



Calgary

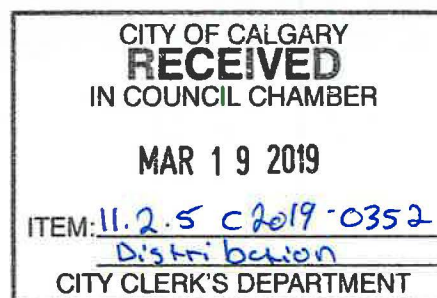


C2019-0352

## Downtown Tax Shift Response – Updated

Combined Meeting of Council  
C2019-0352  
2019 March 18

# What is the problem we are trying to solve?



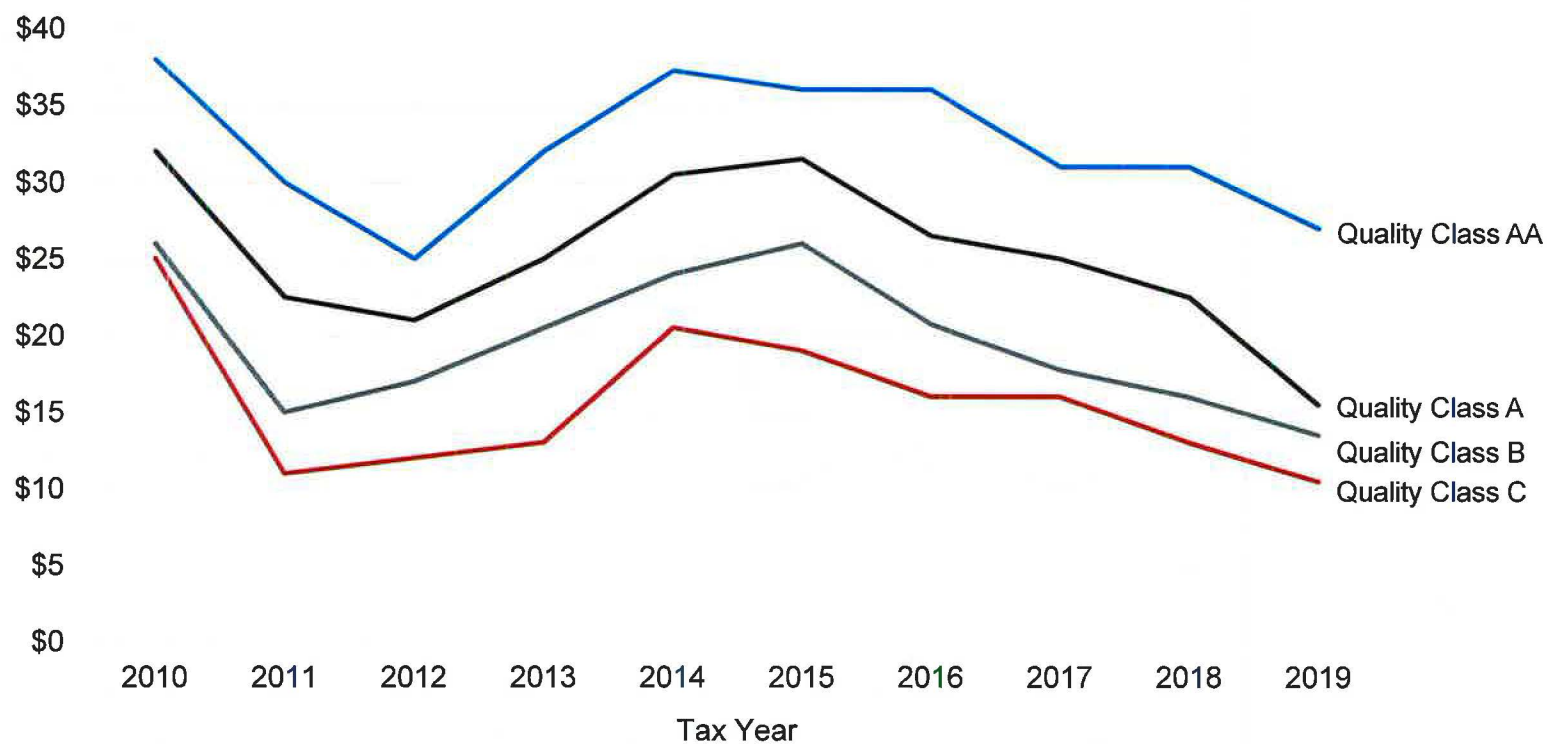
## Supply & Demand for Downtown Office Space 2001 to 2018 (millions of sq. ft.)



