



## **Non-Profit Tax Mitigation Engagement Plan**

# Engagement Plan



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## Project

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Non-profit organizations that own and operate property for non-profit purposes are exempt from municipal property tax under the Municipal Government Act (MGA). However, under the current legislature, taxes are not exempt while the property is under construction or under renovation.

The issue with the current process is that not all applications for tax exemptions are heard as it is dependent on the discretion of individual Councilors to bring each case forward, so in essence it is not equitable to those who are not successful at having their case brought forward or are even aware of the current process. In addition, the funding for the exemptions comes from a fund that is established to address inaccuracies in assessments and is not for the specific purpose of subsidizing non-profit organizations. As such, there is no transparency to citizens on this as it is not a budgeted item in The City.

### **What is the question to be asked or decision to be made?**

At the direction of Council, Assessment was asked to come up with options and recommendations for mitigating property taxes associated with properties owned or held by non-profit organizations. Assessment has developed five options for addressing this issue. Stakeholders will be engaged to provide their input as to the advantages and disadvantages of each of the options. Council will be making the final decision on which of the five options to adopt, however Assessment will be bringing a recommendation forward based on stakeholder involvement.

### **What decisions have been made that are not open to stakeholder input? Why?**

Final decision as to the selected option is a Council decision. The recommended option brought forward will be developed by Assessment and will be based on stakeholder input.

## Project Background

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The current process for non-profit property owners to receive a tax exemption on properties under construction depends on individual Councillors bringing forward a Notice of Motion regarding a specific property for Council approval. This process has been identified as neither equitable nor transparent, and as such, Council has directed Planning, Development & Assessment to:

*“bring a report, including key stakeholder feedback, to the Priorities and Finance Committee no later than June 2014 with options and recommendations for mitigating property taxes associated with properties owned or held by non-profit organizations that, but for the fact that improvements to the property are under construction, would typically qualify for a property tax exemption.”*

## Goals/Objectives

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### 1. What are the goals of engagement? Specify outcomes.

#### Primary

- Educate stakeholders on options that have been developed and why.
- Understand stakeholders' views (by exploring benefits and concerns of each option) about the options that have been developed.

#### Secondary

- Understand stakeholder concerns with current process (will come out in Option 1)
- Learn about stakeholders' current or planned projects (is part of Non-Profit Tax mitigation Feedback form)

## Options Developed by Assessment and Stakeholder Feedback

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- Option 1: Council initiated tax cancellations (status quo)

Option 1 would be to continue tax cancellations of non-profits with improvements under construction on a case by case basis, depending on what groups approach Councillors for mitigation and, in turn, which Councillors are willing to bring a Notice of Motion to the floor of Council.

#### Stakeholder Feedback on Option 1:

The stakeholder's point of view on this option is that this option is only beneficial to non-profits that have a strong "advocate" in one of City councillors. In addition, non-profits felt that "needing" an advocate in a councillor was unfair and discretionary. Some stakeholders felt that this option requires extensive lobbying and it is resource extensive exercise for most of the non-profit agencies that are already operating at capacity. In general non-profits saw this option as one that is not transparent, cumbersome, not equitable, not consistent, and only benefiting the city.

- Option 2: Council Tax Cancellation Policy

This option would provide a near automatic cancellation of property tax for properties that are held by a non-profit, under construction and intended to be used for an exempt purpose. The program would require another report to Council to finalize a Council policy.

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## Stakeholder Feedback on Option 2:

In general benefits that the stakeholders saw in this option are that there is a process, that there is “formality” in the process and it removes the “discretionary” part placed upon the councillor in Option 1. Concerns with this particular option were that the two years’ time given for cancellation might need to be extended to three to five years to accommodate special circumstance such as planning, development permits, capital fundraisers etc. In addition, some stakeholders felt that paying for or having money to pay the two years in advance for tax was difficult for some non-profits.

- Option 3: Property Tax Exemption Bylaw

This option would result in a property tax exemption for properties that are held by a non-profit, under construction and intended to be used for an exempt purpose (under the current legislation). An exemption for this type of property would require that a bylaw be passed by Council.

