

Property Tax Exemption Request - 600 Pinkie Road

Date	February 12, 2020
To	Finance and Administration Committee
From	Financial Strategy & Sustainability
Service Area	Assessment & Taxation
Item No.	FA20-4

RECOMMENDATION

The Finance and Administration Committee recommends that City Council:

1. Exempt the property leased by Kenneth Harle at 600 Pinkie Road from property taxes in accordance with the percentages outlined in Option 1 of Appendix C of this report.
2. Direct the City Solicitor to prepare the necessary bylaw to provide for the additional tax exemptions described in recommendation 1.
3. Approve these recommendations at its February 26, 2020 meeting.

ISSUE

On January 6, 2020 the City received a request for additional property tax mitigation (Appendix A) on a property affected by the 2014 Boundary Alteration. The request was to receive an abatement for 2019 property tax and a partial property tax exemption for 2020 – 2023 to keep the property tax at rural municipal levels.

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. The property is an agricultural property in the New Neighbourhood (300k population) category. Under the original property tax mitigation policy, agricultural properties in the New Neighbourhood (300k population) category 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.

IMPACTS

Financial Impact

The financial impact of the recommended option is a municipal exemption of approximately \$1,375 annually or \$5,500 over the four-year period 2020 – 2023 and \$12,375 over the nine-year period.

The cost of the exemption is not reflected in the 2020 budget. Annually, Administration sets aside funding to cover potential losses in taxation revenue from assessment appeals. This variance will cover the cost of the recommended tax cancellation for the 2020 budget.

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

Policy/Strategic Impact

The recommendation contained in this report is consistent with Council decisions in Reports CR19-95 and CR19-118. If options 1 or 2 are chosen, additional property owners may come forward to request the same consideration.

Other Impacts

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

OTHER OPTIONS

Administration has reviewed all agricultural properties in the New Neighbourhood (300K Population) and identified four 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 agricultural property 600 Pinkie Road in the New Neighbourhood (300k Population) area. (Recommended Option)

With this option, one property (listed in Option 1 of Appendix C), would receive mitigation. Taxes for this property will remain at RM levels for the years 2020-2023. The property tax abatement for 2019 is not provided.

This option provides the property owner with 4 years of mitigation and aligns with previously approved exemptions. In 2024, mitigation may, at Council's discretion, be extended for an additional five years to 2028. This option recognizes the request of this property owner and is consistent with Council decisions in Reports CR19-95 and CR 19-118. Reports CR19-95 and CR 19-118 both dealt with properties who made similar requests in 2019 and received tax mitigation over 5 years (2019-2023). As the request was received in 2020, a tax abatement would be required to provide mitigation for 2019 tax year (provided for in option 2 of this report). Administration is not recommending a tax abatement be provided as it sets precedent for future requests of mitigation for prior year property tax abatements on lands impacted by the boundary alteration with potential requests coming forward within the time period 2020-2023.

Option 2 – Provide Mitigation for the agricultural property 600 Pinkie Road in the New Neighbourhood (300k Population) area including an abatement of 2019 taxes.

With this option, one property (listed in Option 2 of Appendix C), would receive mitigation for 5 years. The mitigation would be an abatement for the 2019 taxes and the taxes for this property will remain at RM levels for the years 2020-2023. In 2024, mitigation may, at Council's discretion, be extended for an additional five years to 2028 in alignment with option 1.

As per section 244(2)(e) of *The Cities Act*, Council may approve an abatement if Council considers the abatement to be in the best interests of the community and is the result of a publicly advertised policy passed by resolution or bylaw. If the Committee wishes to consider this option, the Committee would need to table this report to the next Finance and Administration Committee meeting so that the Administration could draft a policy and provide public notice prior to Council considering the policy.

Administration does not recommend this option as it sets precedence for future requests of mitigation for prior year property tax abatements on lands impacted by the boundary alteration.

The financial impact of option 2 is a municipal exemption of approximately \$1,375 annually or \$6,875 over the first five-year period and \$13,750 over the 10-year period.

Option 3 – Provide Mitigation for all agricultural properties affected by the boundary alteration in the New Neighbourhood (300k Population) area.

There were 31 agricultural properties affected by the boundary alteration. Council approved extending mitigation for 3 properties in Report CR19-95 and 2 properties in Report CR 19-118.

With this option, the additional 26 properties (listed in Option 3 of Appendix C) including 600 Pinkie Road, would receive mitigation. Taxes for these properties will remain at RM levels for the years 2020-2023. 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 option 3 is a municipal exemption of approximately \$32,786 annually or \$131,144 over the first four-year period and \$295,074 over the 9-year period.

Option 4 – Provide No Additional Mitigation for properties affected by the boundary alteration in the New Neighbourhood (300k Population) area.

With this option no further agricultural properties within the New Neighbourhood (300k population) area will receive additional mitigation and the requested property will remain fully taxable in 2019. This option is not consistent with Council decisions in CR19-95 or CR 19-118.

COMMUNICATIONS

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

The property owner requesting this exemption will be informed of this report.

DISCUSSION

See Other Options section for discussion.

DECISION HISTORY

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 CR19-95. This report granted a property tax exemption for a five year period (2019-2023) for the three agricultural properties in the New Neighbourhood (300k population) area that requested additional mitigation.

In January of 2020, Council approved report CR19-118. This report granted a property tax exemption for two more agricultural properties in the New Neighbourhood (300k population) area that requested additional mitigation in 2019 for a five year period (2019-2023).

The recommendations contained within this report require City Council approval.

Respectfully Submitted,

Respectfully Submitted,


Deborah Bryden, Director, Assessment & Taxation 1/27/2020


Barry Lacey, Exec. Director, Financial Strategy & Sustainability 2/6/2020

Prepared by: Tony Petrulias, Manager, Property Tax & Utility Billing

ATTACHMENTS

- Appendix A - request Letter
- Appendix B - Tax Mititgation Areas (003)
- Appendix C - List of Properties