NAIOP Calgary Government Affairs Newsletter

July 2022

The GAC Committee

The NAIOP GAC committee

The current committee members are:

Barry Sullivan	Chris Ollenberger	Eileen Stan
Paul Gedeye	Grace Lui	Richard Morden
Jamie Cooper	Dallas Wingerak	Bob Homersham
Alex Leliever	John Fisher	Bernie Bayer
Guy Huntingford		

Issues: - Top Priorities

Latest Advocacy Items:

1. Non residential property taxes
2. City wide Growth Strategy
3. Industrial growth strategy
4. OSL levies + proposed Established Areas pipes levy
5. Climate Change Strategy - pathway to 2050
6. Greenline
7. BIA business taxes - new method of taxation
8. Downtown Strategy
9. EAGCS (Established Areas Growth and Change Strategy) + CIT (Comprehensive Investment Tools) for established areas.

Issues: - Other

The list of other issues that we work on from time to time has been updated to reflect our latest advocacy efforts.

Please note the list is NOT in priority order

Each one of these issues are on-going

Other advocacy issues

1. LAP's (Local Area Plans)
2. Drought Resilience Plan
3. BAC - Business Advisory Committee (cut red tape)
4. City Re-Organization
5. MGA & City Charters (as they relate to OSL's)
6. CMRB (Calgary Metropolitan Region Board)
7. Alberta Ecotrust & Deep retrofit Capital (building retrofits)
8. Storm Water Management
9. Divestment of City owned lands
10. RECA

New Council - Highlights

This Council is 9 months into their 4 year term.

As suspected the massive bureaucracy with all its protocols and policies has slowed done many of the new Councillors and their mission to change how the City operates and/or push through their agendas. The new reality is they must work within the system to affect any meaningful change. Most seem to have adjusted.

Top of mind key issues this Council has been dealing with since the last newsletter:

- Crime and homelessness
- Ending COVID related policies
- Property Taxes
- First look:- 23-26 budget (One Calgary)
- City wide growth strategy for 23-26
- Supplies and procurement for City Services
- Climate change - Strategy to get to net zero by 2050 (Council approved the strategy with amendments, July 5)
- Spring flooding concerns
- Implementing the Downtown plan - First round of office to residential conversions
- Concerns over build out of the Rivers District after the new Event Centre deal died in December.
- Arguing with the Province over budget and ambulance services.
- How to market and promote the quickly recovering economy and good news stories about ‘unicorn Co’s’ and the rest of an expanding tech sector.
- Market and non–market housing supply and affordability.

Non-Residential Property Taxes

Non-Residential Property Taxes still remains the top priority for NAIOP Calgary.

The last few months have been spent gathering other stakeholders to join NAIOP in raising awareness and getting Council to implement a much needed change to the way the municipality calculates/collects property taxes.

As members are aware businesses (non-residential) in Calgary have continued to pick up a disproportionate share of the property tax burden over the last few years. To put this in perspective there are 532,000 residential properties and only 14,750 non-residential. To exacerbate the problem since 2016 the downtown building assessment values have dropped by $17+B. To help reduce massive property tax increases to the non-res base the City dipped into reserves to the tune of $260M since 2016. This is not sustainable so something must be done to implement a methodology that protects our businesses.

For the last number of years the City has used a tax share approach to move the burden from non-res' to res'. 2019 saw the last 3% 'move' so that we now have res' paying 52% of the burden and non-res paying 48%. The City has publicly stated that they are considering a move (over time) to 60% res and 40% non-res. This is welcome news. We support any movement that would help our members.

NAIOP, BOMA, CDA and the Calgary Chamber have joined together to remind Council how important it is to implement a sustainable system that does not require constant annual Council intervention.

Our group feels that implementing a tax ratio approach is the best course of action. This entails setting a ratio that is static between non-res' and res'. We believe that 2.8:1 is a fair ratio. This means that non-res pays 2.80 more than res', per $1000 of assessed property value.
Again for perspective, based on the 2022 tax year Council is using the tax share approach that sees non-res paying at 3.81:1.

Non-Residential Property Taxes … Cont’d

The detailed methodology for calculating property taxes is complex and can’t be explained in this newsletter.
However, we believe there are good reasons for Council following the Tax ratio approach.
The first is that the ratio can be set and does not require annual intervention by Council.
The second is that as assessments rise and fall, the burden automatically shifts as the ratio is fixed. For example if non-res assessments rise then the amount of tax non-res pays rises and the burden on res’ decreases. If non-res assessments fall then res’ will take more of the burden.

If we look at the last few years non-res assessments have fallen with the downtown seeing extremely lower assessments. Using a tax share approach (52-48) means that non-res must pick up 48% of the tax burden which translates to a 3.81:1 ratio for 2022. Fixing the tax ratio at 2.8:1 would have automatically adjusted the share.

At this writing there are many of the City Council and Administration that believe that the tax share approach is best as it is an easier concept to sell (e.g: Res’ pays x% and non-res’ pays y%). Our group understands this and getting Council to act in any way is preferable to nothing being done.

We believe the approach (share or ratio) Council takes to dealing with the P.Tax dilemma is secondary to actually addressing the issue

City wide Growth Strategy

Before the last 4 year budget cycle (2019-22), Administration told Council that the way growth was funded (isolated review of each of the three development areas) was not ideal or the way forward. They explained to Council that growth must be viewed from a City wide perspective. Further, they stated that a comprehensive (city wide) growth strategy for growth investment would be implemented in the 2023-26 budget.

Fast forward to today and on June 27th & June 30th IPC (Infrastructure Planning Committee) reviewed the city wide growth investment portfolio for the 2023-26 budget.

The reason for a city wide growth strategy is it allows Administration to review all the requests for growth funding from the three areas of growth (new communities, established areas and industrial) and then prioritize it based on the best return for the City and Industry. Of course this is not without controversy as developers want infrastructure to facilitate their developments, approved and implemented ASAP.

Administration presented a comprehensive investment portfolio https://pub-calgary.escribemeetings.com/filestream.ashx?DocumentId=212496
which is the first attempt at a city wide perspective on growth. How different this looks from using the old method and comparing the 3 areas of growth investment recommendations, is impossible to ascertain as the old method is gone.

