

December 2, 2019

To: Members
Finance and Administration Committee

Re: 2019 Property Tax Exemption Request - Boundary Alteration

RECOMMENDATION

1. That the properties owned by P.W. Lorch & Associates Ltd. and Darrell & MaryAnn Weinberger at 4800 Campbell Street and 1760 N Courtney Street be exempted from property taxes in accordance with the percentages outlined in Option 1 of Appendix C of this report.
2. That the City Solicitor be instructed to prepare the necessary bylaw to amend Bylaw No. 2019-8 *The Properties Exempt from Taxation as a Result of the 2013 Municipal Boundary Alteration Bylaw, 2019* to provide for the additional tax exemptions described in recommendation 1.
3. That this report be forwarded to the December 16, 2019 meeting of City Council for approval.

CONCLUSION

The City has received requests from property owners (Appendix A) for additional property tax mitigation on two properties affected by the 2014 Boundary Alteration. 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. Under the approved mitigation tools, the properties are agricultural property in the New Neighbourhood (300k population) category. Under the original property tax mitigation policy, they received a five-year tax mitigation, where taxes remained at the rural municipality levels for 2014 to 2018 and became fully taxable at City of Regina rates in 2019.

The property owners are requesting mitigation be continued for another five-year period (2019 - 2023) with the option for Council to grant an additional five-year period beginning in 2024 (2024-2028).

Administration recommends that this request for a property tax exemption be approved as the mitigation being requested is consistent with Council's previous decision in report FA19-9: Dewdney West Boundary Alteration – 2019 Property Tax Exemption Request.

BACKGROUND

On November 6, 2013, City Council approved the recommendations in CM13-14 for the boundary alteration. All lands affected by the boundary alteration are outlined on page one of Appendix B.

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 mitigation tools applied to each category, beginning in 2014, are shown in Table 1: 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 1: Previously Approved Tax Mitigation Tools

Category	Tax Mitigation
Commercial Corridor	<ul style="list-style-type: none">▪ Five-year tax mitigation, which phases in the City taxation levels on the commercial properties, at a rate of 20% per year.▪ Fully taxable at City of Regina mill rates in 2018.
New Neighbourhood (300k population) *	<ul style="list-style-type: none">▪ Five-year tax mitigation whereby the taxes would remain at RM levels.▪ Fully taxable at City of Regina mill rates in 2019.
Future Long-Term Growth (500k population)	<ul style="list-style-type: none">▪ Five-year tax mitigation, whereby the taxes would remain at RM levels which may be extended to 10 and then 15 years.▪ 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.

*Agricultural properties within the Commercial Corridor were identified as New Neighbourhood (300k population) as they were not identified as employment lands in the OCP.

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

In February of 2019, Council approved report CR19-15 Boundary Alteration 2019 Property Tax Exemptions. This report created a new mitigation category, South East Mitigation and set the direction for the next five years of mitigation for properties in the new category and the Future Long-Term Growth (500k population) mitigation areas.

Administration subsequently received a request for further mitigation from three property owners. These properties were agricultural properties in the West Commercial Corridor and therefore received mitigation as New Neighbourhood (300k population). Under the mitigation tools established in 2013, these properties received a five-year tax mitigation, where taxes remained at the rural municipality levels for 2014 to 2018 and became fully taxable at City of Regina rates in 2019.

The property owners requested additional mitigation that would result in them being treated the same as properties in the South East Mitigation and Future Long-Term Growth (500k population) categories.

In October of 2019, Council approved report FA19-9: Dewdney West Boundary Alteration - 2019 Property Tax Exemption Request. This report granted a property tax exemption for those three agricultural properties that requested the additional mitigation.

DISCUSSION

Administration has reviewed all agricultural properties in the New Neighbourhood (300K Population) and identified three options for Council's consideration. Each option is discussed below with a summary of the financial impacts shown in Appendix C.

Option 1 – Provide Mitigation for the two agricultural properties in the New Neighbourhood (300k Population) area. (Recommended Option)

With this option, two properties (listed in Option 1 of Appendix C), would receive mitigation. Taxes for these two 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. This option recognizes the request of these property owners and is consistent with Council's decision in Report FA19-9: Dewdney West Boundary Alteration - 2019 Property Tax Exemption Request.

The financial impact of this option is a municipal exemption of approximately \$4,055 annually or \$20,276 over the first five-year period and \$40,552 over the 10-year period.

Option 2 – Provide Mitigation for all agricultural properties affected by the boundary alteration in the New Neighbourhood (300k Population) area.

With this option, there are 28 agricultural properties (listed in Option 2 of Appendix C), classified as New Neighbourhood (300k population). Taxes for these 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. This option treats all agricultural properties affected by the boundary alteration in the New Neighbourhood (300k) properties equally.

The financial impact of this option is a municipal exemption of approximately \$35,809 annually or \$179,046 over the first five-year period and \$358,091 over the 10-year period.

Option 3 – Provide No Additional Mitigation for any agricultural properties affected by the boundary alteration in the New Neighbourhood (300k Population) area.

With this option no additional mitigation will be provided, and the requested properties will remain fully taxable in 2019. This option is not consistent with Council's decision in FA19-9. The requested properties are currently fully taxable, therefore there is no financial impact with this option.

Implementation of Options

If either option 1 or 2 is chosen, the conditions as outlined in CR19-15 will apply for all properties receiving mitigation as part of the 2013 Boundary Alteration. The conditions are as follows:

- 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.

RECOMMENDATION IMPLICATIONS

Financial Implications

The financial impact of option 1 (the recommended option) is a municipal exemption of approximately \$4,055 annually or \$20,276 over the first five-year period and \$40,552 over the 10-year period.

The financial impact of option 2 is a municipal exemption of approximately \$35,809 annually or \$179,046 over the first five-year period and \$358,091 over the 10-year period.

The costs of the exemptions for options 1 or 2 are not reflected in the 2019 budget. Annually, Administration sets aside funding to cover potential losses in taxation revenue from assessment appeals. Due to a significant reduction in assessment appeals in 2019, the full amount of the funding set aside will not be required. This variance will cover the cost of the recommended tax cancellation for the 2019 budget.

The costs of the exemptions would be included in future budgets.

Environmental Implications

None with respect to this report.

Policy and/or Strategic Implications

The recommendation contained in this report is consistent with Council's decision in Report FA19-9: Dewdney West Boundary Alteration - 2019 Property Tax Exemption Request.

If option 1 is chosen, additional property owners may come forward to request the same consideration. Option 2 was developed as the result of inquiries by additional property owners of agricultural lands affected by the boundary alteration in the New Neighbourhood (300k population) area.

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 owners of the affected lands 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 requesting this exemption will be informed of this report.

DELEGATED AUTHORITY

The recommendation contained in this report requires City Council approval.

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,

Respectfully submitted,



Deborah Bryden, Director, Assessment & Taxation 11/25/2019



Barry Lacey, Exec. Director, Financial Strategy & Sustainability 11/26/2019

Report prepared by: Tony Petrulias, Manager, Property Tax & Utility Billing