



Report Number: C2019-0782
Meeting: Special Meeting of Council
Meeting Date: 2019 June 10

NOTICE OF MOTION

RE: Immediate Tax Relief for Calgary Businesses

Sponsoring Councillors: Keating, Sutherland, Colley-Urquhart, Woolley, Chahal, Davison, Demong, Magliocca, Chu, Carra

1. WHEREAS Calgary's economic downturn has resulted in the second highest unemployment rate in Canada, a significant impact on downtown vacancy rates, and declining property values of downtown office buildings, resulting in a \$250 million shift in and redistribution of property taxes among non-residential property taxpayers mainly outside the downtown in 2019;
2. AND WHEREAS Calgary City Council established the Municipal Non-Residential Phased Tax Program to assist non-residential properties impacted by tax increases due to the large shifts in market value for the 2017 and 2018 tax years, limiting tax increases due to these changes in the assessed value of non-residential properties to 5% in 2017 and again in 2018;
3. AND WHEREAS The City of Calgary (The City) had previously set aside \$70.9 million (\$44 million from the Fiscal Stability Reserve and \$26.9 million within the Budget Savings Account) for tax relief for small businesses through either a grant program or a phased tax program in 2019;
4. AND WHEREAS property taxes are the primary source of funding for The City's operating budget to support the delivery of municipal services to Calgarians, with The City collecting property tax from approximately 14,000 non-residential properties and approximately 500,000 residential properties;
5. AND WHEREAS on April 8, 2019 Council continued to shift the tax burden from non-residential property taxpayers to residential property taxpayers, where the total tax revenue share is now 47% residential (+1% change) and 53% non-residential (-1%);
6. AND WHEREAS more than half of non-residential properties will experience an assessment-related tax increase in 2019 great than 10%, with approximately 1,300 non-residential property owners experiencing property tax increases of 30% or greater, approximately 1,400 non-residential property owners experiencing property tax increases of 20 to 30%, and approximately 5,250 non-residential property owners experiencing property tax increases of 10 to 20%;
7. AND WHEREAS Provincial law, specifically the *Municipal Government Act* and related regulations, establishes the property tax system, including the methods of assessment and the distribution of taxes among non-residential taxpayers, which have resulted in these massive tax increases for Calgary businesses;
8. AND WHEREAS during this current economic downturn, the Province has requisitioned approximately \$3.8 billion from Calgarians through property taxes over the past five years, which accounted for 30.5% of the total property taxes collected in 2018;
9. AND WHEREAS Council addressed this issue in the 2019 operating budget, recognizing that the magnitude and impact of this complex problem requires short, mid-term and long-term solutions with challenging economic forecasts anticipated to continue over the next three years of the Business Planning Cycle;

10. AND WHEREAS when Council approved the One Calgary 2019 – 2022 Service Plans and Budget (One Calgary) on November 30, 2018, further direction was provided by Council to Administration to undertake a comprehensive “Line of Service Review” (LOSR) to closely examine the 61 lines of service in which Administration advised that such a LOSR will take a minimum of 18 months;
11. AND WHEREAS it is important to acknowledge that during the 2015-2018 period in dealing with the economic downturn, City Administration through intentional management of the operating budget identified and realized \$614 million in cost savings and efficiencies, and further, leading into the One Calgary Budget, an additional \$40 million in efficiencies were incorporated, with a further \$16.5 million in salary and wage reductions realized for 2019;
12. AND WHEREAS during One Calgary budget deliberations, although not directed by Council, Administration also committed to finding an additional \$60 million total in efficiencies and budget reductions within the remaining 2020 – 2022 cycle;
13. AND WHEREAS salaries for management exempt staff were frozen in 2018 and 2019, while in 2017 the exempt salary ranges were frozen so those at the top of the range had a salary freeze, while Council has been advised that The City does not have the authority, nor has it been granted by the Province of Alberta, to roll back wages and salaries of unionized employees as a mechanism to reduce the operating budget and ultimately the tax burden;
14. AND WHEREAS City Administration has requested that Council provide it with clear direction for the remaining three years of the Business Planning Cycle;
15. AND WHEREAS the intent of this Notice of Motion is to direct Administration to identify additional operating cost reductions for Council to implement immediately to provide immediate tax relief to Calgary businesses that drive the Calgary economy and make this a world-class city;

NOW THEREFORE BE IT RESOLVED that:

1. Council reconsider and rescind its motion on May 27, 2019 “That Council direct Administration to commit \$70.9 million of one time funding (\$44 million from the Fiscal Stability Reserve and \$26.9 million within the Budget Savings Account) for strategies related to short term mitigation measures or potential long term solutions for business in Calgary, to be determined through the work of the Financial Task Force (to be formed once the Terms of Reference are approved) and/or the working group, with options to be recommended to Council through Priorities and Finance Committee no later than November 2019”;
2. Administration identify permanent budget reductions of \$60 million for the 2019 tax year and report back to Council, no later than July 31, 2019, with the details of the proposed reductions for approval, which may include, but are not limited to, reductions and/or the elimination of programs, services and staffing positions;
3. Administration implement a 2019 Phased Tax Program (PTP), in a manner consistent with 2018, using the \$70.9 million as identified in 1 above and the \$60 million as identified in 2 above as an immediate credit to non-residential property tax accounts. This combined amount of \$130.9 million (one-time) will result in capping non-residential tax changes at -10.0% for 2019 (excluding increases as a result of non-market changes like property upgrades and expansions), on a basis proportional to the non-residential tax accounts’ increases above the previous year, and before business tax consolidation impacts (approximately 4.2% increase);
4. Administration to make available to the eligible non-residential property owner the impact of the 2019 PTP on or before June 28, 2019 on a best effort basis. Administration will ensure eligible PTP participants will see the monthly amount adjusted no later than August 1, 2019, and payment for any remaining qualifying accounts with an outstanding credit balance will be made no later than July 31, 2019;
5. Administration be directed to use the \$60 million in 2019 permanent savings as identified in 2 above to reduce the non-residential tax rate impact for 2020 and beyond to achieve a shift from the non-residential assessment base to the residential base.

6. Council requests the Mayor to send a letter to our partners in the provincial government requesting to engage in discussions regarding assessment reform.