On paper the new approach is more transparent and helps the City get the best return for its investment.
Time will tell if it is an improvement.

Industrial Growth Strategy

The path to an Industrial growth strategy has reached some important milestones recently.

The Industrial growth team presented their changes to the LUB (land use bylaw) and MDP (municipal development plan) to IPC (Infrastructure Planning committee) and received full support. The changes are specifically designed to aid industrial development.
These changes provide:
- Encourage the retention of large industrial parcels
- Update regulations to allow for more land uses in industrial districts (streamline development processes)
- Encourage the development of more complete industrial areas
- Improve transparency / clarity for industrial developers and the public. Incorporate City and Provincial requirements in the Bylaw.

NAIOP Calgary has canvassed several of our membership and discussed the recommended MDP and LUB changes and have universally been met with a positive response.

Next step for the LUB and MDP changes is Council approval on July 5

As discussed in the earlier 'city wide growth strategy' all areas of development have been considered through a city wide lens.

The Industrial growth team submitted their list of infrastructure projects to be considered by the Growth services team and the resultant ask for the 2023-26 budget is detailed in https://pub-calgary.escribemeetings.com/filestream.ashx?DocumentId=212497

The ask for industrial is significant, for significant 7 key projects with a total ask of $231.5M

OSL’s (Off Site Levies) + Est. Areas Pipes Levy

Since the last newsletter the City of Calgary has changed its approach as to how it will introduce a new Offsite Levy Bylaw (OSL).

After more than 2 years the City felt that they needed to change the approach to consulting with Industry as well as introducing a new methodology for calculating OSL’s.

To be specific most of the work centres around Greenfield OSL’s. The proposal for an established areas pipes levy is completed and waiting (for almost a year) for Council approval. Regarding the Centre City Levy. The decision was made to leave this Levy as is.

There has been a lot of turnover of the City’s OSL team. This along with the need to re-think the Methodology, caused significant downtime over the last few months.

On May 31 and June 28 the City’s OSL team made presentations to the Industry Executive then Broader Industry participants respectively.
These meetings lay out the work and timelines to get to a conclusion and a draft bylaw by Q1 of 2023. The City OSL team has been very clear that there will be a new bylaw in Q1 of next year.
For the City to meet its timelines it will engage (consult and inform) with industry but this will not be a negotiation.

For those interested in the presentation to industry see *OSL Resuming Consultation - June 28 2022* in the attachments

Climate change initiatives

The declaration of a climate emergency last October (https://www.calgary.ca/environment/climate/climate-change.html) has focused the City climate team on producing a strategy that provides a plan for getting the City to net zero by 2050.

The plan, a 99 page *Climate Strategy - Pathways to 2050* report (https://www.calgary.ca/content/dam/www/uep/esm/documents/esm-documents/climate-strategy-pathways-to-2050.pdf) was received by the Community Development Committee on May 31. The intent was to vote on the report at this meeting but 2 councillors asked that it be tabled and brought to the July 5 council meeting for further debate.
On July 5 Council Council voted 9-6 in favour of the report. Coun. Sean Chu, Sonya Sharp, Andre Chabot, Richard Pootmans, Jennifer Wyness and Dan McLean were opposed…. Mayor Gondek said approving it allows the climate team to create an action plan that will provide the needed asks for the 23-26 budget in November.

The report details both a mitigation plan and an adaptation plan and is not without its skeptics.

NAIOP was asked to submit a letter of support along with other organizations / stakeholders. We circulated a draft letter with our board but felt that there were too many questions related to the report. We decided to abstain from taking a position.

When Council voted they had questions and issues and added 3 amendments to the report before voting.

The real flash point in the report is an estimated cost to reach the 2050 goal of $87B. This is a purely hypothetical number based on current modelling and was detailed to provide an order of magnitude to the initiative. Unfortunately the report doesn't clearly speak to a net number after considering the many savings along the way. There has been much written about this in the media.
https://globalnews.ca/news/8967784/city-council-greenlights-climate-strategy-calgary-net-zero-by-2050/

Green Line

Here is the current status that we have gleaned from our monthly discussions with the G.Line team (CEO & CAO)

- At this writing the 2nd Station (Eau Claire) is still under negotiation. There is still optimism that an agreement can be made soon. G.Line CEO is confident. Meetings are weekly.
- The RFQ (development partner) closed at the end of June. G. Line team will evaluate until the end of July. Recommendations will be made to the Board.
- G. Line team wants to name the development partner in Q1 2023.
- The intent is to have 2 Co's competing for the project.
- The G.Line team has indicated that the CCA will be used to source all the actual construction Co's. The development partner will interview all trades.
- A new LRT car will be delivered in Q3 so that it can be scrutinized in situ before a order is placed.
- The work to move utilities is fully underway on 12th Av
- Thom Mahler managing the billion dollar downtown revitalization plan is working with the G.Line team to ensure integration of the projects and an aligned budget ask.
- G.Line team says there are still pressures from the Adhoc business group to pause the project and reevaluate
- G.Line team is doing constant peer review of costing from suppliers . There has been extreme escalation costs quoted be some contractors. This appears to be confined to small contractors. The larger Co's can absorb much of the volatility. All major projects in N.America are suffering the same issues.
- On May 9th the Industry met to address the current state of affairs. 15 G.Line stakeholders attended.
- Lots of discussion regarding stations location and connections (6th St and 7th Av). Concerns over the 2nd St business interruptions and proposed 1 lane of traffic. Concern over the 2nd St station being the termination of the line.

BIA Taxation - Proposed changes

The cities of Edmonton and Calgary are leading a proposal to the Province (July 25th) to request changes to the Municipal Government Act (MGA) and BIA Regulation (the Regulation) to provide municipalities with the option to use property instead of business assessment for BIA tax administration.

NAIOP has been working with the City Assessment and BIA teams in reviewing the proposal. The reason for the proposed change is to allow the City the option to collect BIA taxes through property owners instead of business tenants. This would allow municipalities to eliminate business assessment entirely, resulting in significant cost savings for taxpayers, simplified taxes, and a more stable and equitable funding model.
Added to that is a computing system the City maintains just for business assessment and it is at the end of its life. The City does not want to continue to maintain it.
See the Anticipated Impacts, BIA reform proposal and BIA reform proposal FAQ's documents in the attachments.