Source: Altus Insite, Corporate Economics

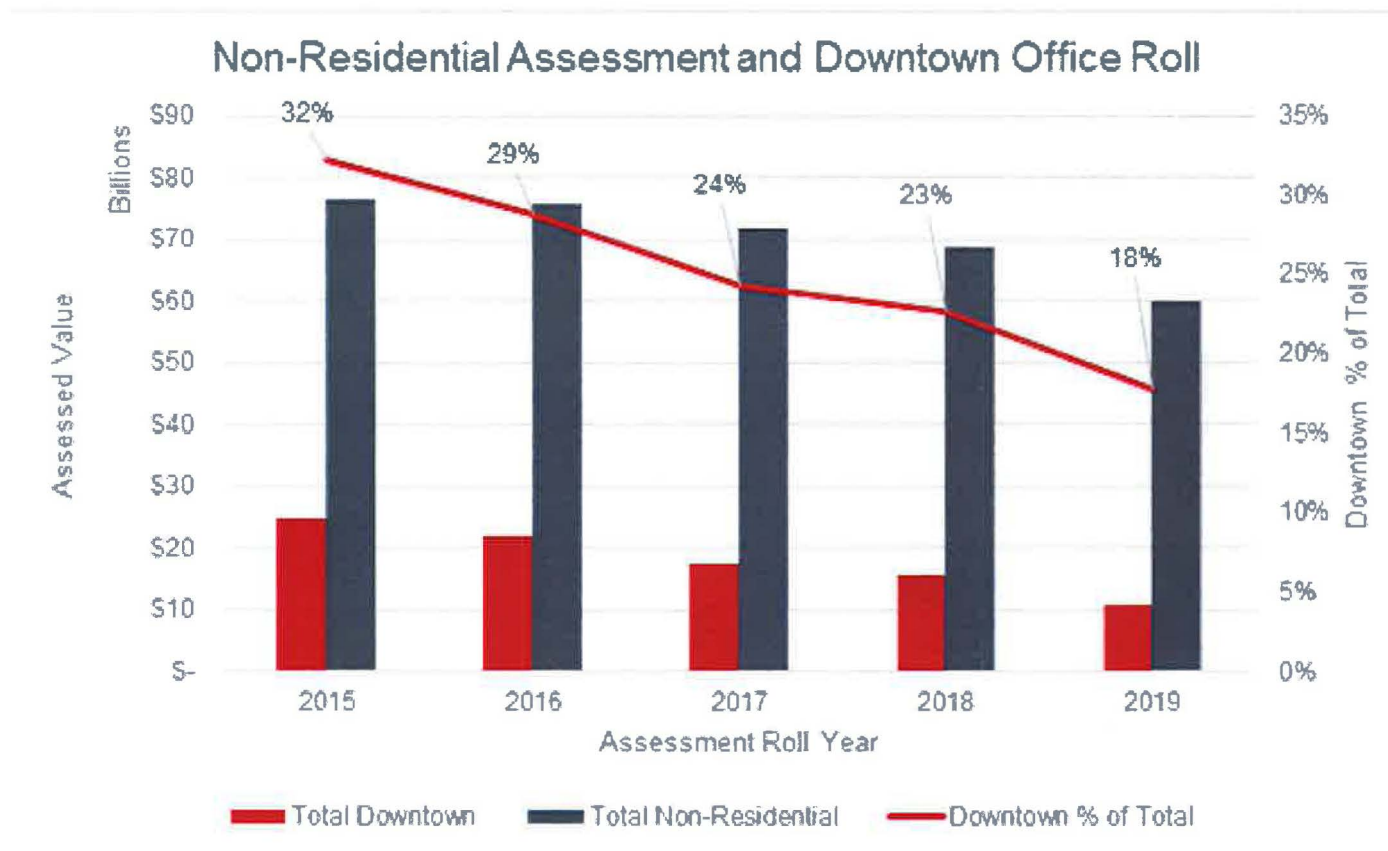


## Downtown Office Assessed Net Rents (\$ p.s.f.)



Source: The City of Calgary

