

**Chief Financial Officer's Report to
Combined Meeting of Council
2018 April 05**

**ISC: UNRESTRICTED
C2018-0351
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2018 Property Tax Related Bylaws

EXECUTIVE SUMMARY

Council approval is required for the 2018 Property Tax Related Bylaws and the Rivers District Community Revitalization Levy Rate Bylaw. Council's approval of the related bylaws on 2018 April 05 is required in order to levy and collect the property taxes used to fund the range of services across the City that Council approved and adopted in the 2018 operating budget.

ADMINISTRATION RECOMMENDATION:

That Council:

- 1) Give three readings to the proposed Property Tax Bylaw 17M2018 (Attachment 3) for a combined property tax rate increase of 0.2% for residential (0.9% for municipal purposes and -0.8% for provincial purposes) and 1.0% for non-residential properties (0.9% for municipal purposes before the 2018 transfer of business tax revenues and 1.3% for provincial purposes);
- 2) Give three readings to the proposed Machinery and Equipment Property Tax Exemption Bylaw 18M2018 (Attachment 4); and
- 3) Give three readings to the proposed Rivers District Community Revitalization Levy Rate Bylaw 19M2018 (Attachment 5).

PREVIOUS COUNCIL DIRECTION / POLICY

On 2018 March 19, Council approved PFC2018-0045 2018 Tax Relief Option Report, and directed Administration to implement option 3A; the 2018 Municipal Non-Residential Phased Tax Program (PTP).

On 2017 December 18, Council approved PFC2017-1082 and gave three readings to the 2018 Business Tax Bylaw 1M2018.

On 2017 November 27, Council approved C2017-1123 Action Plan 2018 Adjustments and adopted the 2018 operating budget as adjusted.

On 2013 November 18, Council approved NM2013-32, that Council rescind its motion to automatically absorb tax room offered by the Province by reconsidering their decision contained in the Minutes of the Special Meeting of Council, held on 2011 June 28, with respect to Recommendation 6, as amended, contained in Report C2011-65.

On 2012 April 09, Council approved PFC2012-35, the consolidation of business tax revenue into the non-residential property tax, based on the following schedule for the incremental transfer of budgeted 2013 business tax revenues, adjusted for physical growth and contingency amounts in future years:

- (a) zero per cent in 2013,
- (b) 10 per cent in each of the years 2014 - 2015, and
- (c) 20 per cent in each of the years 2016 - 2019,

with the business tax, for business tax revenue purposes, eliminated in 2019.

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On 2007 April 16, Council passed Bylaw 27M2007 to authorize the creation of a community revitalization levy area in the Rivers District. The Bylaw was approved by the Lieutenant Governor in Council of Alberta on 2007 July 17. Legislation requires Council to pass a community revitalization levy rate bylaw annually.

BACKGROUND

The property tax bylaw must be prepared in accordance with the Municipal Government Act.

Municipal Government Act (MGA), Chapter M-26, RSA 2000

Section 353 Property tax bylaw

- (1) Each council must pass a property tax bylaw annually.
- (2) The property tax bylaw authorizes the council to impose a tax in respect of property in the municipality to raise revenue to be used toward the payment of
 - (a) the expenditures and transfers set out in the budget of the municipality, and
 - (b) the requisitions.

Phased Tax Program

Through the 2018 Budget Adjustment process, Council set aside \$45 million to provide tax relief to businesses. On 2018 March 19, Council approved the 2018 Municipal Non-Residential Phased Tax Program (PTP). As a result, eligible non-residential property owners will experience a maximum increase in the municipal non-residential property tax of 5% (not including the effect of the Business Tax Consolidation) resulting from the preparation of the 2018 market value assessment. It is calculated using the actual 2017 municipal non-residential property tax rate as per the 2017 Property Tax Bylaw and excludes the 2017 Council Approved Rebates as well as any PTP credits provided in 2017. 2018 PTP is a separate, one-time program, not an extension of the 2017 PTP.

Designated Industrial Property

Prior to amendments to the MGA that came into force on 2018 January 1, some components of heavy industrial properties were assessed at the municipal level. The revised MGA defines a new property type called Designated Industrial Property (DIP), which consolidates these with major plants, railway, linear property and other facilities (regulated by the Alberta Energy Regulator, the Alberta Utilities Commission, or the National Energy Board) into a single group for assessment purposes. Responsibility for annual DIP assessments has transitioned to the Provincial Assessor and reflects the property's value and operational status on October 31 of year before the property tax is imposed. The Provincial Assessor issued 2018 Designated Industrial Property Assessment Notices on 2018 February 28.

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Amendments have been made to the 2018 Property Tax Rate Bylaw to account for the new “designated industrial property requisition”. According to new MGA sections 326(1)(a)(iv) and 359.3(1) the designated industrial property requisition, which is the recovery of costs incurred for the preparation of DIP assessments, must be included as part of the provincial requisition. In accordance with section 359.3(2) of the MGA, the property tax rate for the purposes of the designated industrial property requisition is set by the Minister.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

Provincial Property Tax Requisition

The 2018 provincial property tax requisition on The City is \$788.3 million, an increase from 2017 of \$3.1 million or 0.4%. A summary of the requisitions and the resulting levy to be raised from the 2018 Property Tax Bylaw is provided in Attachment 1.