The proposed changes were supposed to be implemented in 2017. For unknown reasons they were never proclaimed. The current regulation expires on June 30, 2024, hence the renewed push for the regulation reform.

There are a myriad of reasons to support the proposal that are detailed in the proposal. The key ones are an alignment with other municipalities in Canada, simplified taxes, transparency and the ability for building owners to have direct input into the governance and management of the BIA.

As expected there are some issues when moving to any new system. The key ones are that the current business assessment system exempts vacant space and parking. Using property assessment this space would be taxable (See FAQ's). Increased administrative expenses for property owners downloading the BIA tax to their tenants and major shifts in property assessments are other considerations that municipalities could mitigate with grants and/or caps. This is up to each municipality.

Downtown Strategy

Since the last newsletter the downtown strategy has moved forward quickly under the management of Thom Mahler and his team.
There are 5 approvals for office to residential conversion from the first application round with the second round is starting July 15th and running until september 8th.
The conversion incentive program offers $75 Sq/ft with a $10M cap unless approved by Council.

Details of the conversion programme and the 5 buildings already chosen for conversion is at https://www.calgary.ca/pda/pd/downtown-strategy/downtown-calgary-development-incentive-program.html

To date we are not aware of firm commitments from the Province or the Feds in terms of financial support of the DT strategy. Interestingly it is only the opposition NDP who have pledged to provide $155M to aid with continued office to residential conversions.

One of the key components of the strategy is the 3 major capital projects that will have an enormous economic impact on downtown. The BMO expansion is funded and underway. Arts Commons (including the refreshed Glenbow) is underway. The Event Centre is back to the drawing board now the original deal is defunct.

NAIOP continues to support the DT strategy and based on member feedback we continue to advocate for a robust plan to deal with crime and homelessness. This is is a barrier to realizing what is considered in the plan.

Established Areas Growth & Change Strategy (EAGCS)

We reached a milestone with the EAGCS at IPC (infratsructure planning committee) on June 27th. The committee was asked to approve the investment portfolio that was presented by administration as part of the City wide growth strategy. (see City wide growth strategy above)

The details regarding the established areas ask can be found here. https://pub-calgary.escribemeetings.com/filestream.ashx?DocumentId=212498

The 23-26 budget ask was packaged in an interesting way. To date EAGCS has concentrated on public space investments in both phase 1 and 2. As readers will remember, phase 1 saw a one time investment of $30M that was championed by Mayor Gondek. As part of the phase 2 work funding we insisted that Council needed to approve a sustainable annual funding mechanism for the established areas public spaces.

We were pleased to see that Administration asked for an AIP. They determined that this Annual Investment Program to be the most appropriate funding mechanism to support reliable growth investment in the established area.

Added to the remaining funds from the previously approved $30 and adding the TOD (transit oriented developments) funding the full ask was $83M for 4 years.

Administration acknowledged that there is other investment in established areas for the already approved Main Streets program and ongoing utilities infrastructure upgrades. The actual ask for these two other investments is detailed in other service lines.

On June 30th IPC approved the Identified Established Area Capital Investments found in the Growth Portfolio identified in Attachment 2 as guidance for growth-related investments in the 2023-2026 Service Plans and Budget Process; passed 12-0

Established Areas Growth & Change Strategy (EAGCS) ..cont'd

Another motion was moved by Councillor Walcott. Passed 7-5

That with respect to Report IP2022-0545, the following be approved, as amended: That the Infrastructure and Planning Committee recommend that Council:

Direct Administration to prepare information for discussion on an updated Established Area Growth Strategy Framework that:
a. Incorporates other Established Area growth facilitating work including, but not limited to, Calgary Plan, Multi-Community Local Area Plan, Land Use Bylaw Renewal, Main Streets, Transit Oriented Development, Urban Infrastructure; and
b. Includes an enhanced Established Areas investment / funding proposal.
And include the information at the September Accounting for Growth Learning Session, with a subsequent request to provide as a Briefing to be added to the Corporate Record to the 2022 September 29 Executive Committee Meeting.

Thanks!

Contact us:

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Attachments

OSL Resuming Consultation - June 28 2022

BIA reform proposal

BIA reform Anticipated Impacts

BIA reform proposal FAQ’s

Off-site Levy Bylaw Review

June 28, 2022

Today’s Agenda

1. **Message from Executive Sponsor**
2. **What we heard**
3. **Off-site Levy Bylaw Review**
    a) Project Roadmap
    b) Project Team
    c) Strategy
    d) Formula
4. **Consultation focus areas**
5. **Next steps**
6. **Discussion**

Message from Executive Sponsor

Josh White

Director, City & Regional Planning

What we heard

- Confusing formula
- Denominator questions
- Concerns on incline

What we've done

- Worked on how to better explain the formula
- Reviewed denominator(s)
- Identified opportunities to explore

Project Roadmap

2022			2023		
Q2	Q3	Q4	Q1	Q2	Q3

Where we are

DRAFT → REVIEW & APPROVE → IMPLEMENT & SUSTAIN

Refine formula Improve communications with stakeholders	Industry/City Working Groups Learning Session(s) with Council	Finalization of levy rates Public Engagement	Council approval	Adopt new bylaw(s) Collect levy funds based on new levy rate

Consultation Tactics

Industry Executive Sessions

Monthly executive sessions

Industry Working Groups

Water Resources
3 – 4 sessions

Community Services
5 – 7 sessions

Transportation
7 – 8 sessions

Industry Online Portal & Survey

Detailed information

Opportunity for additional industry engagement

Regional Partners

CMRB circulation for information

Discussions on infrastructure investments plans

Council Workshops

Optional opportunities for informal discussions on the details of the levy

Public

Advertising

Engagement of impacted members

Project Team

Krista Campbell

Project Sponsor

Angela Sedor

Project Lead / Incumbent Community Services Lead

Brian Arthur

Transportation Lead

Chris Tse

Water Resources Lead

Michael Sydenham

Funding & Investment Consultant

Consultation & Communications

Pam McHugh

Consultation Facilitation

Quinn Eastlick

Consultation Facilitation

Erika Van Boxmeer

Communications

Off-site Levy Bylaw
Inputs, Collection & Allocation

Input 1:
Long-Term Vision / Plans

- Municipal Development Plan / Calgary Transportation Plan
- Area Structure Plans / Outline Plans
- Infrastructure Investment Plans / Feasibility Studies