## Non-residential Assessment and Downtown Office Roll





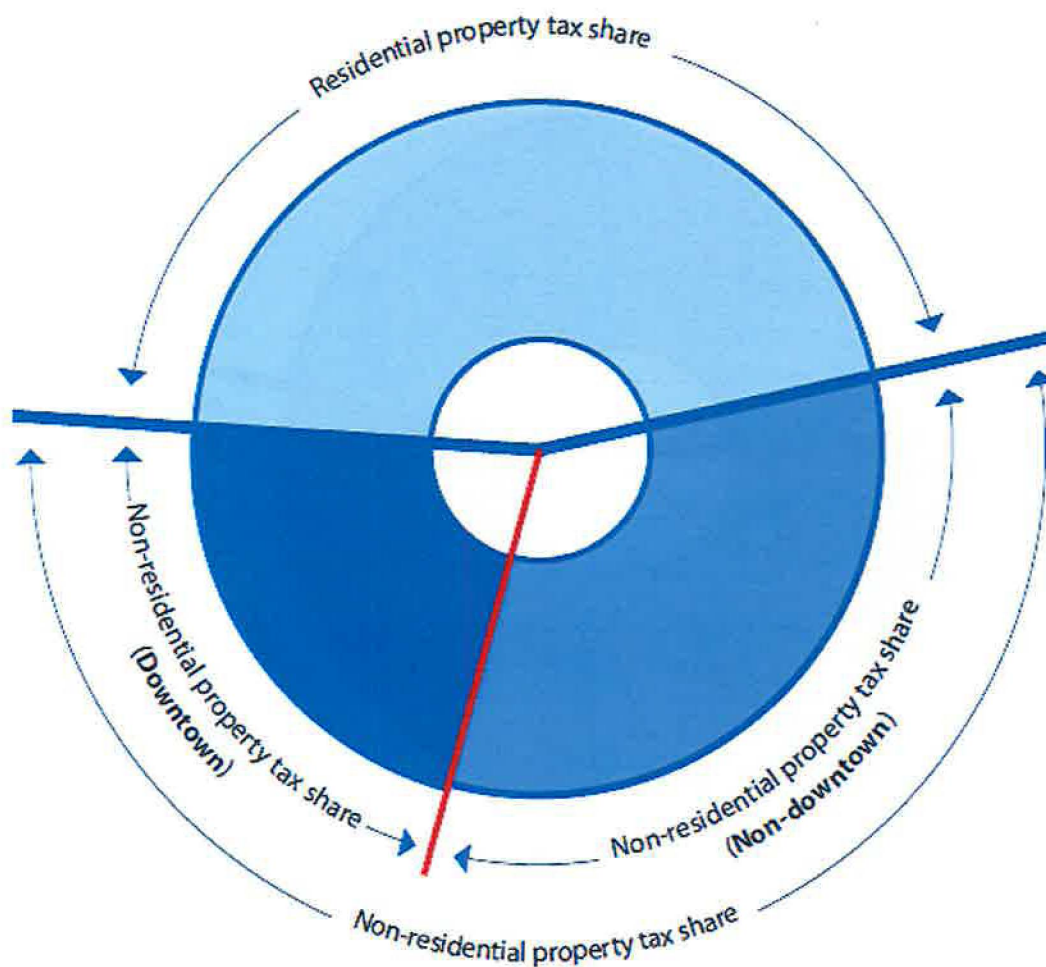
**The Issue:**  
**Non-Residential properties**

