

Chief Financial Officer's Report to  
Combined Meeting of Council  
2019 April 08

ISC: UNRESTRICTED  
C2019-0382

## 2019 Property Tax Related Bylaws

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### EXECUTIVE SUMMARY

Council approval is required for the 2019 Property Tax Related Bylaws and the Rivers District Community Revitalization Levy Rate Bylaw. Council's approval of the related bylaws on 2019 April 08 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 2019 operating budget.

#### ADMINISTRATION RECOMMENDATION:

That Council:

- 1) Give three readings to a Property Tax Bylaw and Rivers District Community Revitalization Levy Rate Bylaw, either:
  - a) Proposed Property Tax Bylaw 13M2019 (option 1 - Attachment 3) and proposed Rivers District Community Revitalization Levy Rate Bylaw 15M2019 (option 1 - Attachment 5); or
  - b) Proposed Property Tax Bylaw 16M2019 (option 2 - Attachment 6) and proposed Rivers District Community Revitalization Levy Rate Bylaw 17M2019 (option 2 - Attachment 7)
- 2) Give three readings to the proposed Machinery and Equipment Property Tax Exemption Bylaw 14M2019 (Attachment 4); and
- 3) Abandon the bylaws in either recommendation 1a or 1b that are not the chosen option.

### PREVIOUS COUNCIL DIRECTION / POLICY

On 2019 April 01 C2019-0352, The following Recommendations 1,2,4,5,6,7,8 and 9 were adopted:

1. Direct Administration to prepare a 2019 property tax rate bylaw for Council's consideration on 2019 April 08 – starting with the One Calgary approved budget, and applying tax room of \$27 million to the municipal non-residential property tax in 2019 – effectively producing a residential municipal tax rate increase of 6.67% and a non-residential municipal tax rate decrease of 1.77% in 2019; and
2. Direct Administration to run the same scenario in Point 1 with a 49/51 residential to non-residential split, returning to the 2019 April 08 Combined Council Meeting with two property tax bylaw options.
3. Motion Lost.
4. Direct Administration to develop criteria and process for a Small Business Sustainment Grant to a maximum of \$70.9 million of one-time funding (\$44 million from the Fiscal Stability reserve, and \$26.9 million from the 2017 and 2018 Phased Tax Program funding not required due to appeal resolutions), returning to the Priorities and Finance Committee on 14 May 2019;
5. Direct Administration to continue its work on maximizing value from our assets, returning to Priorities and Finance Committee with an update on 04 June 2019;

**Chief Financial Officer's Report to  
Combined Meeting of Council  
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**2019 Property Tax Related Bylaws**

---

6. Direct Administration to explore the creation of a small business assessment class for implementation in 2021 reporting back to the Priorities and Finance Committee in 2019 June;
7. 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 the Priorities and Finance Committee no later than June, 2019;
8. Direct Administration to report back to Special Council (One Calgary Adjustments) on November 12, 2019 with an update on the status of the Downtown Tax Redistribution in consideration of the 2020 Property Assessment Roll; and
9. Add the Tax Shift Response plan as a standing item to the Priorities and Finance Committee Agendas for the remainder of 2019
10. Referred - "Establish a working group of the Priorities and Finance Committee to steward the work and report back to Council with updates on an as needed basis." to the 2019 April 02 Priorities and Finance Committee.

With respect to report C2019-0352, Council also directed Administration to develop criteria and process for a Residential Property Tax Rebate Program to a maximum of \$70.9 million of one-time funding for 2019 (\$44 million from the Fiscal Stability reserve, and \$26.9 million from the 2017 and 2018 Phased Tax Program funding not required due to appeal resolutions), returning to the Priorities and Finance Committee on 14 May 2019.

