

2018 Supplementary Property Assessment and Tax Bylaws

EXECUTIVE SUMMARY

Council approval is required to authorize the 2018 Supplementary Property Assessment Bylaw and 2018 Supplementary Property Tax Bylaw.

ADMINISTRATION RECOMMENDATION:

1. That Council give three readings to the 2018 Supplementary Property Assessment Bylaw and 2018 Supplementary Property Tax Bylaw; and
2. That Report PFC2018-0008 be forwarded to the 2018 March 19 Regular Meeting of Council.

PREVIOUS COUNCIL DIRECTION / POLICY

Council has passed similar bylaws each year authorizing the preparation and taxation of supplementary property assessments, most recently through the 2017 Supplementary Property Assessment Bylaw 11M2017 and 2017 Supplementary Property Tax Bylaw 12M2017.

BACKGROUND

Property assessments are used as the basis for The City of Calgary's municipal and provincial property taxes and subject to the requirements and procedures set out in the *Municipal Government Act* (MGA) and related regulations.

Supplementary Property Assessments

Individual residential, non-residential and machinery and equipment property assessments are prepared by The City of Calgary's Municipal Assessor the year before the property tax is imposed and reflect the property's value as of July 01 and the characteristics and physical condition of the property on December 31 of year before the tax year.

During the tax year, under the direction of a Council Bylaw the Municipal Assessor prepares supplementary assessments for municipally assessed property where there is an increase in property value due to completed construction, or the occupation of an improvement made to a property, or a when a manufactured/mobile home is moved into Calgary after January 1. The value of a supplementary assessment is pro-rated to reflect the number of months during which the improvement is completed or occupied or, in the case of a manufactured home, is located in Calgary.

Prior to amendments to the MGA in force as of January 1, 2018, some components of heavy industrial properties were assessed at the municipal level. The revised MGA includes a new property class, Designated Industrial Property (DIP), which consolidates these with major plants, railway, linear property and facilities regulated by the Alberta Energy Regulator, the Alberta Utilities Commission, or the National Energy Board into a single class. Responsibility for annual DIP assessments will transition to the Provincial Assessor and will reflect the property's value and operational status on October 31 of year before the property tax is imposed.

Also, as of this year, a new provision in section 314.1 of the MGA allows the Provincial Assessor to prepare supplementary assessments for any new DIP property that becomes operational after October 31 of year before the tax year. The value of a DIP supplementary assessment will be pro-rated to reflect the number of months during which the property is operational.

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Supplementary Assessment Bylaw

Section 313 of the MGA provides Council with the authority to pass a Supplementary Property Assessment Bylaw for municipally assessed property types and to direct the Municipal Assessor to prepare and issue supplementary property assessments. The Bylaw applies to the year in which it is passed and only if it is passed before May 01 of the same year.

The 2018 Supplementary Property Assessment Bylaw in Attachment 1 is similar to the Bylaws presented to Council in 2017 and in previous tax years with two exceptions. First, updates were made to reflect the 2018 dates. Second, revisions were made reflect recent administrative amendments to the MGA:

- 1) All references to the term “Assessor” have been replaced by the term “Municipal Assessor”, which is defined in section 2(b) of the Bylaw.
- 2) Section 7 of the Bylaw has been updated to reflect a new MGA section 316.1, which clarifies the content of supplementary assessment notices.
- 3) Section 4(1) of the Bylaw has been updated to reflect a wording change in MGA section 314(1) where the term “operational” has been use instead of “completed or begin to operate” as a requirement for preparing assessments for machinery and equipment.

Supplementary Tax Bylaw

If Council passes the Supplementary Property Assessment Bylaw, a Supplementary Property Tax Bylaw must also be passed in the same year under the authority of section 369 of the MGA.

A new provision within section 369 of the MGA provides Council with the option to pass a bylaw authorizing it to impose a supplementary tax for DIP property if it passes a bylaw authorizing it to impose a supplementary tax in respect of all other property in the municipality.

The attached 2018 Supplementary Property Tax Bylaw is similar to the Bylaw presented to Council in 2017 and in previous tax years with two exceptions. First, updates were made to reflect the 2018 dates. Second, changes were made to include supplementary taxation of DIP property as permitted in the new MGA sections 314.1, 359.3 and 369(2.01).

The tax rates imposed on supplementary assessments will be the same as the tax rates set out in the Property Tax Bylaw that is expected to be passed by Council later this spring.

An upcoming change to the MGA is the introduction of sections 325.1 and 369.1 through the City of Calgary Charter (the “Charter”). These sections would enhance administrative efficiency as they allow Council to pass a Supplementary Assessment Bylaw and a Supplementary Property Tax Bylaw that can remain in place until they are repealed instead of passing one every year. This option has not been introduced in the attached Bylaws as the Charter is not yet in effect.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

Supplementary property taxes for municipally assessed properties were included as a revenue source in Council’s *Action Plan Mid-Cycle Adjustments*. If Council chooses not to support the recommendation, this revenue will not be available.

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Stakeholder Engagement, Research and Communication

The annual process for preparing the 2018 Supplementary Property Assessment and Supplementary Property Tax Bylaws report includes staff members from the Finance, Law and Assessment business units.

The Government of Alberta worked with owner/operators of DIP and other industrial properties in focussed consultations during their review of the MGA and its associated regulations.

The transition of responsibility to the Provincial Assessor will include communications at the provincial and municipal level.

Strategic Alignment

The recommendation is in alignment with the direction in *Action Plan 2015-2018*, the Mid-Cycle Adjustments and the 2018 Budget Adjustments.

Social, Environmental, Economic (External)

The Supplementary Property Assessment Bylaw and the Supplementary Property Tax Bylaw authorize The City to assess and tax properties within the current taxation year. Passing the bylaws is consistent with The City of Calgary's municipal tax direction in 2017 and prior years.

Financial Capacity

Current and Future Operating Budget:

Supplementary tax revenues are a source of funding for current and future operating fiscal plans. For 2018, the budget amount is \$9.5 million in municipal supplementary property tax revenues.

Current and Future Capital Budget:

Supplementary tax revenues are a source of funding for current capital fiscal plans.

Risk Assessment

If Council does not pass the 2018 Supplementary Property Assessment and 2018 Supplementary Property Tax Bylaws, The City will not be able to prepare supplementary assessments and levy the supplementary property tax. This would reduce the revenue available for City of Calgary operations and, in turn, services to Calgarians.

REASON FOR RECOMMENDATIONS:

The 2018 Supplementary Property Assessment and 2018 Supplementary Property Tax Bylaws provide The City with the authority to prepare supplementary property assessments in order to levy 2018 supplementary property taxes. *Action Plan 2015-2018*, the Mid-Cycle Adjustments and the 2018 Budget Adjustments include and rely on the supplementary property tax as a municipal revenue source.

ATTACHMENT(S)

1. Attachment 1 – Proposed Wording for the 2018 Supplementary Property Assessment Bylaw
2. Attachment 2 – Proposed Wording for the 2018 Supplementary Property Tax Bylaw