

## **Alternatives Analysis and Costs**

Administration engaged internal stakeholders in Assessment, Calgary Neighbourhoods, Tax, Receivable & Payable, Business Registry, and Law to develop alternative methods for collection of the BIA levy. As a key source of information for businesses, Administration also met with BIA representatives to canvas ideas on options, concerns and issues they may have regarding methods of informing those businesses of AGMs and budgets.

In terms of risks, the scope of analysis is limited to risks associated with assessment and tax systems costs, and the ability of the alternative to meet the objectives of BIAs being able to collect a levy from their members, and inform the businesses.

## **Overall BIA Concerns for Alternatives**

### Options:

BIA representatives were most familiar with Option 1. There was general support, providing that their foremost concerns can be addressed. The alternative of self-administering a volunteer membership type of levy was an unfamiliar one and had no support. Administration canvassed for other models as part of the “open house” sessions but BIA representatives were also challenged to identify other workable alternatives.

### Concerns:

BIA representatives shared many concerns in depth and the majority can only be addressed by provincial legislation. At a high level, concerns they would like alternatives to consider generally related to one or more of the following:

Mandate: a “street level” focus; promoting the area as a shopping and business destination; parking issues; making the area more attractive; representing businesses  
Visibility: having businesses be aware of the BIA and the levy; engaging the business community; business representation on BIA boards  
Equitability: levy costs and affordability for tenants; a way to enforce payment by property owners or hold them accountable if they collect the levy from tenants  
Stability and predictability: a stable basis for the levy, predictability in collections, a means of enforcing payment

## Option 1: Additional Levy to Non-Residential Property Tax

### **Risks Associated with Assessment and Tax Systems**

This Option would require an estimated \$500,000 to \$750,000 and one year to develop and integrate assessment and tax systems.

### **Ability to Collect the Levy**

With enabling legislation, the BIA levy would be an additional levy to the non-residential property tax payable within the BIA boundaries, and collected through Finance’s Credit and Collections using property tax systems. Property owners with tenants would distribute shares of the levy according to their lease agreements, as they do now with the property tax. Once business tax is no longer collected, Finance will not be able to gather, extract or maintain a list of tenant information.

### **Ability to Inform Businesses**

BIAs would be able to provide many businesses with AGM and budget information directly using business licence information from The City. This would also ensure a degree of BIA and levy visibility. Any information shared with the BIA boards and staff would have to be limited to the specific purposes of the BIA Regulation and any City bylaws, and where disclosure is permitted under FOIP. A licence agreement could be used to clarify permitted use.

### **BIA Issues**

This Option may affect the mandate of BIAs, something identified as an opportunity to engage with long-term investors in the area, and a danger as it was clear that tensions between landlords and tenants may be a challenge in some BIAs.

In the most recent regulation, the term ‘taxpayer’ is used to refer to the operator of a business who is liable for paying the BIA levy. If this Option is chosen for the new regulation, the definition may be amended to include property owners, and exclude business owners/operators. City bylaw changes may be required to create a dual membership that allows both to be board members.

The proportions of property owner – business owner representation on boards of directors could be established through internal or City bylaws. Currently, business improvement area bylaws must specify the number of board members, term of office, and the method of filling vacancies. As in other jurisdictions, bylaws could stipulate that regardless of the number of properties or businesses owned or leased, one member of a board would have only one vote.

Given that owners of commercial properties may reside outside the municipality - or country, being a local resident could be a condition of board nomination or appointment. However in other jurisdictions, appointed representatives are permitted.

Concerns that there may be inequitable distributions of the levy to tenants by property owners can only be addressed in lease agreements between both parties.

In terms of stability, the levy base would be relatively immobile. Moving, downsizing and closing businesses have an impact on the levy collected, and if no businesses open to replace them during the year, it creates a deficit. Businesses closing due to the fall in customer numbers have few assets that can be seized for non-payment. Where businesses may contract in size or close, property does not disappear. This Option improves the security of the BIA levy.

## Option 2: Volunteer Membership Levy

### **Risks Associated with Assessment and Tax Systems**

This Option presents no risks or costs in terms of assessment and tax systems. The costs of administration and collection would be borne by members as part of their annual budgets.

