Property Tax Uplift Pilot Evaluation and Conclusions

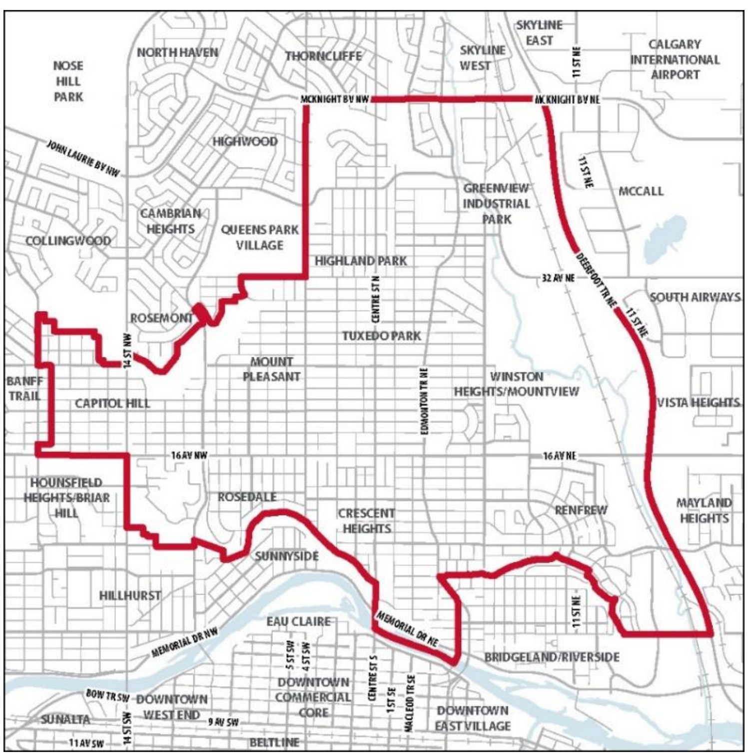
The purpose of this attachment is to provide the results of the two-year property tax uplift pilot program in the North Hill Communities Local Area Plan and to provide the rationale for an Annual Investment Program to support The City's contribution to established area growth investment funding.

Property Tax Uplift Pilot Overview

Property tax uplift is the incremental increase in municipal property tax revenue generated as a result of redevelopment of a property and is a direct result of the increase in property value. Currently, property tax uplift is incorporated in The City's overall revenue and allocated to Council priorities citywide through The City's Service Plans and Budgets process.

As directed by Council (PFC2020-0381), the property tax uplift pilot program was implemented in the North Hill Communities Local Area Plan area to gauge the effectiveness of this tool before potentially applying it more broadly in the 2023-2026 Service Plans and Budgets cycle. Administration sought if this tool may be used to help replenish the Established Area Investment Fund and contribute to future public realm investments in growing established communities. The North Hill Communities Local Area Plan included the communities as outlined in Figure 1 below.

Figure 1: North Hill Communities Local Area Plan Area



Property Tax Uplift Pilot Evaluation

The two-year pilot for property tax uplift in the North Hill communities was calculated using assessment and tax data to determine the increase in property values resulting from redevelopment and the associated increase in municipal tax levied was calculated (based on assessed value changes from 2019 to 2020 and 2020 to 2021). The pilot methodology calculated the property tax uplift based on estimated additions of residential units and commercial space, as is summarized below and outlined in Table 1.

- The total amount of property assessment uplift during the two-year time frame was $258.43M, including 93% from residential and 7% from non-residential properties. Notably, this is not the property tax uplift, but rather the increase in the total assessed value of the redeveloped properties.
- Calculations were performed by measuring the total changes in assessed property values from 2019 to 2021 for residential and non-residential properties and multiplying them by only the respective municipal tax rates.
- The total calculated municipal tax uplift revenue generated during the pilot was $1.44M.

Table 1: Summary of Property Tax Uplift Results

	2019 - 2021 Property Assessment Uplift ($000,000s)	2 Year Total Property Tax Uplift ($000,000s)
Tuxedo Park	$30.97	$0.16
Mount Pleasant	$47.85	$0.23
Capitol Hill	$40.31	$0.19
Winston Heights	$45.56	$0.41
Rosedale	$12.85	$0.06
Crescent Heights	$17.18	$0.08
Renfrew	$45.32	$0.22
Highland Park	$15.94	$0.08
Thornecliffe	$2.46	$0.01
Greenview	$0.00	$0.00
Residential	$240.46	$1.15
Non-Residential	$17.97	$0.28
Total North Hill	$258.43	$1.44

Conclusions of the Pilot

In conclusion of the pilot, the calculated property tax uplift total of $1.44M over the two-year period will be reinvested in the North Hill Communities Local Area Plan area as part of Council's funding towards the Established Area Growth Strategy's Phase 2 investments.

The pilot revealed several challenges with property tax uplift as a direct investment mechanism, and this led Administration to not recommend using this method as a specific, separated ongoing funding approach:

- Any meaningful tax revenue increase through property tax uplift would require substantial growth in property assessment values. For example, in order to generate $1M in City tax revenue through property tax uplift, the required assessment growth would need to be approximately $209M for net new residential developments or $63M for non-residential developments (or a combination of the two) based on current municipal tax rates.
- The property tax uplift calculations above represent the incremental increase in municipal property tax revenue. The calculations do not adjust for general market uplift nor incremental operating costs that come with growth, so the amounts are an overestimation of the actual increase in revenue related to redevelopment.
- There will be significant administrative burden to continuously track and allocate property tax uplift (including defining redevelopment at a granular level, defining geographic areas of growth, allocating the benefit of subsequent investment and calculating incremental costs for the purpose of offsetting).
- The City's budget already considers all of the property taxes that are generated and invests them on a citywide basis (not based on individual communities). This allows for flexibility on where funds are best allocated in accordance with Council priorities.

Property tax uplift is not recommended as a tool for directly allocating tax revenue (for the reasons described above) but it can be an excellent justification for the investment of tax revenue to respond to and enable redevelopment – bluntly, it helps demonstrate where and how the established areas are growing, which can be a proxy for investment need. It must be noted that growth rates are variable and uncertain (leading to variable and uncertain revenue generation) and reinvesting into specific areas based solely on the property tax uplift generated can allocate revenue away from other Council priorities. Property tax uplift does not, on its own, reflect the overall value of redevelopment to Calgary. Additional factors, such as cost avoidance, efficient use of infrastructure and services and other multiple bottom line considerations indicate the importance of redevelopment beyond tax uplift, from a city perspective.

Ongoing Investment in Established Area Growth

In consultation with community and development industry representatives and cross-corporate colleagues, Administration determined that an Annual Investment Program is the most appropriate funding mechanism to ensure reliable City-funded investment in established areas.

This type of program ensures a level of funding on a regular basis through Council's budget prioritization process. The results of the pilot were used by Administration to support the overall investment value recommended to Council for the 2023-2026 Service Plans and Budgets cycle.

In 2022 November, a $33M Annual Investment Program was approved by Council within the 2023–2026 Service Plans and Budgets (C2022-1051). Council additionally approved $60M for Main Streets streetscape improvements, $16M to the Transit-Oriented Development program, $20M to Local Area Plan public realm improvements and another $40M to the 5A Network, meaning that these programs can collectively deliver more infrastructure and service-related established area upgrades in response to growth and change. Total estimated growth, which is a city-wide assumption including new development and redevelopment, continues to be factored into budget assumptions.