

Chief Financial Officer's Report to
Priorities and Finance Committee
2018 December 04

ISC: UNRESTRICTED
PFC2018-1068

2019 Business Improvement Area Tax Bylaw

EXECUTIVE SUMMARY

Council approval is required to establish the 2019 Business Improvement Area Tax Bylaw. The 2019 Business Improvement Area Tax Bylaw is required as an interim measure for Business Improvement Areas (BIAs) to raise the BIA tax identified in each BIA budget through the 2019 Business Improvement Area Tax Rates Bylaw. The 2019 BIA budgets and 2019 Business Improvement Area Tax Rates Bylaw will be brought before Council in Q1 2019.

ADMINISTRATION RECOMMENDATION:

1. That the Priorities and Finance Committee recommends that Council give three readings to the proposed 2019 Business Improvement Area Tax Bylaw (Attachment 1).
2. That Report PFC2018-1068 be forwarded to the 2018 December 17 Regular Council Meeting.

PREVIOUS COUNCIL DIRECTION / POLICY

Annually, since the inception of BIAs in Calgary in 1984, Council has approved the BIA annual budgets and bylaws as required by the *Municipal Government Act* (MGA) and *Business Improvement Area Regulation*, AR/2016 (the BIA Regulation).

Each year, The City of Calgary (The City) generates municipal revenue through business taxes, most recently through the 2018 Business Tax Bylaw (1M2018).

Through PFC2012-35, *Business Tax Consolidation Framework and Associated Plans*, Council approved the consolidation of business tax into the non-residential property tax revenues over seven years starting in 2013 with business tax being eliminated in 2019.

BACKGROUND

Section 381 of the MGA and section 20 of the BIA Regulation provide Council with the authority to provide for the taxation of businesses within each BIA as a source of funding for that BIA. In previous years, BIA taxes were administered concurrently with business tax through a BIA tax bylaw.

Bill 8, *An Act to Strengthen Municipal Government*, as amended, contained amendments to the MGA which would permit the BIA tax to be imposed on the owner of property within each BIA. To date, these amendments are not in force, meaning that the BIA tax must be imposed and collected through taxable business owners. Revisions to the BIA Regulation to allow the BIA tax to be collected through BIA property owners are also anticipated but have not been released by the Government of Alberta (the "Province") to date.

Last year, the final Business Tax Bylaw was presented to Council for approval, due to the elimination of the business tax in the 2019 tax year through the Business Tax Consolidation (BTC) process. Although business tax will be eliminated next year for most Calgary businesses, there must be continuation of business tax for businesses located in Calgary's BIAs for the 2019 tax year. This is solely for the purpose of collecting the BIA tax (also known as the BIA levy) to enable funding of the BIAs for 2019.

The MGA provides municipalities with the ability to levy taxes on businesses. The proposed 2019 Business Improvement Area Tax Bylaw authorizes the imposition of a tax on businesses within the BIAs for the 2019 tax year in accordance with section 20 of the current BIA

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Regulation. This bylaw will apply only to businesses operating within a current BIA or any new BIA established during the 2019 tax year.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

The 2019 Business Improvement Area Tax Bylaw provides the authority for the BIA tax to be collected from businesses operating within BIAs. It specifies the business assessment method as the basis for the BIA tax to be imposed. The criteria for exemptions from the BIA tax are based on the provisions within past Business Improvement Area Tax Bylaws and Business Tax Bylaws.

As BTC will be completed in 2019, this bylaw incorporates provisions that were previously within the annual Business Tax Bylaw for the assessment and taxation of business. Since a Business Tax Bylaw will not be passed in 2019, these provisions are now included directly within the 2019 Business Improvement Area Tax Bylaw. This will allow for the administration and collection of BIA levies for the 2019 tax year.

