

Amendments to Policy C607

Possible Policy Parameters

Recommendation

That the October 16, 2020, Financial and Corporate Services report CR_7719, be received for information.

Previous Council/Committee Action

At the October 17, 2019, Executive Committee meeting, the following motion was passed:

1. That Administration continue to apply the current policy and return to Committee with possible policy parameters for consideration of exceptions where it may be in the City's interest.

Executive Summary

This report addresses Executive Committee's request to review the voluntary demolition provisions within Policy C607 Retroactive Municipal Tax Relief. The review is in light of the April 16, 2019 Council approval of tax relief to a property owner for voluntary demolition of a structure, which did not match Council policy for tax relief.

There are three different policy directions for Committee's consideration: Maintain the current policy without provisions for demolition, return to the previous policy to grant a rebate in the case of voluntary property demolition, or provide a rebate to a capped amount.

Keeping the current policy in place as approved by Council in January 2019 provides the most stability, as it is not clear that granting demolition rebates would be in the City's interests. If Council chooses to change policy and enact rebates for voluntary demolition, it will be important to define expectations around clearing the site and when rebates would be provided.

Historically, rebate requests from demolition have not been significant. If the granting of rebates is formalized in policy, total requests from large scale development could range in the hundreds of thousands of dollars per year.

Report

Background

In the October 15, 2018, Financial and Corporate Services report CR_5900 Amendments to Policy C543 - Retroactive Municipal Tax Refunds to Executive Committee, Administration proposed to update and amalgamate existing tax forgiveness policies. The newly proposed policy, C607 Retroactive Municipal Tax Relief, set out the conditions for consideration of future tax relief after demolition. The updated policy contained the following provision:

When a building is voluntarily destroyed and the site cleared, a cancellation, to a maximum of \$10,000 including any Penalties, will be considered from the date of demolition to the end of the taxation year, unless the destruction relates to a reconstruction project for the building. Municipal Tax Relief will not be granted for renovation or reconstruction projects unless they qualify under the category of New Construction or Renovation of Exempt Non-profit Facilities. Any calculation under this provision will be rounded to the nearest full month[.]

On October 23, 2018, City Council deleted this provision, among others, and requested an updated policy be presented. The updated policy was presented and approved by Council on January 22, 2019 (C607 Retroactive Municipal Tax Relief). It stated that no tax relief would be provided for voluntary building demolition going forward.

On April 8, 2019, Executive Committee heard from Regency Developments, who requested approximately \$123,000 in tax relief on a property demolished in 2018. This request qualified under Council's previous tax relief policy, but no longer qualified under Policy C607. Committee recommended Council approve the request, with the justification that it was received before the City enacted the new policy.

This decision highlighted a possible need to change Council's newly approved tax relief policy. Executive Committee requested a report outlining the amendments required to consider tax forgiveness in the case of voluntary demolition and an analysis of the possible consequences from those amendments.

Rebate Considerations

If Council wishes to consider rebates, Attachment 1 includes three potential directions for Committee's consideration along with analysis on each. These include:

1. Maintain the Current Policy: no provision for rebates in the case of voluntary property demolition

2. Return to the Past Policy Direction: include a provision that grants a rebate in the case of voluntary property demolition
3. Provide a Rebate and include a Capping Provision: include a provision that grants a rebate in the case of voluntary property demolition, but cap the total rebate available per request.

In previous discussions, Council inquired about parameters to better define and constrain the associated tax relief (if provided under directions 2 or 3 above). The motion asks for policy parameters where it may be in the City's interest to approve tax rebates for demolition. There are different ways the "City's interest" could be defined.

Outcomes could be measured against the City objectives outlined within ConnectEdmonton and draft City Plan, but there is no perfect application for tax relief. Without specific measures to define the City's interests, Council would not be able to delegate tax rebate authority to Administration.

If City interests are defined narrowly as financial interests, the policy would measure whether the demolished building is replaced with a more valuable building that increases the City's tax base. The City could administer this policy within its delegated authority by calculating the tax uplift. The tax rebate would be contingent on the start or completion of a new building. Once it is clear that the new building would result in additional tax revenue for the City, the taxes assessed to the demolished building could be forgiven for the prorated portion of the year after the site was cleared. However, since it would be difficult to determine whether redevelopment would have occurred regardless of the rebate incentive, quantifying the rebate's benefit to the city would also be challenging.

Administration also considered the possibility of applying a rebate specifically for the demolition of derelict improvements. Properties registered as derelict typically have very low assessment value, and so the tax rebate would not provide a significant incentive for demolition.

Keeping the current policy in place as approved by Council in January 2019 would provide the most stability, as it is not clear that demolition rebate would be in the City's interests, regardless of how they are defined.

Budget/Financial

Introducing a rebate provision for property demolition will increase the City's costs. Based on historical uptake, residential requests would likely be relatively small (less than \$10,000 per year), however non-residential requests could range in the hundreds of thousands each, particularly if the policy becomes widely known. Cost could fluctuate substantially based on the year.

To understand the complexity of this provision, Administration reviewed the last five years of demolition rebates under the original policy. During that time, only two residential requests were received (in the same year by the same owner of two abutting lots) for a total rebate of approximately \$1,300. Within that same time, Administration did not receive any non-residential requests until Council approved Regency's rebate, resulting in a one-time cost of \$123,000. Historically, there were few rebates for voluntary demolition, likely because the policy was not widely known. If Council introduces this provision as policy, Administration expects that the number of requests, particularly from the development industry, would increase substantially.

Due to provincial legislation, Administration can only process a total of \$500,000 in tax relief each year, but additional requests can be approved by Council. Including a capping provision will limit the costs of such a policy.

Legal

Section 347 of the *Municipal Government Act* allows City Council to cancel or reduce taxes or defer the collection of a tax, if Council considers it to be equitable to do so. The City Charter allows this power to be delegated. Bylaw 18652 delegates these powers to the City Assessor who is bound by Policy C607. Any changes to policy should be clear in their intent so that City Council only needs to address situations that were unforeseen when the policy was created.

Corporate Outcomes and Performance Management

Corporate Outcome(s): The City of Edmonton has a resilient financial position			
Outcome(s)	Measure(s)	Result(s)	Target(s)
Ensure transparent and reasonable tax policy	5-year total of Council-approved tax cancellations and refunds	Under City Policy C543/607: \$940,831.67 (2015-2019) Ad-hoc requests from non-profit organizations: \$1,155,124.05 (2015-2019) Private property owners: \$0.00 (2015-2019)	\$0.00 outside Council policy
	5-year average value of Council-approved tax cancellation and refunds	Under City Policy C543/607: \$188,166.33 (2015-2019) Ad-hoc requests from non-profit organizations: \$231,025.01 (2015-2019) Private property owners: \$0.00 (2015-2019)	

	5-year total of Council-approved tax deferrals	Ad-hoc requests from non-profit organizations: \$693,884.19 (2015-2019) Private property owners: \$0.00 (2015-2019)	\$0.00 outside Council policy
	5-year average value of Council-approved tax deferrals	Ad-hoc requests from non-profit organizations: \$138,776.84 (2015-2019) Private property owners: \$0.00 (2014-2018)	
	Past year's taxes forgone as a result of Council exemption decisions	Council has approved 5 ongoing municipal tax exemptions for non-profit organizations through Bylaw 12408. In 2019, these tax exemptions shifted \$285,279.21 in property tax burden to the remaining non-residential base	N/A

Attachments

1. Rebate Considerations
2. Policy C607

Others Reviewing this Report

- B. Andriachuk, City Solicitor