Input 2:
Citywide Growth Strategy

- New Community Business Cases (every 2 years)
- Industrial Strategy

Off-site Levy

- Bylaw updated every 2 years*
- Collection through Development Agreements

Output:
Budget Allocation

- Corporate prioritization
- Business Plans & Budgets
- Budget cycle every 4 years with mid-cycle adjustments

*Under review

Strategy

Guiding Principles & Strategic Objectives

Council’s Strategic Direction

Calgary is a resilient city

Economic Resilience	Social Resilience	Climate Resilience
		

- Strengthen Relationships with Calgarians
- Deliver the right services
- Build strong communities
- Invest in infrastructure
- Finance our future

Off-site Levy Bylaw
Guiding Principles

Sustainable & Resilient

Increase financial resilience

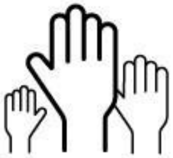
Shared Cost, Share Benefit, Shared Risk

Equitable sharing

Competitive

Deliver infrastructure within a competitive & stable environment

Collaborative & Consultative



Approach with stakeholders

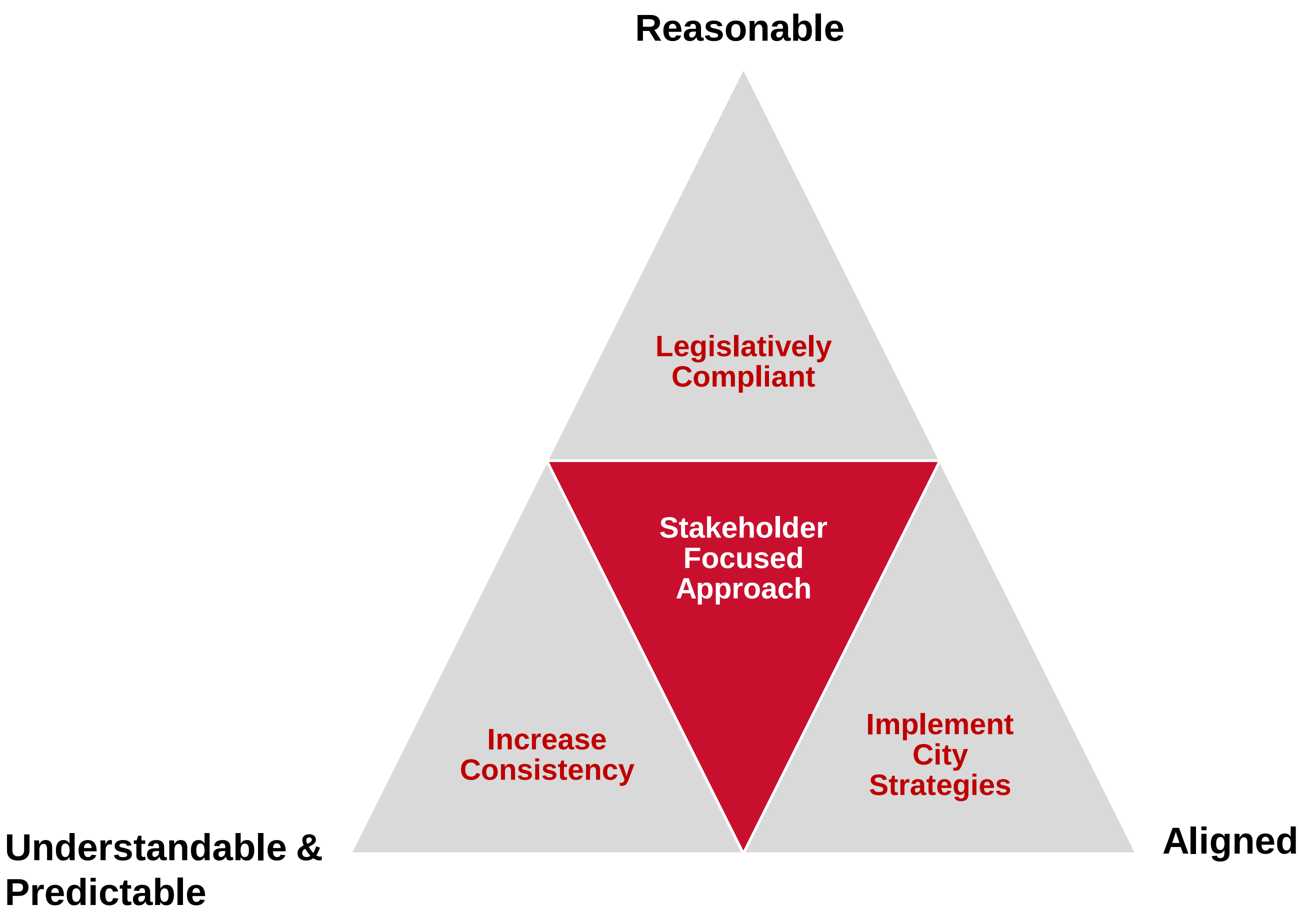
Transparent & Accountable

Oversight, stewardship & ongoing monitoring & reporting

Aligned & Compliant

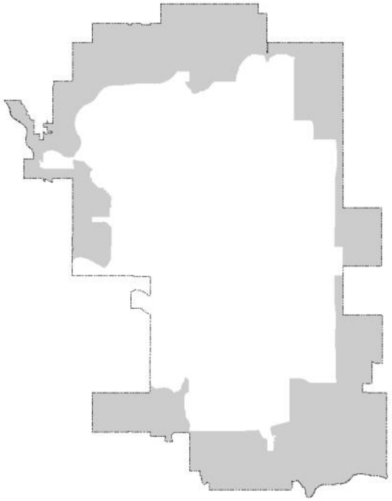
Legally defensible & legislatively compliant