## Stakeholder Feedback on Option 3:

In general, stakeholders saw benefits of this option as follows: that there is a tribunal, a formal appeal process that is in front of the tribunal, the review is independent of politics, non-profits would get to apply easier, that the annual decision is with the city and that the process is less discretionary and not reliant on a single councillor to bring the case forward therefore making it a administrative process and not political process. Concerns with option three were as follows: the timeline of two years was seen as a concern by most stakeholders. For example, non-profits that go into a capital campaign would need more than two years to collect money, get permits etc. Most stakeholders identified a preference for and between three to five years. Another concern with option three from external agencies was if there is a criterion for tribunal and what it was and how that affected the time of two years given for the whole process therefore making another case for the amount of years to be extended between three to five.

- Option 4: Mitigation through Current Grant System

Option 4 would be to provide mitigation for property tax incurred on properties through the current grants system. This would mean that when The City negotiates a granting agreement any grant amount would be understood to include property tax mitigation. This option would use the current funding envelope for capital grants to mitigate property taxes.

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## Stakeholder Feedback on Option 4:

Benefits, as seen by handful of stakeholders in option four are: that the non-profits that are receiving grant from The City would be the ones only benefiting from this option, this option is “very” transparent for those selected organizations that are already receiving a grant from the city. Concerns with this option as seen by the stakeholders were that it applies to a small or limited group of non-profits, that it has limited application; it “discriminates” against organizations that are not city funded and in general saw this option as unfair treatment of agencies that are not under capital grants (receiving any grants thought the city).

- Option 5: Capital Grant Program

This option takes a different approach and allows Council to set up a direct capital grant program for non-profit organizations that are planning to build facilities that are intended to be used for exempt purposes. Parameters of the program would be dependent upon the level of subsidy that Council wishes to provide and the program need not be limited to property tax mitigation, though any grant administered through the program would negate the need for a further subsidy for property tax mitigation purposes. The exact parameters of the grant program (i.e., the circumstances and types of organizations that would qualify for a grant) would need to be detailed in advance.

## Stakeholder Feedback on Option 5:

Perceived benefits of option five as heard from stakeholders were: all organizations are in the same boat, that organizations would not be paying or receiving money up front as with other options, process is simplified/the criteria is set and the contractual obligation to agency and The City is there. Concerns with the option five as the stakeholders expressed them were: that the funds may change, that the funds may be applied unequally, that the funds would not be applied to all groups “equally”, that the funds would not be equal to tax each year, might require a judgment of who should receive funds, that it is not sustainable. There were concerns raised of whether or not this option looked like a lottery or was based on percentage of tax covered and that this kind of funding is available through the “risk of other” funds. Some stakeholders raised concerns if non-for profit agency goes bankrupt that they might not pay back the City in taxes received. This would result in misuse of this upfront money and could result in money being redirected to unintended use.

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## Engagement Background

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**What is not negotiable? (e.g. Timeline, policy, budget, decision making, etc.)**

- Final decision rests with Council.
- Assessment will bring forward a recommendation based on stakeholder input
- Timeline for consultation has a deadline in order to analyze the data and bring recommendations forward.

**What do we want to avoid?**

- This is not a vote or a majority rules decision on which of the options and or recommendation to bring forward to Council. Stakeholders will also need to understand that Council may choose not to adopt any of the options, so the project team will need to manage expectations regarding a change of the current process.

## Risks/Sensitivities/Impacts

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### 1. What is the sensitivity of the project? (Political, time, resources, stakeholders)

The communication around this engagement project is being sent during budget discussions and as property assessments are being mailed out.

Risks include not identifying all impacted stakeholders and therefore excluding some from participating, and Council making a decision that does not reflect input from stakeholders. In addition, the project team has identified a tight timeline to meet with stakeholder groups. Stakeholder engagement was initially scheduled during the Action Plan 2015-2018 but had to be postponed to avoid stakeholder exhaustion, as Action Plan Engagement would have encompassed some of the non-profits identified in our stakeholder groups.

### 2. What promises have been made to stakeholders about their involvement?

Promise has been made to include stakeholder's comments in a report to Council.