**7,789** properties

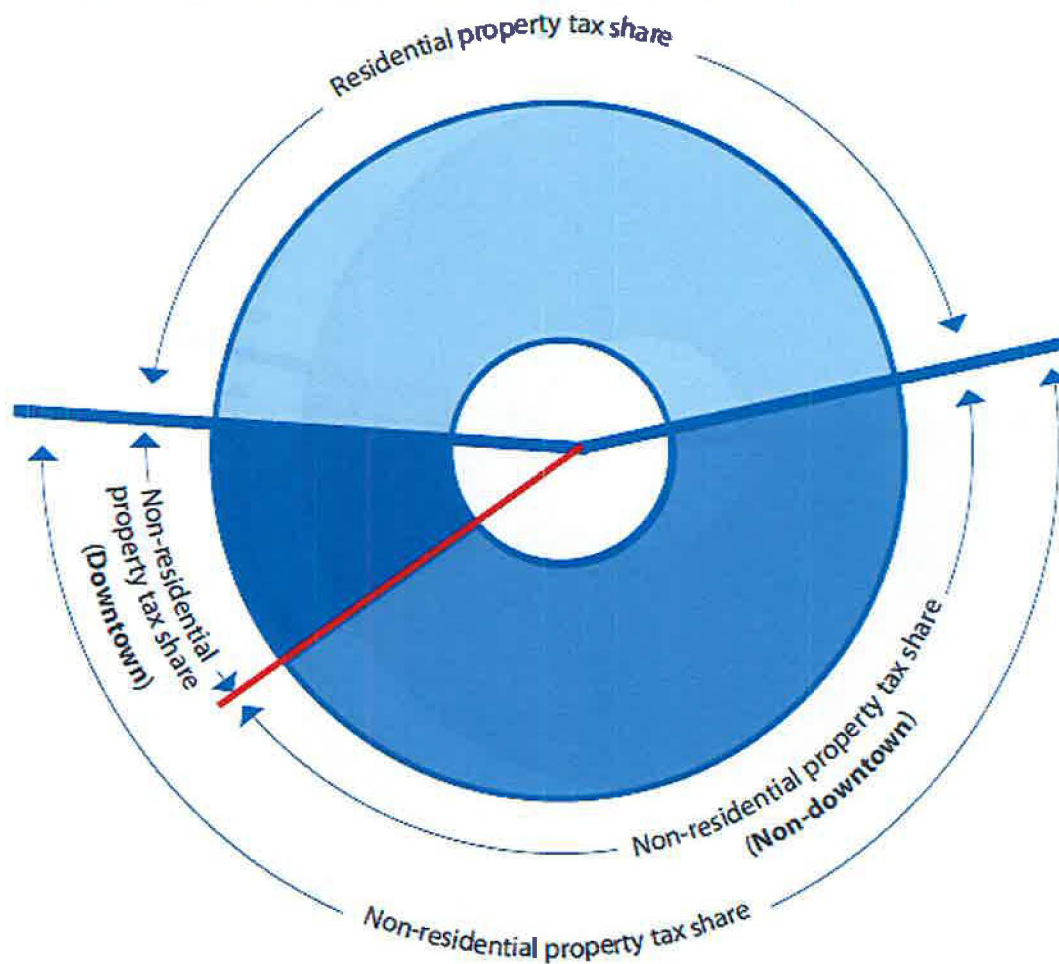
**Increases >10%**

**Over 1/2 of total properties**

## Distribution of taxes - 2015



## Distribution of taxes - 2019







## **Sample calculation: \$5 million industrial property value**

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- 2018 property tax bill: \$76,617
- 2019 estimated property tax bill \$91,292
- Increase of \$14,675 attributed to:
  - Business Tax Consolidation \$ 3,705
  - Increase as a result of shift \$10,969