Off-site Levy Bylaw Review
Strategic Objectives



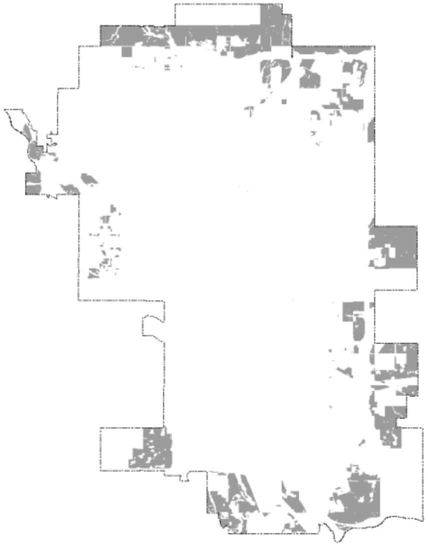
Off-site Levy Bylaw
Current vs. Future State

Current State



- Forecast based
- Inconsistencies
- Shortfalls (debt)

Future State



- *Defined* area
- *Defined* project list
- *Defined* benefit categories

Formula

Defined area, defined projects, defined benefit

Formula Components

Leviable Land (ha)

Defined area

Capital Costs ($)

Defined list of projects

Benefit (%)

Defined benefit categories

Formula

Capital Costs ($)[2] x Benefit (%)[3]

Leviable Land (ha)[1]

= **Levy Rate per Hectare[4]**

1 Leviable land refers to land available for development with active Area Structure Plans that has not previously paid levies
2 Capital costs required for leviable land
3 Benefit attributable to leviable land
4 Different levy rates per infrastructure type/infrastructure category

Formula Inputs

Capital required & adjustment factors[5]

Population & job growth

$$\frac{\text{Capital Costs (\$)}^{2} \times \text{Benefit (\%)}^{3}}{\text{Leviable Land (ha)}^{1}} = \textbf{Levy Rate per Hectare}^{4}$$

Actively Developing Communities &/or Area Structure Plans

1 Leviable land refers to land available for development that has not previously paid levies
2 Capital costs required for leviable land
3 Benefit attributable to leviable land
4 Different levy rates per infrastructure type/infrastructure category
5 Includes discount factors & escalation factors

Area Served by Infrastructure

Community

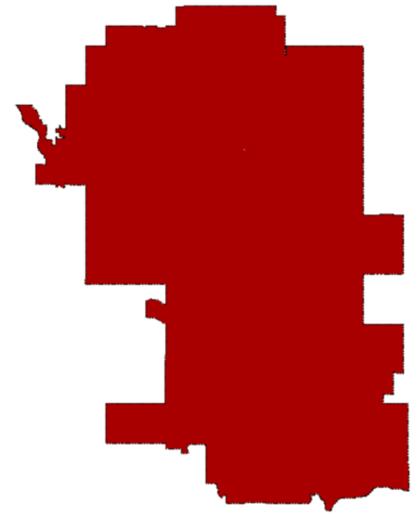
A community is served by infrastructure

E.g., Linear extension

Area Structure Plan(s)

Entire ASPs or several served communities by infrastructure

E.g., Libraries



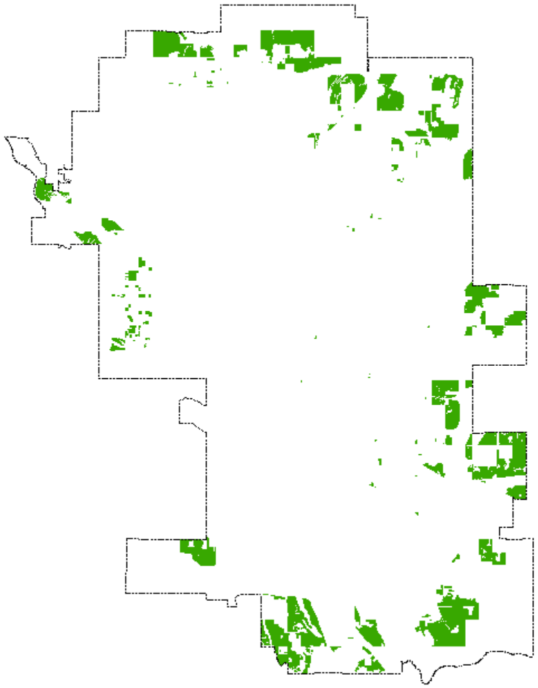
City-wide

City-wide service area; system-based infrastructure

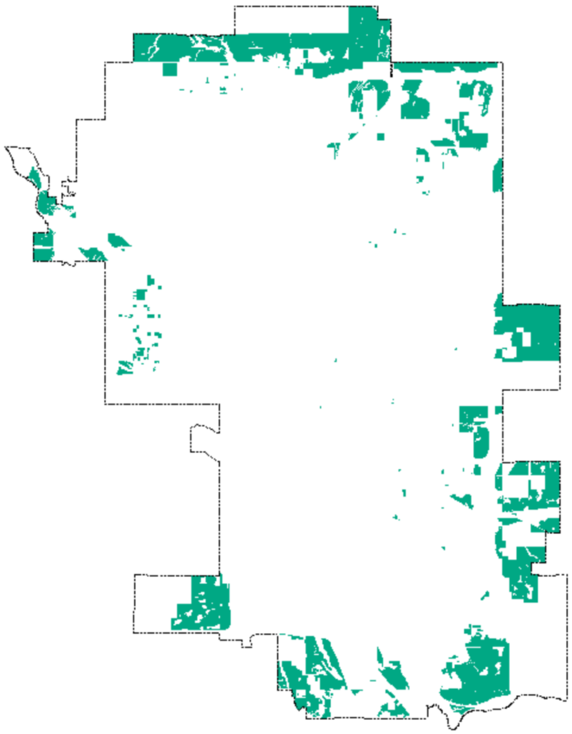
E.g., Interchanges

Leviable Land* (ha)

Actively Developing Communities



Area Structure Plans



*Leviable land refers to lands within the greenfield, available for development, with Area Structure Plans that have not previously paid levies.