On 2018 November 30, Council approved C2018-1158 One Calgary 2019-2022 Service Plans and Budgets and adopted the 2019 operating budget as amended, with the effective municipal property tax rate increase of 2.45% for 2019 (3.45% for residential and 1.42% for non-residential). Council approved reconsideration on 2018 December 17 C2018-1446 (3.45% for residential and 1.01% for non-residential).

On 2017 January 23, Council approved C2017-0057 Municipal Non-Residential Phased Tax Program (PTP) and one-time funding of \$45 million, which phased in 2017 non-residential property tax increases (municipal portion only) by limiting the increase in 2017 to 5% (not including the effect of the Business Tax Consolidation).

On 2018 March 19, Council approved the 2018 Municipal Non-Residential Phased Tax Program (PTP) of \$41 million. As a result, eligible non-residential property owners experienced 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. 2018 PTP is a separate, one-time program, not an extension of the 2017 PTP.

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.

**Chief Financial Officer's Report to  
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2019 April 08**

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C2019-0382**

## **2019 Property Tax Related Bylaws**

---

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) 0% in 2013,
- (b) 10% in each of the years 2014 - 2015, and
- (c) 20% in each of the years 2016 - 2019,

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

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. On 2019 Feb 15, the Lieutenant Governor in Council of Alberta approved the City's amended Rivers District Community Revitalization Levy (CRL) Bylaw 2M2019 confirming that the Rivers District CRL could be in place until 2047.

### **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.

### **Designated Industrial Property**

MGA sections 326(1)(a)(vi) and 359.3(1) requires that the designated industrial property requisition (set by the Minister), which is the recovery of costs incurred for the preparation of Designated Industrial Property assessments, be included as part of the provincial requisition.

### **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.

**Chief Financial Officer's Report to  
Combined Meeting of Council  
2019 April 08**

**ISC: UNRESTRICTED  
C2019-0382**

**2019 Property Tax Related Bylaws**

---

**INVESTIGATION: ALTERNATIVES AND ANALYSIS**

Bylaws

The attached Property Tax Bylaws and Rivers District Community Revitalization Levy Rate Bylaws reflect Council's direction in Recommendations 1 and 2 in C2019-0352 as approved on 2019 April 01. The Option 1 bylaws (13M2019 and 15M2019) reflect Recommendation 1, which corresponds to Scenario 8 that was presented to Council on 2019 April 01. The Option 2 bylaws (16M2019 and 17M2019) reflect Recommendation 2, which is based on Scenario 4 that was presented on 2019 April 01.

Administration will make a short presentation highlighting the differences between the two options on 2019 April 08.

Provincial Property Tax Requisition

The City is required by law to pay the provincial property tax requisition. However, The City has not received the 2019 requisition amount from the Province, as the Province did not pass a budget prior to the provincial election being called.

The City is required to incorporate the provincial requisition into the calculations for the 2019 Property Tax Bylaw; as such there are essentially two options available:

1. Wait until the new provincial government passes its budget, at which point the actual requisition amount will be known. This is not practically feasible, because it would delay the mailing of The City's tax notices and the collection of tax revenue and accordingly, The City would not be able to meet its ongoing financial obligations.
2. Estimate the amount of the 2019 provincial requisition for purposes of the property tax calculations, either:
  - a. using the amount of the 2018 requisition, which was \$780 million, for the 2019 calculation. This would result in tax room in the amount of \$27 million being available; or
  - b. applying the 2018 uniform education tax rate to the 2019 equalized assessment amount, which would result in an estimated 2019 requisition of \$800 million, and would reduce the tax room available to \$3 million.

Council, at its 2019 April 01 strategic meeting, directed Administration to use option 2a to estimate the provincial requisition and to use the \$27 million to reduce non-residential property tax in 2019. Accordingly, this amount was used for the property tax rate calculations and is reflected in the summary of the requisition and resulting levy set out in Attachment 1.

It is critical to note that if the actual 2019 requisition amount is higher than the estimated requisition amount, The City will be required to remit the full amount of the requisition to the Province and recover any shortfall through the 2020 property tax rate.