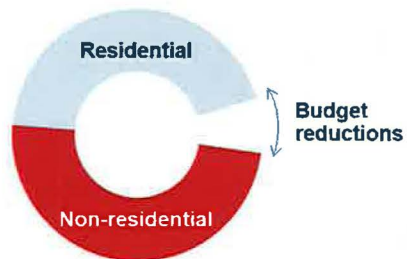
# Scenarios

## Short term solutions

# Potential Levers

**1**

**Reduce the overall tax revenue required** (through efficiencies and/or reductions)



**2**

**Transfer tax share from non-residential to residential**



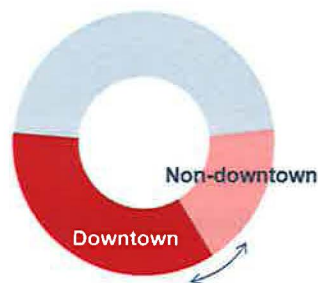
**3**

**Draw on reserves and/or one-time funding sources**



**Transfer tax distribution within non-residential class\***

**Longer-term option**



\*Would require fundamental change to taxation model and provincial legislation

## Summary of scenarios for immediate solutions

	1	2	3
	Reduce overall tax requirement	Transfer tax share between res and non-res	Draw on reserves
Scenario 1		●	
Scenario 2	●	●	●
Scenario 3	●●●	●●●	●●
Scenario 4	●●	●●●	●●
Scenario 5			●
Scenario 6	●●	●	●●
Scenario 7			●●

●●● Strongly addresses

●● Moderately addresses

● Slightly addresses





## Guiding Principles

### Proposed:

- I. Transparency and accountability
- II. Certainty
- III. Simplicity
- IV. Equity and fairness
- V. Minimize the use of one-time solutions as these one-time solutions create considerable “bow wave” effects
- VI. Ensure there is a sunset clause on any program to be developed



## Scenario 1: 2018 November 14 Council Direction

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### Tax transfer – 2019 Projected Impact

	Residential		Non-residential*		Ratio
	Rate (%)	Tax impact (\$)	Rate (%)	Tax impact (\$)	
Approved One Calgary Budget	3.45%	\$65	1.01%	\$10,970	4.47 :1

\* Sample calculated based upon a \$5 million non-residential property value and \$475,000 residential property value



## Scenario 2: PFC2019-0148 Administration Recommendation

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Typical Residential property tax increase \$65 in 2020, 2021 and 2022 after \$20 million efficiency per year and shift of Non-Residential to Residential

	Residential			Non-residential			Ratio	Shift to Res from Non- Res	Efficiency or Reductions	Cost to fund PTP at 10%
	Rate (%)	Tax bill (\$)	Tax impact (\$)	Rate (%)	Tax bill (\$)	Tax impact (\$)				
Approved (2018 Dec. 17) 2019 – Residential increases \$65 per year	3.45%	\$1,940	\$65	1.01%	\$87,587	\$10,970	4.47 : 1	\$8 million		\$44 million*
<b>2020-2022 Projected</b>										
2020 – Residential increases \$109 per year	5.62%	\$2,049	\$109	0.31%	\$87,861	\$274	4.25 : 1	\$22 million		
Contribute from Efficiency			(44)						\$20 million	
Residential increases \$65 per year	3.35%	\$2,005	\$65				4.34 : 1			
2021 – Residential increases \$109 per year	5.32%	\$2,158	\$109	0.55%	\$88,342	\$481	4.05 : 1	\$21 million		
Contribute from Efficiency			(44)						\$20 million	
Residential increases \$65 per year	3.24%	\$2,070	\$65				4.23 : 1			
2022 – Residential increases \$109 per year	5.05%	\$2,267	\$109	0.80%	\$89,050	\$708	3.89 : 1	\$20 million		
Contribute from Efficiency			(44)						\$20 million	
Residential increases \$65 per year	3.14%	\$2,135	\$65				4.13 : 1			

- Approximate funding required to limit increases in non-residential municipal property taxes to 10% for the qualified properties.
- Assumption is that there is no change to residential and non-residential assessment values – actual results will vary.



