

February 12, 2019

To: Members  
Finance and Administration Committee

Re: Boundary Alteration - 2019 Property Tax Exemptions

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RECOMMENDATION

1. That the property tax mitigation tools as outlined in Table 1 in this report be approved.
2. That the property tax exemptions described in Option 1 of this report be approved.
3. That the City Solicitor be instructed to prepare the necessary bylaw to provide for the property tax exemptions described in Option 1.
4. That this report be forwarded to the February 25, 2019 meeting of City Council for approval.

CONCLUSION

Property tax mitigation tools and principles for properties affected by the 2014 boundary alteration were approved in Report CM13-14: Reconsideration of 2013 Boundary Alteration (CM13-14) on November 6, 2013. Mitigation was approved for a five-year period which ended in 2018. CM13-14 contained a recommendation that properties in the Future Long-Term Growth (500k population) category be considered for mitigation until 2028. The report directed Administration to review mitigation every five years.

A review of the properties still receiving mitigation found that amendments to the *Design Regina: The Official Community Plan Bylaw No. 2013-48* (OCP) have changed the classification of some properties located in the Southeast Regina Neighbourhood.

Administration is seeking Council's direction for the next five-year period for two categories of properties, those initially in the Future Long-Term Growth (500k population) unaffected by the OCP change and those initially in the Future Long-Term Growth (500k population) which were affected by the OCP change. Administration recommends that the property tax mitigation tools outlined in Table 1 below be approved and the corresponding property tax exemptions be approved for the accounts listed in Parts A & B of Appendix B.

The recommendations in this report recognize the impacts of the OCP amendments while providing mitigation that is consistent with the intent of the previously approved principles.

**Table 1: Recommended Tax Mitigation Tools**

<b>Part</b>	<b>Category</b>	<b>Mitigation</b>
A	Future Long-Term Growth (500k population)	<ul style="list-style-type: none"> <li>▪ Five-year tax mitigation, whereby the taxes would remain at RM levels which may be extended for an additional five years.</li> </ul>
B	South East Mitigation	<ul style="list-style-type: none"> <li>▪ Five-year tax mitigation, whereby the taxes would remain at RM levels.</li> <li>▪ Fully taxable at City of Regina mill rates in 2024.</li> </ul>

**BACKGROUND**

On November 6, 2013, City Council approved the recommendations in CM13-14 for the boundary alteration. Lands affected by the boundary alteration are outlined in Appendix A.

The report contained the following tax mitigation principles:

1. Protect the property owner, whose land is annexed into the City of Regina from unreasonable financial hardship;
2. Balance the need to protect the City’s financial viability with protecting its long-term growth needs;
3. Property tax mitigation will be applied through existing legislation; and
4. Property tax mitigation will expire over time either when the property is developed or when the time frame for the mitigation expires.

The original boundary alteration report, CM13-14, contained three categories for tax mitigation; Commercial Corridor, Lands Within the 300,000 Growth Plan, and Lands Beyond the 300,000 Growth Plan. With the release of the OCP, the last two categories were updated to New Neighbourhood (300k population) and Future Long-Term Growth (500k population), respectively. The mitigation tools applied to each category, beginning in 2014, are shown in Table 2: Previously Approved Tax Mitigation Tools. The levels of mitigation applied to each category were designed to reflect the levels of services that the property received over the period. All properties receiving mitigation are subject to mill rate increases.

**Table 2: Previously Approved Tax Mitigation Tools**

<b>Category</b>	<b>Tax Mitigation</b>
Commercial Corridor	<ul style="list-style-type: none"> <li>▪ Five-year tax mitigation, which phases in the City taxation levels on the commercial properties, at a rate of 20% per year.</li> <li>▪ Fully taxable at City of Regina mill rates in 2018</li> </ul>
New Neighbourhood (300k population)	<ul style="list-style-type: none"> <li>▪ Five-year tax mitigation whereby the taxes would remain at RM levels for five years.</li> <li>▪ Fully taxable at City of Regina mill rates in 2019.</li> </ul>