Benefit (%)

- Benefit attributable to leviable land
- Consistent population and job growth data
- Infrastructure planning benchmarks / equivalent population
- Benefit methodology will be different for each infrastructure type

Benefit Categories

#	Infrastructure Required	Estimated Capital Costs	Other		Greenfield			Leviable Costs
			Established Area	Region	Previously Levied	Leviable Land	Future Leviable	
1	FACILITY	$10M	N/A	N/A	5%	95%	N/A	$9.5M

Impact of new community business cases

Water Resources

New communities approved by Council:

- New leviable land added to denominator
- Any associated new capital projects added to the numerator

Transportation & Community Services

New communities approved by Council **in a new ASP*:**

- New leviable land added to denominator
- Any associated new capital projects added to the numerator

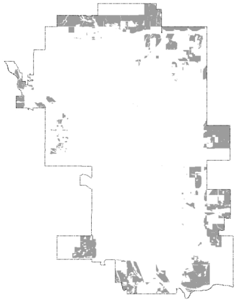
*Under review

Consultation Focus Areas

Working groups

Focus areas of working groups

All data/input information posted on Calgary.ca



Leviable Land (ha)

Defined area

- ✓ Questions for clarity on the rationale for the denominator chosen for each infrastructure type

Capital Costs ($)

Defined list of projects

- ✓ Review whitepapers
- ✓ Questions for clarity on the levy eligibility rationale of infrastructure listed and adjustments factors applied

Benefit (%)

Defined benefit categories

- ✓ Feedback on benefit rationale and continuous improvement opportunities for each infrastructure type

Next Steps

Next Steps

1 **Review** infrastructure whitepapers & online portal content

2 **Participate** in the working groups or through the online portal survey

1. Water Resources (July – September)
2. Community Services (July – November)
3. Transportation (September – December)

3 **Read** Dispatch newsletter updates to stay informed

Discussion

Discussion Questions

1. **WHAT WE HEARD:** Have we missed anything?

2. **FORMULA:** Is the new way of presenting the formula clearer?

3. **CONSULTATION:** What are your thoughts on the opportunities presented to you to stay informed/be consulted on for this project?

Thank you!

Questions & Comments

Proposal for Business Improvement Area Regulation Reform

Municipal stakeholders, in partnership with local Business Improvement Areas (BIAs), are jointly proposing changes that would benefit BIAs, local businesses, property owners and municipalities which will require changes to the *Municipal Government Act* (MGA) and *BIA Regulation* (the Regulation).

Proposed Changes

Amend the Regulation and/or the MGA to:

1. Provide municipalities with the option to use property instead of business assessment for BIA tax administration. BIA taxes based on property assessment would be administered in the same way as regular property taxes; and

2. Update the Regulation to reflect the impact that a change in the tax collection mechanism would have on the definitions, governance, and other BIA procedures. This type of modernized approach has already been successfully adopted by other major cities across Canada, such as Toronto and Vancouver.

Executive Summary

- The business tax system for funding BIAs is outdated and creates unnecessary red tape for businesses and municipalities.
- A modernized approach to BIAs would better serve the interests of local communities and support Alberta's economic recovery by enhancing collaboration between businesses and property owners.
- The option to collect BIA taxes through property owners instead of business tenants would allow municipalities to eliminate business assessment entirely, resulting in significant cost savings for taxpayers, simplified taxes, and a more stable and equitable funding model.

Background

Since BIAs (previously known as Business Revitalization Zones) were introduced in Alberta in 1984, these organizations have been instrumental in supporting business success across the province. BIAs play a lead role in area revitalization and have helped to create the province's best-known communities and business districts. BIA input into decision-making and investments in promotion, events, maintenance, and streetscape in their areas creates vibrancy and supports business vitality by attracting visitors and investment. This work leads to increased demand for commercial space, decreased vacancy rates and ultimately increased property values which mutually supports and benefits property owners as well.

The MGA does not specify whether BIA tax can be imposed on properties or on businesses. However, section 20(3) of the Regulation only authorizes Council to impose a BIA tax on businesses operating within a BIA. Section 20(4) of the Regulation requires the annual preparation of a business assessment roll for the purposes of administering the BIA tax. This is the sole reason several municipalities in Alberta continue to prepare and maintain a business assessment roll each year, since no municipalities other than the Town of Stettler have a business tax in place.

In 2017, Bill 8 introduced amendments to the MGA that would permit municipalities to collect BIA taxes from property owners. This proposal was supported by local BIAs and despite passage at the Legislature and Royal Assent, these amendments were never proclaimed, possibly due to an oversight of the former government. The government at the time also communicated its intention to amend the BIA Regulation and to provide a draft for feedback, but this never occurred. The Regulation's June 30, 2024 expiry provides an opportunity for the province to consider reforms to both BIA taxes and governance that together will better support business vitality and Alberta's economic recovery.

Challenges with Current System

Limited Opportunity for Property Owner Involvement
BIAs initiate improvements and activities to help create and sustain a more vibrant economic environment within an area, which can lead to more profitable businesses, an increased demand for space, a decrease in vacancy rates, and an increase in property values. However, under the current system, property owners are not directly involved in decisions about the work and priorities of the BIA in their area or the BIA levy incurred by their tenants. BIAs currently have limited capacity to identify or engage property owners resulting in less collaboration and cooperation.

Fairness and Equity
Businesses that stop operating and vacant properties do not currently pay the BIA tax, resulting in concerns about equity and fairness. Depending on the municipality, this can skew tax responsibility to remaining businesses while BIAs invest in the public realm and create vibrancy for the whole community, occupied and vacant properties alike.

BIA Stability and Costs to Businesses
BIAs face instability in the BIA tax base due to increased business turnover and high vacancy rates in some areas, increasing costs for remaining businesses and limiting BIAs' ability to support business success and economic development. Municipalities have few options to enforce collection of BIA taxes since they are not linked to property.

Supporting BIA Establishment and Growth
There is ongoing interest in creating new BIAs across the province. The process to establish new BIAs and to identify who the members are is difficult for many municipalities because they no longer maintain a business assessment roll. This also limits existing BIAs ability to modify their boundaries.

Administrative Costs for Municipalities
Many municipalities have maintained a business assessment roll solely for the purpose of BIA tax administration. Due to business turnover, there is a higher administration cost associated with reconciling the inventory, tax collections and processing business openings, closings and changes. This requires time-intensive manual processes in smaller municipalities and expensive capital investments in larger municipalities. This challenge and the associated costs increase as new BIAs are created.

Benefits of Proposed Amendments

Opportunities for Enhanced Collaboration between Business and Property Owners

Create opportunities and incentives for BIAs and property owners to work more collaboratively to promote their areas, respond to local needs, fill vacancies, attract new businesses, and support existing businesses.

Fairness and Equity
Create greater equity and fairness by distributing the BIA tax responsibilities across all non-residential properties in a BIA, ensuring that all businesses and properties are contributing to the benefits they reap from being part of a BIA.