## Scenario 3:

Budget reduction of \$100 million and overall tax is equally shared between Residential and Non-Residential

	Residential			Non-residential			Ratio	Shift to Res from NR	Efficiency or Reduction
	Rate	Tax bill (\$)	Tax impact (\$)	Rate	Tax bill (\$)	Tax impact (\$)			
2019 One Calgary Approved	3.45%	\$1,940	\$65	1.01%	\$87,587	\$10,970	4.47 : 1	\$8 million	
Additional Budget Reduction to Residential and Non-residential	-6.00%		-\$112	-4.95%		-\$4,299			\$100 million
Additional Non-residential transfer to Residential	9.61%		\$179	-8.27%		-\$7,169		\$80 million	
2019 Projected Rebate	7.06%	\$2,007	\$132	-12.21%	\$76,119	-\$498	3.78 : 1	(Approx)	
			-\$100						
			\$32						
2020: 3.03% Rebate	3.03%	\$2,068	\$61						
			-\$75						
			-\$14						
2021: 3.03% Rebate	3.03%	\$2,131	\$63						
			-\$50						
			\$13						
2022: 3.03% Rebate	3.03%	\$2,196	\$65						
			-\$25						
			\$40						

\* approximate funding required to limit increases in non-residential municipal property taxes to 10% for the qualified properties.  
Assumption is that there is no change to residential and non-residential assessment values - actual results will vary.





## Scenario 4:

Transfer from Non-Residential to Residential over two years and offer rebates over the One Calgary budget cycle

	Proportion	Proportional Value	Tax rate	Shift	% change	Rebate
<b>2019 Before tax rate increase</b>						
Residential	0.45	\$850.2M	0.0039476			
Non-Residential	0.55	\$1,030.2M	0.0181013			
	1	\$1,880.4M	4.58			
<b>2019 49% RES and 51% NR</b>						
Residential	0.49	\$942.6M	0.0043765	\$92,375,995	10.86%	\$61M
Non-Residential	0.51	\$981.1M	0.0172196	\$(50,231,323)	-4.87%	
	1	\$1,923.7M	3.93			
<b>2020 50% RES and 50% NR*</b>						
Residential	0.50	\$989.3M	0.0045935	\$139,112,490	4.96%	\$83M
Non-Residential	0.50	\$987.4M	0.0173303	\$(43,926,720)	0.64%	
	1	\$1,976.7M	3.77			

\*Assumes growth revenue is evenly distributed between residential and non-residential  
Residential rebates for 2021 (\$43M) and 2022 (\$44M) would bridge half of the increase from the One Calgary approval.

