

Tax Share

The Future: An overview of levers & approach

Finding Solutions to the Problem

The steep and rapid decline in the market value of a small number of high valued downtown properties has resulted in a redistribution of property taxes (\$250M from 2015-2018) to other non-residential properties, causing untenable property tax increases for some property owners. With all things equal, it is estimated more than half of non-residential property owners will experience increases greater than 10% over last year.

The City is exploring options to support the business community and sustain long-term economic health for all Calgarians. It is understood that businesses create jobs and are fundamental in supporting the vibrancy of the overall community, but solutions also need to be considerate of the impact on residential property owners.

Approach

This is a large and complex issue that has persisted and may be expected to continue for some period of time. For this reason, there is a desire to approach this issue in stages:

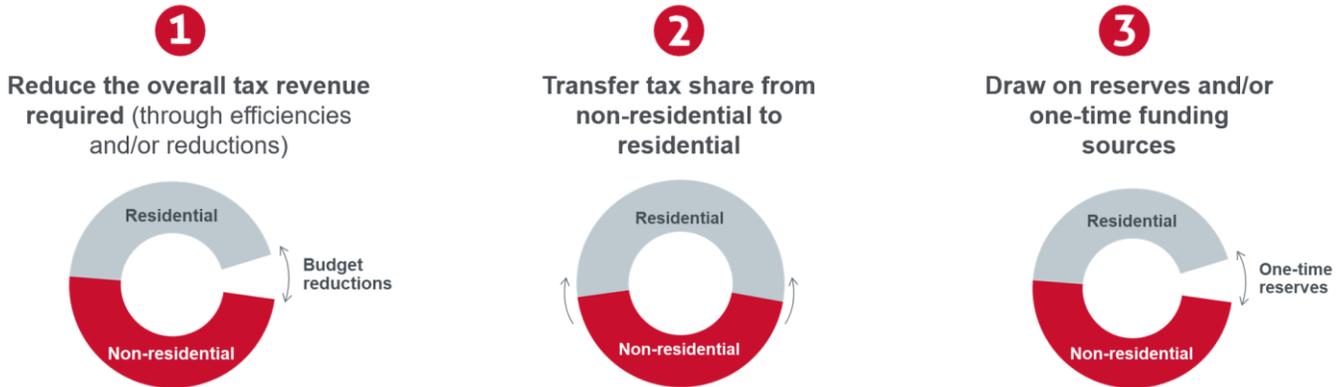
Short term support	Medium and long term support
<ul style="list-style-type: none"> Focus on solutions to best support the most affected non-residential properties (and their tenants/businesses) and the immediate issue related to 2019 property tax bills. 	<ul style="list-style-type: none"> Includes larger discussions on: the economy, Calgary’s economic resilience, Downtown Strategy, possible alternatives to and/or changes to the current assessment/taxation system and alternative revenue sources.

Guiding Principles



Tax Share

Short Term Levers



The City has some mechanisms that can be implemented in the short term to assist the non-residential property owners (and their tenants/businesses) who are the most severely impacted from this redistribution. Such mechanisms include:

- Overall budget reductions
- A transfer of some of the tax responsibility paid from non-residential properties to residential properties
- One time or short-term mitigation programs

In developing solutions that utilize these levers, a key question to consider is - what are the appropriate mechanisms to use to assist the most impacted non-residential property owners and business tenants?

Scenarios and considerations

Administration and Council have [proposed various scenarios](#) to address the problem in the short term. Each of the scenarios utilize various short term levers and some scenarios pull harder on levers than others. All scenarios must be considered in the context of the following questions:

- **How is the overall property tax responsibility shared between residential and non-residential taxpayers?**
Under the existing legislation, the two primary groups that contribute to property taxes are the residential and the non-residential property owner. If there is a desire to alter the current shares of overall property tax responsibility – how much should be moved, how quickly and what is the impact for property owners?
- **Should one-time funding sources be used to buffer or mitigate tax shift impacts?**
The economic issue facing Calgary has an unknown timeline for improvement and the impact upon the downtown property values is also unknown. Given the uncertainty related to how many future years would continue to require “one-time funds” should these programs continue to be considered? If they are, what level of funding is available and what type of mitigation program should be implemented? Should the program be aimed at non-residential or residential property owners? How long should the program last? These options should be considered with a full understanding of the compounding effect any one-time solutions will have on property owners in the following year.

Tax Share

- **Should further efficiencies and budget reductions in addition to those already identified through the One Calgary 2019-2022 plans and budget be explored?**

What level of efficiencies or reductions are possible to achieve the property tax supported budget and what are the corresponding service impacts? Over 2015-2018, The City identified [\\$607 million in savings, efficiencies and reductions](#) and has committed to find another \$60 million in efficiencies and reductions. If Council makes different decisions as a result of the Downtown Tax Shift discussion, changes to business plans and budgets will be need to be made considering where additional budget reductions should be made and corresponding reductions in service levels for citizens.

Looking ahead

At the Strategic Meeting of Council on April 1, City Council will make decisions about 2019 property taxes after discussing tax share and mitigation options to support business and be fair to residential property owners to sustain economic health for all Calgarians. This discussion will take place after Council receives an update on the Downtown Strategy and hearing about the work already underway and what's proposed to address overall vibrancy in the downtown core.