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# Engagement Plan



## Engagement Strategy/Techniques

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This public engagement plan is designed within The City of Calgary's engage! Policy. The overall level of engagement for this project was at the CONSULT level. Promise to the non-profit stakeholders: We will consult with the non-profits and internal stakeholders to obtain feedback and ensure their input is considered and incorporated to the maximum extent possible. We undertake to advise how consultation impacted the decision and outcomes.

Engagement sessions with external stakeholders were held between April 14<sup>th</sup> and April 24<sup>th</sup>, 2014. In total, there were 45 agencies that RSVP'd, 54 different individuals accepted our RSVP's to sessions and total of 44 external stakeholders participated across five different engagement sessions. Stakeholders were divided in groups according to their class and relationship to the MGA act. These were grouped as follows, in no particular order: religious groups, charitable/housing, MSI, Civic Partners, miscellaneous and we also had one catch all session which was a combination of stakeholders that belonged to more than one group or classification in the MGA act. In addition to external stakeholders we also "engaged" with internal stakeholders, civic partners and community partnership representatives from Community and Neighbourhood Services in obtaining feedback on five options presented by Assessment.

Stakeholder engagement sessions were held on different days of the week and in different times to accommodate stakeholders with different schedules. All sessions were two hours in length and all were held at Ad Valorem Building. During the sessions, assessment first presented the history of this project and got stakeholders to understand how we got to where we are at now. Second, assessment introduced how the tax system works, types of subsidies offered by the city and gave stakeholders Assessments evaluation criteria for the recommendation that will be put forth to the Council. After assessment presented an option together with an example, Engage! Consultant then "engaged" stakeholders in a discussion on two questions: What is the benefit of this option and what is the concern with the same option. There were a total of 5 options presented each time we had a stakeholder session. We also asked one final open ended question before the end of the sessions to give stakeholders an opportunity to talk about and provide us with a different solution to the problem that assessment did not think of and might later take into account. The final question we asked after all five options were presented and feedback/input gathered was: "Are there any other options we should be considering?"

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## External Stakeholders

• Stakeholders	• Directly/Indirectly Affected	• Why are they being engaged	• What are their interest/positions / values	• Level of Engagement
Non-profit organizations that own property and use it for non-profit purposes and are currently exempt, non-profit property owners who currently have property/properties under construction, or are considering construction or renovation of a property	Directly affected	Council's decision will have a financial impact to these organizations. The City wants to learn about their current or planned construction projects, understand their views about the four proposed options, and to hear about ideas for further options that may have not been identified.	Non-profit organizations will be interested in a process that recognizes their limited funding and is equitable to all organizations.	Consult
Umbrella organizations or agencies that represent non-profit groups	Indirectly affected	They represent organizations that are directly affected and will have an interest in the outcome. They are also a conduit for reaching directly affected organizations.	They will have an interest in the outcome and may lobby for outcomes that best support their members	Consult

## Internal Stakeholders

- Departments with a relationship to the non-profit community and business units involved in the operation of the tax system

• Stakeholders	• Directly/Indirectly Affected	• Why are they being engaged	• What are their interest/positions / values	• Level of Engagement
• Law	Directly affected	The council decision may	Ensuring the bylaw is	Consult



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• Stakeholders	• Directly/Indirectly Affected	• Why are they being engaged	• What are their interest/positions / values	• Level of Engagement
		require a new bylaw	appropriate	
• Finance	Directly affected	Council decision will have an impact on the budget and funding	Ensuring resources are appropriately assigned	Consult
• Community & Neighbourhood Services	Indirectly affected	They have an existing relationship with non-profit organizations	They will want to be aware of the discussions taking place in the community	Communicate and Inform
• Recreation	Indirectly affected	They have an existing relationship with non-profit organizations	They will want to be aware of the discussions taking place in the community (might it affect their use of facilities?)	Communicate and Inform
• Mayor and City Council		They will make the final decision and need to have an understanding of the project and engagement results	They will be interested in a process that is flexible such that it can be amended or cancelled in alignment with Council priorities. They also want to know what non-profits think about the options presented.	Communicate and Inform
• PDA Communications team	Indirectly affected	They will need to be involved in outreach and may need to lead further communication efforts once the	Planning for work; meeting communications objectives	Consult

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• Stakeholders	• Directly/Indirectly Affected	• Why are they being engaged	• What are their interest/positions / values	• Level of Engagement
		Council decision has been made		