To enhance administrative efficiency, the draft bylaw also provides for a minimum BIA tax of \$25.00. Administration is proposing that \$25.00 was the amount where efforts to bill, monitor and collect the BIA tax would exceed the revenue collected. Businesses with a calculated BIA tax of \$24.99 or less will not receive a 2019 Business Improvement Area Levy Notice. Administration estimates this will result in approximately 400 accounts not being charged BIA tax for 2019, totalling approximately \$6,500 in BIA tax revenue. The difference in revenue as a result of this change will be recovered through adjustments to BIA tax rates in the following year.

Once the revisions to the BIA Regulation are released by the Province and the amendments to the MGA are in force, it is anticipated that the BIA tax will be collected through non-residential property owners in each BIA.

If the 2019 Business Improvement Area Tax Bylaw is approved the 2019 Business Improvement Area Tax Rates Bylaw will be presented to the Priorities and Finance Committee, and subsequently to Council, in Q1 2019. At the same time Administration will seek approval of the proposed 2019 BIA budgets. A 2019 Business Improvement Area Levy Notice will be mailed to businesses in 2019 February.

Stakeholder Engagement, Research and Communication

The preparation of the 2019 Business Improvement Area Tax Bylaw Report involved representatives from Finance, Law, Assessment and Calgary Neighbourhoods business units.

Representatives of the BIAs within Calgary have been advised that the BIA tax will continue to be imposed through a form of business tax. This is a continuation of the previous engagement completed by Administration during the Government of Alberta's review of the MGA and BIA Regulation. Engagement was completed with the assistance of *Engage!* through facilitated workshops.

During the preparation of PFC2012-35, *Business Tax Consolidation Framework and Associated Plans*, Administration held discussion sessions attended by BIA representatives. These sessions involved an in-depth discussion of the issues surrounding BTC.

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Strategic Alignment

The approval of the BIA budgets and enabling bylaws allows BIAs to receive funding to serve their business communities which supports One Calgary and the "A Prosperous City" Council Priority which notes that "Calgary continues to grow as a magnet for talent, a place where there is opportunity for all, and strives to be the best place in Canada to start and grow a business."

Social, Environmental, Economic (External)

Passing the 2019 Business Improvement Area Tax Bylaw will authorize The City to impose and collect the BIA tax. BIAs provide economic benefit to Calgary by creating a healthy environment for businesses within the BIA to grow and attract customers.

The proposed 2019 Business Improvement Area Tax Bylaw includes exemptions for businesses that meet the eligibility provisions established in the bylaw.

Financial Capacity

Current and Future Operating Budget:

In accordance with the 2019 BIA budgets as approved by Council, the revenue that will be raised as a result of the BIA tax is transferred directly to each respective BIA.

Current and Future Capital Budget:

There are no current impacts on the capital budget.

Risk Assessment

If Council does not pass the 2019 Business Improvement Area Tax Bylaw, The City will not be able to impose and collect the BIA tax and distribute the funds to the respective BIAs.

During preparation of the draft bylaw, it was determined that the legislation contains some limitations on what businesses may be exempted from BIA tax. In previous years, if a business was exempted from business tax through the annual Business Tax Bylaw, Administration's systems also provided an exemption from the BIA tax. However, the legislation only provides for an exemption from BIA taxes for some but not all of these businesses. Due to timelines, the draft 2019 Business Improvement Area Tax Bylaw will maintain the status quo for 2019. Changes to ensure alignment with the current legislation for BIAs will be brought before Council if the BIA tax must continue to be imposed on businesses within BIAs for 2020.

REASON FOR RECOMMENDATIONS:

The 2019 Business Improvement Area Tax Bylaw provides The City with the authority to impose the BIA tax on businesses within each Calgary BIA. The BIAs rely on the BIA tax as a revenue source. If the 2019 Business Improvement Area Tax Bylaw is passed, then the 2019 Business Improvement Area Tax Rates Bylaw and proposed 2019 BIA Budgets will be presented to Council in Q1 2019.

ATTACHMENT

1. Attachment 1 – Proposed Wording for the 2019 Business Improvement Area Tax Bylaw