Future Long-Term Growth (500k population)	<ul style="list-style-type: none"><li>▪ Five-year tax mitigation, whereby the taxes would remain at RM levels which may be extended to 10 and then 15 years.</li><li>▪ This recognized that longer-term growth areas would not be eligible for development and servicing under the growth plan and would remain as largely rural lands zoned as urban holdings for longer term.</li></ul>
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Properties where the tax difference between the 2013 rural taxes and the 2014 estimated municipal tax was less than \$10 do not receive tax mitigation. There are some linear properties, such as pipelines and railways, within the boundary alteration area crossing through the city that did not receive tax mitigation.

The commercial properties in the Commercial Corridor area became fully taxable at City of Regina rates in 2018 and all properties in the original New Neighbourhood (300k population) area became taxable at City of Regina rates in 2019. As properties in the approved mitigation area were developed, they were removed from mitigation.

## DISCUSSION

The first five-year period of the tax mitigation ended at the end of 2018. Administration is now seeking Council's direction for the next five-year period for the properties initially in the Future Long-Term Growth (500k population) category. These properties are listed in Parts A & B of Appendix B.

In 2016, the OCP was amended with the South East Regina Neighbourhood Plan as significant land-use and traffic implications were created when the location and configuration of the Regina Bypass was confirmed. The approval of this plan resulted in properties listed in Part B of Appendix B and outlined on the map in Appendix C being changed from the Future Long-Term Growth (500k population) area to the New Neighbourhood (300k population) and New Employment areas in the OCP Growth Plan.

These lands may now be developed in accordance with the phasing and financing policies outlined in the OCP. If these lands had been in these categories at the time of the 2014 boundary alteration, they would have received a five-year mitigation and be taxable at City of Regina rates in 2019.

Administration has identified three options for Council to consider for the next phase of the tax mitigation. Each option is discussed below with a summary of the financial impacts shown in Appendix D.

Regardless of the option chosen, Administration recommends the following:

- All properties receiving mitigation will be subject to mill rate increases over the mitigation period.

- Properties where the tax difference between the 2013 rural taxes and the estimated municipal tax is less than \$10 will not receive tax mitigation.
- Linear properties, such as pipelines and railways, within the boundary alteration area crossing through the city will not receive tax mitigation.
- Existing uses of the land will continue until the land is planned for development.
- Development will occur in a staged approach consistent with growth management policies in the OCP and development regulations in the *City of Regina Zoning Bylaw* to ensure an orderly transition from primarily agricultural land to urban development.
- As properties are developed, they will be removed from mitigation. For the purposes of these exemptions, developed means where a development permit or building permit has been issued by the City of Regina.
- Any properties receiving mitigation will be reviewed with any future OCP amendments to the Growth Plan.

### **Option 1 – Create South East Mitigation category for properties affected by OCP change (Recommended)**

With this option, the 98 properties unaffected by the 2016 OCP amendment, as listed in Part A of Appendix B, will receive mitigation as originally recommended for the Future Long-Term Growth (500k population) category in CM13-14. Taxes for these 98 properties will remain at RM levels for the years 2019-2023. In 2024, mitigation may, at Council's discretion, be extended for an additional five years to 2028.

The 11 properties moved to the New Neighbourhood (300k population) and New Employment areas by the OCP amendment, listed in Part B of Appendix B, will become part of the South East Mitigation category. These properties will receive a five-year property tax exemption for the years 2019 to 2023 and become fully taxable at City of Regina rates in 2024.

Administration recommends this option. It is consistent with the intent of the original property tax tools and principles approved in CM13-14 and considers the impacts of the OCP amendment. At the time of the boundary alteration, communication to property owners of the affected lands was that they would receive a five-year mitigation with a recommendation for the mitigation to be extended for two additional five-year periods. With the OCP amendment these 11 properties are now part of the New Neighbourhood (300k population) and New Employment areas and may be developed. This option is a balance between original communication and the intent of CM13-14.