BIA Stability
Businesses frequently close, move and undergo other changes that impact business assessment values. Changing the method of collection would reduce BIA membership volatility resulting from frequent changes to the business assessment base and provide a more stable funding model.

Supporting the Success of Local Businesses
This would increase the BIA tax base, reduce the BIA tax responsibility for many businesses, and enable greater collaboration to support business success.

Supporting BIA Establishment and Growth
This would reduce administrative barriers and support property and business owners seeking to establish a BIA in municipalities that do not currently prepare a business assessment roll. Reform is needed to ensure BIAs continue to be a useful tool for economic recovery and growth.

Simplified Taxes
This would reduce red tape for local businesses by simplifying taxes and providing enhanced transparency and predictability for BIA tax bills. Under the current system, businesses in BIAs incur taxes from two distinct assessment systems (property taxes are levied against the property owner but are generally passed along to businesses through their lease). The proposed change would allow municipalities to effectively eliminate the business assessment system and rely on a single and more stable property-based assessment system. This change would be revenue neutral and result no additional tax levied in a BIA.

Reduced Administrative Costs for Municipalities
This would provide short and long-term efficiencies and cost savings for municipalities required to maintain a business assessment roll for the sole purpose of BIA tax administration. This would also avert the need for significant capital expense to upgrade assessment and tax systems.

A Modernized Approach
This could help to attract investment and retain Alberta's competitive advantage for businesses by aligning BIA tax administration processes and governance in Alberta with other jurisdictions in Canada.

Attachments:
1. Impacts of BIA Tax Collection through Non-Residential Property Assessment (Calgary and Edmonton examples)
2. BIA Regulation Reform Proposal - FAQs
3. Letters of Support

Impacts of BIA Tax Collection through Non-Residential Property Assessment – Calgary

Key Findings

- Shifting the BIA tax to property would result in significantly lower BIA tax rates applied across a larger base of taxpayers in a BIA (see Table 1).
- For the typical property valued at $1 million, annual BIA tax costs (likely to be recovered from tenants) would be less than $700 total.
    - o For properties in the Calgary Downtown Association, the BIA tax cost per $1 million in assessed value would be just $149.
    - o In contrast, the average business' BIA tax bill in 2021 was $824.
- Minimal changes in BIA tax responsibility are expected for properties in BIAs with low vacancy rates or a property to business ratio that is closer to 1:1.
- Approximately 60% of properties across all BIAs could expect to pay less than their tenants were previously paying. The typical property would pay approximately $64 less.
- For properties that may see an increase in BIA tax costs relative to what their tenants paid for BIA taxes in 2021, the typical property would see an increase of approximately $26.
    - o Higher value properties can expect to see higher costs proportionate to their property value.
    - o Larger shifts in BIA tax costs relative to what tenants paid for BIA taxes in 2021 would primarily be attributed to high vacancy rates (which may be resolved over time) or the impacts of a change in assessment methodology (i.e. properties assessed on land value may see one-time shifts in BIA tax responsibility).

Table 1. 2021 BIA budgets, actual BIA tax rates and estimated tax rates if the BIA tax rate had been based on property assessment. Properties may estimate potential BIA tax responsibility by multiplying their taxable property assessment by the "what-if" 2021 BIA tax rate.

BIA	2021 BIA Budget	Actual 2021 BIA Tax Rate Applied to Business Assessment	"What-if" 2021 BIA Tax Rate Applied to Property Assessment
Beltline	$375,000	0.01777	0.00055
Mainstreet Bowness	$50,100	0.02142	0.00100
Bridgeland	$65,580	0.00822	0.00047
Calgary Downtown Association	$1,428,000	0.00331	0.00014
Chinatown	$195,000	0.01441	0.00046
Crescent Heights Village	$120,000	0.02664	0.00139
4th Street SW	$185,200	0.01742	0.00059
Greenview Industrial	$50,000	0.00487	0.00019
Inglewood	$265,000	0.02152	0.00098
International Avenue	$273,500	0.01343	0.00089
Kensington	$220,000	0.01895	0.00098
Marda Loop	$220,000	0.02348	0.00128
Montgomery on the Bow	$50,000	0.00965	0.00049
17th Avenue Retail & Entertainment District	$410,800	0.01583	0.00064
Victoria Park & First Street	$334,369	0.01396	0.00039

Important Considerations

- Analysis provided here is based on 2021 BIA and assessment information. 2022 data is not provided because current-year property assessments may be subject to change.
- BIA budgets are determined by individual BIA boards and approved by Council. BIAs may have different priorities, sizes, and economies of scale which influence their operating costs and distribution of BIA tax responsibility within the BIA. For example, the Mainstreet Bowness BIA had just 50 members in 2021.
- Some external inputs to this analysis are market factors that may be subject to change over time (e.g. vacancy rates, taxable property accounts in a BIA).

BIA Regulation Reform Proposal – FAQs

Under the current *BIA Regulation*, BIA taxes are collected from businesses operating within a BIA. Several challenges have been identified with this approach. Amending the *BIA Regulation* to shift from business assessment to property assessment and modernize BIA governance would help to create a more efficient, equitable and transparent system for BIA tax administration and facilitate greater collaboration between stakeholders. Conversations between stakeholders about this issue and the opportunity for reform have involved questions about potential impacts for BIAs, businesses, and property owners:

Potential Financial Impacts

How would this change impact BIA tax responsibilities for business and property owners?
The City of Calgary and The City of Edmonton have done some preliminary analysis using historical data to understand likely financial impacts assuming that property owners would generally recover the BIA tax from their tenants (see Attachment 1). Specific impacts will depend on the BIA and generally, changes in BIA tax responsibility would be minimal, especially relative to property taxes and given BIA budgets and the number of impacted businesses and properties.

Analysis shows that BIA tax responsibility will see the greatest redistribution in areas where there are higher vacancy rates; however, this will reduce BIA tax costs for all current and future business tenants. Areas that are impacted by changes in valuation methodology (i.e. land value assessments vs. net annual rental value) might also see increased costs for some BIA taxpayers.