## Scenario 5: Non-residential shift scenarios (use of PAYG and Reserves)

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	Residential			Non-Residential			Transfer to Res from NR	Efficiency or budget reduction	Reserve withdrawals
	Rate	Tax bill	Tax impact	Rate	Tax bill	Tax impact			
Approved One Calgary 2019 Budget	3.45%	\$ 1,940	\$65	1.01%	\$ 87,587	\$10,970	\$8M		
2020 One Calgary	3.03%	\$ 1,999	\$59	3.03%	\$ 90,241	\$2,654	BASE	\$20M	\$55M withdrawal
Transfer impact	2.59%	\$ 2,049	\$50	-2.72%	\$ 87,861	-\$2,380			
Efficiency	-2.27%	\$ 2,005	-\$44	-5.51%	\$ 83,035	-\$4,826			
PAYG	3.35%		\$65	-5.20%		-\$4,552			
2021 One Calgary	3.03%	\$ 2,065	\$60	3.03%	\$ 85,551	\$2,516	BASE	\$20M	\$55M withdrawal
Transfer impact	2.29%	\$ 2,114	\$49	-2.48%	\$ 83,492	-\$2,059			
Efficiency	-2.08%	\$ 2,070	-\$44						
	3.24%		\$65	0.55%		\$457			
20XX One Calgary	3.03%	\$ 2,132	\$62	3.03%	\$ 86,022	\$2,530	BASE	\$20M	*assume DT recovers 20% of pre-decline value and reserves repaid \$44M withdrawal
Transfer impact	2.02%	\$ 2,179	\$47	-2.23%	\$ 84,160	-\$1,862			
Efficiency	-1.91%	\$ 2,135	-\$44						
PAYG	3.14%		\$65	1.12%	\$ 85,095	\$935			
				1.92%		\$1,603			
20XY One Calgary	3.03%	\$ 2,199	\$64	3.03%	\$ 87,673	\$2,578	BASE	\$20M	*assume DT recovers another 20% of pre-decline value and reserves repaid \$33M withdrawal
Transfer impact	1.77%	\$ 2,244	\$45	-1.97%	\$ 85,997	-\$1,676			
Efficiency	-1.76%	\$ 2,200	-\$44						
PAYG				2.24%	\$ 87,903	\$1,906			
	3.04%		\$65	3.30%		\$2,808			

Assumption is that there is no change in residential or non-residential values other than the explicit assumptions of recovery;  
Actual results may vary.



## Scenario 6:

### Apply base budget reduction or efficiencies of \$90 million to non-residential over 2020-2022

	Residential			Non-residential			Ratio	Shift to Res from NR	Efficiency or Reduction
	Rate	Tax bill (\$)	Tax impact (\$)	Rate	Tax bill (\$)	Tax impact (\$)			
2019: Approved One Calgary Budget	3.45%	\$1,940	\$65	1.01%	\$87,587	\$10,970	4.47 : 1	\$8 million	
2020 - 2022 Projected									
2020: 3.03% and \$30 million contribution to Non-residential	3.03%	\$1,999	\$59	-0.41%	\$87,228	-\$359	4.32 : 1		\$30 million
2021: 3.03% and \$30 million contribution to Non-residential	3.03%	\$2,059	\$60	-0.26%	\$87,004	-\$224	4.18 : 1		\$30 million
2022: 3.03% and \$30 million contribution to Non-residential	3.03%	\$2,121	\$62	-0.08%	\$86,932	-\$72	4.06 : 1		\$30 million

- In 2019, use up to \$XX M, funded from the Opportunity Calgary Investment Fund, to create a program to assist small business.
- Develop a strategy to sell City owned land and real estate, as well as aggregate and asphalt operations to assist with additional non-residential relief programs.

\* approximate funding required to limit increases in non-residential municipal property taxes to 10% for the qualified properties.



## **Scenario 7:**

### **Targeted program to assist businesses**

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#### **Program to be designed, to include:**

- Application program based on criteria specific to needs of businesses
- Criteria to be determined
- Will be administratively efficient to administer
- Will be up to a maximum of \$70.9M available for 2019





## Strategic Session

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### 2019 April 1:

- Discuss scenarios contained in this report
- Make decisions on scenarios
- Discuss the Downtown Strategy



## Recommendations

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That Council:

1. Receive this report for information;
2. File the recommendations contained in PFC2019-0148;
3. Adopt the proposed Guiding Principles as described on page 3 of this report;
4. Direct Administration to further refine and update the proposed roles and responsibilities of the Financial Task Force and bring an updated Terms of Reference for the Financial Task Force for discussion and consideration of Council after the 2019 April 1; and
5. Forward this report and direct Administration to return to the 2019 April 1 Strategic Session of Council for the purpose of tax rate finalization.