The financial impact of this option is a municipal exemption of approximately \$183,166 annually or \$915,830 over the five-year period of 2019-2023. For the years 2024-2028, the annual municipal impact will be approximately \$85,787 or \$428,935 over the five-year period. The municipal impact for the full ten-year period is approximately \$1,344,765.

### **Option 2 – Status Quo**

With this option, all 109 properties identified in Appendix B will receive tax mitigation as originally approved for the Future Long-Term Growth (500k population) category in CM13-14.

Taxes will remain at 2013 RM levels for the years 2019-2023. In 2024, mitigation may, at Council's discretion, be extended for an additional five years to 2028.

This option is a continuation of the original mitigation, but it does not recognize the impact of the 2016 amendment to the OCP.

The financial impact of this option is a municipal exemption of approximately \$183,166 annually or \$915,830 over the five-year period of 2019-2023. The municipal impact for the full ten-year period is approximately \$1,831,660.

### **Option 3 – Remove properties affected by OCP change from mitigation in 2019**

With this option, the 98 properties unaffected by the 2016 OCP amendment, as listed in Part A of Appendix B, will receive mitigation as originally approved for the Future Long-Term Growth (500k population) category in CM13-14. Taxes for these 98 properties will remain at RM levels for the years 2019-2023. In 2024, mitigation may, at Council's discretion, be extended for an additional five years to 2028.

The 11 properties moved to the New Neighbourhood (300k population) and New Employment areas by the OCP amendment, listed in Part B of Appendix B, will become fully taxable in 2019.

This option recognizes that the properties affected by the OCP change have received five years of mitigation which is the mitigation identified for their current category in CM13-14. This option is not recommended as it does not reflect the intent of the approved property tax mitigation tools and principles or consider the original communication with property owners.

The financial impact of this option is an annual municipal exemption of approximately \$85,787 for the years 2019-2028 or \$428,935 for each of the five-year periods. The municipal impact for the full ten-year period of approximately \$857,870.

## **RECOMMENDATION IMPLICATIONS**

### **Financial Implications**

If Option 1 is approved by Council, the forgone 2019 municipal levy will be \$183,166. The estimated total forgone 2019 levy, including Library and Education levies, will be \$293,777.

The estimated cost for the five-year period of 2019-2023 is \$915,830 in municipal taxes and \$1,468,885 for all taxing authorities. The estimated cost for the additional five-year period of 2024-2028 is \$428,935 in municipal taxes and \$657,795 for all taxing authorities. The total estimated cost over the ten-year period is \$1,344,765 in municipal tax and \$2,126,680 for all taxing authorities.

Exemptions for Option 1 are reflected in the 2019 budget.

### Environmental Implications

None with respect to this report.

### Policy and/or Strategic Implications

The recommendations contained in this report are consistent with the tax policy principles and tools established in the original boundary alteration report CM13-14. These principles and tools are designed to plan the City's long-term growth needs, as outlined in the OCP, while protecting the property owners from unreasonable financial hardship.

### Other Implications

The education portion of the taxes is subject to *The Education Property Tax Act* which specifies that any exemption of education taxes that is \$25,000 or greater in any given year, must be approved by the Government of Saskatchewan.

### Accessibility Implications

None with respect to this report.

## COMMUNICATIONS

All affected land owners received communication with respect to the resolutions previously passed by City Council regarding assessment exemptions for lands within the Boundary Alteration area.

Owners of properties in Part B of Appendix B were mailed a letter in January to inform them of Administration's recommendation.

The exemptions outlined in this report will be reflected on the 2019 Property Tax Notices for the affected properties.

Copies of the report will be provided to the Ministry of Education and the Regina Public Library Board.

DELEGATED AUTHORITY

The recommendations contained in this report require City Council approval and the passage of a bylaw.

Unless specifically exempted, all property in a municipality is subject to assessment and taxation pursuant to *The Cities Act*. City Council may, by bylaw, exempt from taxation the whole or part of any land or improvement designated in the bylaw.

Respectfully submitted,



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Respectfully submitted,



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