### **Ability to Collect the Levy**

The “levy” would be collected by members, potentially as a membership fee, subscription or dues. How much is collected from each member would be determined by the members themselves.

### **Ability to Inform Businesses**

As self-organizing associations, this type of BIA would be able to maintain their own mailing lists for communications.

### **BIA Issues**

Under this Option, BIAs could be highly visible in the business community. They would set their mandate, criteria for membership and board representation. In terms of stability, there may be little predictability year-to-year, and it may be difficult to enforce payment. As an alternative, it attracted no support from the BIAs' representatives.

### Option 3: Additional Levy to Business Licence Fees

#### **Risks Associated with Assessment and Tax Systems**

This Option would be wholly administered outside of assessment and tax systems. Estimated costs to licence-related systems are unknown.

#### **Ability to Collect the Levy**

Business licence fees would allow The City to collect funding on behalf of BIAs but not all businesses would be contributing, and collection may not be an annual process. Administration does not recommend administering this type of BIA levy through Business Registry due to these limitations

#### **Ability to Inform Businesses**

BIAs would be able to provide many businesses with AGM and budget information directly using business licence information available from The City. This would allow an additional level of visibility to those businesses. As above, any information shared with the BIA would have to be limited to the specific purposes of the BIA Regulation and any City bylaws, and where disclosure is permitted under FOIP.

### **BIA Issues**

As property owner membership was a concern for some BIAs, this Option allows BIAs to limit membership to businesses that are licenced by The City. Mandate and board representation could be set by Council bylaw. Fee bylaws could be used to establish an equitable distribution of the levy amongst licenced businesses. This Option may create challenges for BIAs with a higher concentration of businesses that do not require licences.

### Option 4: Assessing Businesses for BIA Purposes

#### **Risks Associated with Assessment and Tax Systems**

This Option would delay the development and implementation of systems with approved budgets and in early stages of development; it involves significant capital costs.

As an alternative, it requires replacing computer systems that are nearing obsolescence and being maintained only for the phasing out of the business tax. BTools is no longer supported and must be retired as soon as possible after the 2018 business tax billing and management of any remaining receivables. Continued use of BTools presents undesirable risks. A new module in PTWeb would have to be developed to handle all BIA-related billing, receivable and collection activity. The biggest development risk would be the interface with Assessment.

The underway development of upgraded software essential for Assessment and related departments (CIAO) would be delayed as new integration pieces would be needed, with significant expansion of approved budgets. Assessment is also currently working a replacement of the CAMA system which does not include business assessment. Assessment would need to create and maintain tenant premises and occupancy records, and links to related property records. A form of a business assessment roll would be required and Assessment notices would have to be created and mailed to all individual businesses within the BIA for the levy to be subsequently billed and collected.

Replacement systems to assess and collect the levy from businesses for BIA purposes would require a capital expenditure of approximately \$2.5 million. Gathering requirements and work on a replacement would have to begin mid-2017 to be ready in mid-2019 at the earliest. All other new system development would be impacted by the moving the development start date forward to 2017.

#### **Ability to Collect the Levy**

Under this Option, there may be issues related to incentive to pay and enforcing compliance. The City of Edmonton has been attempting this process and found collections to be challenging. For some businesses, there is a perception that payment has become “voluntary”. Whether there would be legal options to seize assets is questionable and a potential result is a higher levy costs and rates for the businesses that continue to pay.

#### **Ability to Inform Businesses**

As they are now, BIAs would be able to provide many businesses with AGM and budget information directly using business licence information available from The City.

#### **BIA Issues**

This Option allows BIAs to maintain their business-only membership, directors and mandate. BIAs' level of visibility would be unchanged: the levy would be mailed by The City directly to the business owner/operator responsible for payment. The cost of the levy to individual tenants would be determined by BIA budget and business assessment base, as it is now. There would be little impact on the cost of administration to BIA's unless The City instituted cost-recovery component for the capital investment required. Stability would not be improved: a high rate of premises vacancy and business mobility would still vary the size of the levy base and the share of the levy paid by remaining business owner/operators. In terms of predictability, as discussed above, the City may have no leverage to enforce payment of the levy once it is separated from the business tax.