**Chief Financial Officer's Report to  
Combined Meeting of Council  
2019 April 08**

**ISC: UNRESTRICTED  
C2019-0382**

## **2019 Property Tax Related Bylaws**

---

### **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 14M2019 and recommended for three readings.

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

### **Residential Tax Rebate/Phased Tax Program**

The discussions to date regarding the downtown tax shift issue have included suggestions of a residential tax rebate or a third Phased Tax Program. No direction from Council has been received to date. To pursue either of these options, Council would be required to approve the desired option at the 2019 April 08 meeting of Council, in order for the direction to be included on the property tax bills in time.

Council has directed Administration to develop criteria and process for a Small Business Sustainment Grant to be considered at the 2019 May 14 meeting of the Priorities and Finance Committee. Council has also directed Administration to develop criteria and process for a Residential Property Tax Rebate Program returning to the Priorities and Finance Committee on 14 May 2019. Administration does not recommend that either a residential tax rebate or Phased Tax Program be implemented in 2019 unless direction is provided on 2019 April 08 in order for the direction to be processed through the property tax bill.

### **Stakeholder Engagement, Research and Communication**

All property owners in Calgary have received their 2019 Property Assessment Notices which gave them their 2019 property assessed values and notification that tax billing will occur in May.

### **Strategic Alignment**

The recommendations are in alignment with the direction in Council's approval of One Calgary 2019-2022 Service Plans and Budgets (C2018-1158), as amended.

### **Social, Environmental, Economic (External)**

The Property Tax Bylaw allows the municipality to generate the tax funds necessary for its operation. This allows The City to deliver the full range of municipal services approved in One Calgary 2019-2022 Service Plans and Budgets, as amended.

### **Financial Capacity**

#### ***Current and Future Operating Budget:***

The estimated funding of \$1.9 billion generated through the Property Tax Bylaw will meet the 2019 operating budget requirements that align with the approved One Calgary 2019-2022 Service Plans and Budgets (C2018-1158), as amended.

Chief Financial Officer's Report to  
Combined Meeting of Council  
2019 April 08

ISC: UNRESTRICTED  
C2019-0382

## **2019 Property Tax Related Bylaws**

---

### ***Current and Future Capital Budget:***

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

### **Risk Assessment**

Any delay in passing the 2019 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 2019 Property Tax Bylaw is passed, The City of Calgary cannot meet its 2019 municipal financing obligations.

The timing and amount of the provincial requisition is unknown due to the absence of a provincial budget. This report is based on the 2018 provincial requisition amount of \$780 million which would result in tax room of \$27 million. If the final 2019 provincial requisition is greater than this estimate there may be no tax room. Shortfalls would be taken out of the City reserves and recovered in 2020 through the provincial tax rate that year.

### **REASON(S) FOR RECOMMENDATION(S):**

The 2019 Property Tax and Related Bylaws are needed for The City to collect property taxes in 2019. The Property Tax and Related Bylaws are in alignment with the One Calgary 2019-2022 Service Plans and Budgets, as amended. The 2019 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 and is required to pay the Provincial Requisition quarterly.

### **ATTACHMENT(S)**

1. Attachment 1 – 2019 Provincial Property Tax Summary
2. Attachment 2 – 2019 Municipal Property Tax Summary
3. Attachment 3 – Proposed 2019 Property Tax Bylaw 13M2019 (Option 1)
4. Attachment 4 – Proposed Machinery and Equipment Property Tax Exemption Bylaw 14M2019
5. Attachment 5 – Proposed Rivers District Community Revitalization Levy Rate Bylaw 15M2019 (Option 1)
6. Attachment 6 – Proposed 2019 Property Tax Bylaw 16M2019 (Option 2)
7. Attachment 7 – Proposed Rivers District Community Revitalization Levy Rate Bylaw 17M2019 (Option 2)