Municipal Property Taxes

Attachment 2 summarizes the amount to be generated through the 2018 Property Tax Bylaw. The total municipal property tax requirement is \$1,838.6 million.

The tax rate changes for municipal and provincial purposes produces a combined rate increase of 0.2% for residential properties (representing 0.9% for municipal purposes and -0.8% for provincial purposes). For the 2018 median assessed residential property value of \$480,000, the overall effect would be an annual increase of \$6 (\$0.50/month) in total property taxes in 2018 to total property taxes of \$3,051 with 61% of that remaining in Calgary to meet municipal needs, and 39% being remitted to the Province.

On 2017 November 27, Council approved C2017-1123 Action Plan 2018 Adjustments, as amended, with the effective municipal property tax rate increase of 0.9% for 2018.

With the one-time municipal property tax rebate of 2.9% in 2017 coming off, the citizen will feel 3.8% (2.9% in 2017 coming off and 0.9% addition in 2018) increase on the typical residential property tax bill. With the Provincial residential tax rate being lower than the approved Municipal property tax rate of 0.9%, tax room in the amount of \$9.0 million is available if Council chooses to take the room. This report and the attached bylaws assume the tax room will not be taken.

The combined rate increase is 1.0% for non-residential properties (0.9% for municipal purposes and 1.3 % for provincial purposes) in 2018. Additionally, the non-residential property tax rate increases due to the 2018 transfer of business tax revenues to non-residential property taxes. This is the fifth year of the incremental transfer of business tax revenues to non-residential property taxes. The incremental increase in non-residential taxes due to business tax consolidation will result in an associated decrease in business tax revenues by an equivalent amount.

Administration is recommending three readings of the proposed Property Tax Bylaw 17M2018 (Attachment 3), so that property tax bills can be prepared and mailed by 2018 May 31.

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Machinery and Equipment Property Tax

The City of Calgary has elected to exempt the machinery and equipment tax. To exempt machinery and equipment property from the municipal portion of property taxes, The City annually passes an exemption bylaw, which is provided in Attachment 4 as Bylaw 18M2018 and recommended for three readings.

The provincial requisition pertaining to machinery and equipment property is zero.

Community Revitalization Levy Rate Bylaw

The City of Calgary Rivers District Community Revitalization Levy Regulation (AR 232/2006) established a community revitalization levy area known as the Rivers District. The MGA authorizes a council to pass a bylaw to impose a levy in respect of the incremental assessed value of property in a community revitalization levy area. The levy will raise revenue to be used toward the payment of infrastructure and other costs associated with the redevelopment of property in the community revitalization levy area. The estimated revenues required for the payment of infrastructure, and other costs associated with the redevelopment of property in the Rivers District, for the year 2018 will be \$39.3 million.

Administration is recommending three readings of the proposed Rivers District Community Revitalization Levy Rate Bylaw 19M2018 (Attachment 5).

Stakeholder Engagement, Research and Communication

All property owners in Calgary have received their 2018 Property Assessment Notices which gave them their 2018 property assessed values and notification that tax billing would occur in May.

Strategic Alignment

The recommendations are in alignment with the direction in Council's approval of Action Plan 2018 Adjustments (C2017-1123), as amended.

Social, Environmental, Economic (External)

The Property Tax Bylaw allows the municipality to generate the tax funds necessary for its operation, and to pay the 2018 provincial property tax requisition. This allows The City to deliver the full range of municipal services approved in Action Plan 2018 Adjustments, as amended.

2018 Property Tax Related Bylaws

Financial Capacity

Current and Future Operating Budget:

The estimated funding of \$1,838.6 million generated through the Property Tax Bylaw will meet the 2018 operating budget requirements that align with the Action Plan 2018 Adjustments (C2017-1123), as amended.

Current and Future Capital Budget:

Property tax revenues are part of the source of capital funding.

Risk Assessment

Any major delay in passing the 2018 Property Tax Bylaw may affect the mailing date of property tax bills, which in turn would change the customary property tax payment cycle with which the public and business communities have become accustomed.

Until the 2018 Property Tax Bylaw is passed, The City of Calgary cannot meet its 2018 municipal financing obligations, and would be unable to make full payment on its provincial property tax requisition.

REASON(S) FOR RECOMMENDATION(S):

The 2018 Property Tax and Related Bylaws are needed for The City to collect property taxes in 2018. The Property Tax and Related Bylaws are in alignment with the Action Plan 2018 Adjustments, as amended. The 2018 Budget relies on the property tax as a municipal revenue source. The City is also legally required to collect Provincial Property Tax on behalf of the Provincial Government.

ATTACHMENT(S)

1. Attachment 1 – 2018 Provincial Property Tax Summary
2. Attachment 2 – 2018 Municipal Property Tax Summary
3. Attachment 3 – Proposed 2018 Property Tax Bylaw 17M2018
4. Attachment 4 – Proposed Machinery and Equipment Property Tax Exemption Bylaw 18M2018
5. Attachment 5 – Proposed Rivers District Community Revitalization Levy Rate Bylaw 19M2018