Tenant parking is currently exempt from business assessment and property owners do not pay the BIA tax on vacant space. Would this space become taxable if property assessment is used for BIA tax administration?
Yes, these would be included in the BIA tax base. Unfortunately, the cost to administer these kinds of special exemptions in a property assessment system would exceed the cost savings associated with switching from business assessment. Especially given that BIAs are intended to support area revitalization, BIAs and municipalities could consider investments to support businesses and attract investment in areas with particularly high vacancy rates.

How will exempt properties impact the BIA tax base?
Maintaining the existing alignment between property and business tax exemptions would reduce any impacts to the BIA tax base.

What options could be used to mitigate any increased and non-recoverable costs experienced by business and property owners?
Municipal councils could consider tools to offset increased costs for properties or businesses uniquely impacted by the transition from business to property assessment, such as grant programs to support the transition, lessen the impacts of atypical property value shifts or maximum tax limit options. Municipalities and BIAs could also consider capping year-over-year BIA budget increases. For property owners facing increased administrative expenses related to recovering BIA tax costs from their tenants, the switch to property assessment would also likely require local engagement and potentially a municipal bylaw that would give stakeholders advance notice of the intended change and the timeline for implementation.

Would an expanded BIA tax base lead to increased BIA budgets involving higher than estimated financial impacts for property owners and businesses?
A shift to property assessment would not be intended to increase BIA budgets or spending. The proposal recommends corresponding governance changes to ensure property owners are included on BIA boards and have a say in BIA budgets. Municipal councils would also retain oversight on BIA budgets and could consider imposing caps on year-over-year BIA budget increases if required.

How would businesses and property owners find out about their BIA tax costs?
BIA tax would be included as a line item on the property tax bill and be calculated based on the BIA tax rate for the BIA and the properties' assessment value. Municipalities make property assessment and tax rate information publicly available to help property owners and businesses understand their tax responsibility and estimate tax bills.

Business owners would see their BIA tax responsibility collected through lease provisions paid to their landlord (as with property tax currently) instead of receiving a separate BIA tax bill for payment to the municipality. In the first year, business owners would see the elimination of the BIA tax bill and could expect a corresponding increase to lease costs. Municipalities that implement this solution would work with stakeholder groups to communicate the change.

In some smaller municipalities, there may be BIAs composed of just a few large properties. How would these BIAs be impacted by potential non-residential property assessment complaints?
Significant post-roll reductions to property assessments and resulting BIA tax refunds could be a financial risk for some municipalities and BIAs. However, for many this risk to BIA budget stability may be less that the current risk associated with changes in the business inventory. Municipalities may choose to maintain business assessment for this reason or could develop a program to recover shortfalls from future years' BIA budgets.

BIA Governance

If property owners become members in a BIA and are liable to pay the BIA tax, will they get a say in BIA matters (e.g. budgets, priorities)? Will businesses lose their say?
If property owners become BIA taxpayers, it follows that they should have a say in BIA decision making; however, BIAs also don't want to lose the important connection they have with businesses. This proposal recommends that the BIA Regulation should include provisions for a new governance model that allows owners of businesses and properties located in a BIA to become members and to serve on the BIA board of directors. A 60/40 property to business owner ratio has been successfully adopted in other major Canadian cities.

How can the province and municipalities ensure that property owners have input to BIA budgets before they are required to pay?
This proposal recommends that the province, municipalities, and BIAs consider options to phase the transition to property assessment so that property owners have the opportunity to provide input to budget decisions before they are asked to pay.

What is the purpose of BIAs and why would property owners want to be part of them?
A BIA is a group of businesses within a defined geographic area that work together to enhance the economic development of their area. BIAs play a lead role in area revitalization and have helped to create Alberta's best known and most loved neighbourhoods and business districts. BIAs provide input and advocate for policies and planning that supports economic vitality in their

areas, invest in promotion, special events, maintenance, and streetscape improvements, and work collaboratively with municipalities in delivery of municipal services, operational issues, and strategic planning within their zones.

How would modernizing BIA tax administration and governance support economic development and business success in Alberta?
Since BIA membership currently excludes most property owners, it is difficult for BIAs to identify and communicate with these important stakeholders who are also deeply invested in the success and vibrancy of an area and have unique perspectives and interest that should be considered in decision-making. BIAs would benefit from a system that ensures all affected stakeholders have a voice in decision-making that affects their business.

Cutting Red Tape and Creating Efficiencies

Would businesses still receive a BIA tax bill?
No, switching to property assessment would eliminate the need for business assessment notices and BIA tax bills or combined notices sent to thousands of businesses each year. The BIA tax bill would be included as a separate line item on the annual property tax bill and be based on the annual property assessment. It would also create a more streamlined process for businesses to pay expenses associated with their space.

How would modernizing BIA tax administration create savings for municipalities and taxpayers?
Many municipalities in Alberta have maintained a business assessment roll solely for the purpose of BIA tax administration. There are also some municipalities who don't have any BIAs yet but would need to create a business assessment roll if a BIA was proposed. The costs to administer BIA taxes increase as new BIAs are created due to the complexity of business assessment. These costs are largely covered or subsidized by the municipality and property tax revenues. Some smaller municipalities who use manual processes to administer BIA taxes charge a cost-recovery fee to their BIAs, which could be eliminated if BIA tax was based on property assessment.

Municipalities and taxpayers more broadly would see the following cost saving and efficiencies:
- Staff time associated with preparing, maintaining and communicating the business assessment roll (FTE hours depend on if the business roll is maintained manually and the number and size of BIAs in a municipality).
- Costs associated with mailing business assessments and BIA tax bills.
- Capital expenses (estimated at up to $3 million) to update systems solely for the purpose of maintaining a business assessment roll (e.g. Calgary and Edmonton are both using older assessment and tax system that will soon need upgrades requiring capital investments).

This change would also significantly reduce risk for both small and large municipalities that face large capital expenditures if they need to upgrade systems to prepare and maintain a business assessment roll. Problems with outdated and unsupported systems, data integrity issues, or cybersecurity threats could all result in significant costs and potential negative impacts to municipal and BIA finances.

What if a municipality or BIA stakeholder would prefer to continue using business assessment for BIA tax administration?

This proposal recommends that the BIA Regulation be amended to give the option for municipalities to switch to property assessment. This would enable municipalities to consider a change in their unique local context based on the needs and interests of their stakeholders.