax cancellation for the differential between Rocky View Council tax rates and City of Calgary tax rates (municipal tax differential) for 201 taxable residential properties which met criteria set by Council.

In 2023, 200 taxable residential properties previously under the Annexation Order continue to meet the criteria set by Council for potential further relief. Council directed administration to return to Council in 2023 to prompt Council to consider a 50% tax cancellation for the municipal tax differential. The average relief per taxable residential property of a 50% municipal tax differential cancellation will be \$880. The total cost of a 50% municipal tax differential cancellation in 2023 will be \$176,000.

Under Municipal Government Act (MGA) section 347, Council, if it considers it equitable to do so, may cancel or refund all or part of a tax. Council may not approve multi-year tax cancellations or deferrals.

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General considerations regarding municipal property assessment and tax

- Water and wastewater services are not tax-supported services. For services like these, which primarily benefit the individual using the service, the full costs of providing the service are recovered through a user fee or rate. Properties that do not benefit from these services do not incur charges for these through user fees or taxes.
- Rocky View County tax rates are determined by a third-party and not correlated with The City's budget, land use planning, utility servicing, or any other services that annexed property owners may benefit from relative to other Calgary property owners.
- Property tax responsibility is distributed based on property value (as a proxy for ability to pay) rather than on consumption. Property owners with higher property values pay more taxes than those with lower property values.
- The serviced nature of parcels is considered in a property's assessment value and associated tax responsibility.

EXTERNAL ENGAGEMENT AND COMMUNICATION

- | | | | |
|-------------------------------------|---|-------------------------------------|---|
| <input type="checkbox"/> | Public engagement was undertaken | <input type="checkbox"/> | Dialogue with interested parties was undertaken |
| <input checked="" type="checkbox"/> | Public/interested parties were informed | <input checked="" type="checkbox"/> | Public communication or engagement was not required |

In 2021, The City took steps to ensure that impacted property owners were aware of the tax rate change due to the expiry of the tax provisions in the annexation order, impacts on their property tax bill and monthly payment options. A webpage was created and letters were sent to impacted property owners in fall 2021. Property owners with questions about City services or programs were encouraged to contact 311 for assistance.

For the annexation in 2007, The City negotiated with Rocky View County regarding the lands to be annexed in accordance with MGA requirements and Municipal Government Board (MGB) procedures. This included consulting with landowners on the future assessment and taxation of annexed lands. The City and Rocky View County explored various options with landowners to mitigate the financial impact of annexation. This included maintaining the Rocky View County tax rate for 15 years, which was included as a condition of the annexation ordered by the Lieutenant Governor in Council in 2007.

IMPLICATIONS

Social

The City recognizes that a fair and equitable distribution of tax responsibility does not always align with individuals' ability to pay. Regardless of any change in assessed value or tax rate, eligible residential property owners experiencing financial hardship can apply through Fair Entry to access the Property Tax Assistance Program and other subsidized programs and services. Eligible seniors can also defer their residential property taxes through the Province's Seniors Property Tax Deferral Program.

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Property taxes in Calgary are applied based on market value assessments because it is a fair, equitable, and transparent process based on the real estate market. Choices made by Council can improve or reduce perceived fairness, equity, and transparency of the property tax system.

Environmental

Not applicable

Economic

Property tax revenue contribute to The City's long term economic prospects by funding of service delivery to citizens. Providing quality services helps attract and retain a talented workforce, thus advancing The City's goal to make Calgary a great place to live and work.

Service and Financial Implications

Existing operating funding - one-time

\$176,000

Tax cancellations and deferrals involve forgone property tax revenue and operational costs to administer. This staff time is already accounted for in existing operating budgets. Work to support a tax deferral or cancellation would be accomplished through the reprioritization of other existing work and improvement initiatives. Other costs, not included in this estimate, such as foregone investment income or foregone penalty revenue would have negligible impacts on The City's operating budget. As detailed in Attachment 4, total forgone property tax revenue would be \$176,000 from a 50% tax cancellation for the municipal tax differential in 2023. Through the tax system, the forgone \$176,000 will be borne by other taxpayers.

RISK

Equity – Tax provisions in Annexation Order 487/1995 will cease to have any effect after Dec. 31, 2025, impacting approximately 140 properties. Further tax relief provided for properties impacted by the Annexation Order 333/2007 may create expectations that tax relief will be provided for these other annexed properties in 2026. Additionally, there are an estimated 80 residential properties in Calgary that are not impacted by the Annexation Order but are similarly not connected to City water or wastewater services and are designated as S-FUD.

Legal – Tax cancellations, refunds or deferrals for particular properties based on criteria established by Council may be subject to legal challenges, including challenges on the basis of perceived inequitable treatment in relation to other properties.

Intergovernmental – The terms of annexation orders are negotiated in good faith between municipalities, recommended by the provincial Land and Property Rights Tribunal to the Minister, and ultimately ordered by the Lieutenant Governor in Council. Providing tax relief to annexed properties beyond the timeframe for preferential tax treatment set out in an annexation order could set a precedent that is considered in future annexations. The delivery of services to annexed lands has not previously been a consideration in annexation discussions. Preferential tax treatment for properties affected by the Annexation Order beyond the timeframe set out in the Annexation Order may create expectations for affected landowners and/or a mediation advantage to one side or the other.

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ATTACHMENTS

1. Previous Council Direction, Background
2. Order in Council 333/2007
3. MGB Order 079/07
4. Tax Rate and Revenue
5. List of Eligible Properties based on EC2022-0504 Council Direction
6. Presentation

Department Circulation

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