## Schedule of Engagement Session

Session	April 14 2-4 p.m. Religious	April 14 5-7 p.m. Misc	April 15 9-11 a.m. Misc	April 15 2-4 p.m. Charitable / Housing	April 17 2-4 p.m. MSI	April 23 9-11 a.m. Civic Partners	April 24 9-11 a.m. Catch All Session
# of orgs attending/ invited	8/18	1/22	7/22	8/12	5/7	0/3	17/16
# of people	10	1	7	9	5	0	17

The above table illustrates the breakdown of external engagement sessions that occurred between April 14 and April 24/2014. Sessions in red were cancelled due to poor attendance. The one participant in session booked on April 14 between 5 p.m. and 7p.m. attended April 15<sup>th</sup> session from 9 a.m. to 11 a.m and April 23<sup>rd</sup>/2014 session were cancelled altogether.

As mentioned earlier, in addition to external engagement sessions the project team recognized the need for a more formal internal engagement session to provide internal business units with a formal opportunity to voice their concerns and benefits for each of the options that Assessment has brought forward. In our external session it was identified that internal stakeholders would potentially be affected by some of the options and an opportunity to respond to identified options was seen as a necessary addition to our engagement plan. A subsequent internal session was added to our overall engagement plan. The internal session was held on May 2, 2014, between 9:00 a.m. to 11:00 p.m. at Ad Valorem Building with Assessment and two stakeholders from CSPS, Civic Partners and Community Partnerships in Community Neighbourhood Services attended that session. Their comments and feedback was included in the general feedback with the rest of the stakeholders feedback in “Options Developed and Stakeholder Feedback Session” above.

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## Alignment

### Council's Fiscal Plan for Calgary

As further background, the previous Council has spoken to how it is going to approach the funding of non-profit organizations in Calgary. One of the previous Council's objectives in Council's *Fiscal Plan for Calgary (2012-2014)* was to "Invest in great communities and a vibrant urban fabric". Under this pillar the following statements are relevant to the current discussion:

1.     a. Continue operating budget support for Arts and Culture, and  
       b. Continue operating budget support for Sport organizations.
2.     Support Calgary Arts Development Authority (CADA) in the implementation of its arts spaces plan.

It is important to note that operating budget support for the non-profit sector was the main objective of the previous Council.

## Evaluation

### **The engagement will be deemed successful if:**

- a representative number of organizations participate
- participants understand the decision to be made and decision-making process, and how the decision impacts them,
- The City understands stakeholders positions on each of the options
- the feedback is useful for Council to aid in their decision-making
- participants understand how their input was used.

### **How are you going to evaluate during your engagement?**

Participants will be surveyed after engagement activities to gauge how effective the engagement was and determine if a different approach is needed moving forward.

### **How are you going to evaluate the success of your plan?**

Debrief with the project team to measure against the engagement objectives. Monitor questions that come from ALT and Council to check their understanding of stakeholder views.

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## Reporting

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Stakeholder sessions were transcribed and reported back separately to the session attendants from each of the sessions (both internal and external). Assessments will bring the report forward to the PFC on June 4<sup>th</sup>, 2014. Engagement Plan and outcome will be shared with the Project Manager in Assessment BU and will be available to Council if they wish to review the Engagement Plan.

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## Evaluation Surveys Summaries

		Strongly disagree	Disagree	Niether agree or disagree	Agree	Strongly Agree
<b>1. The session objectives were clearly stated</b>						
	14-Apr-14	0	0	0	3	4
	15-Apr-14	0	0	0	4	2
	15-Apr-14	0	0	0	5	1
	17-Apr-14	0	0	0	1	2
	24-Apr-14	0	0	0	10	3
<b>2. In my view the session accomplished its objectives?</b>						
	14-Apr-14	0	0	0	3	4
		0	0	1	3	2
	15-Apr-14					
	15-Apr-14	0	0	0	4	2
	17-Apr-14	0	0	1	1	1
	24-Apr-14	0	0	1	10	2
<b>3. The tax mitigation options were clearly presented?</b>						
		0	0	1	2	4
	14-Apr-14					
	15-Apr-14	0	0	0	4	2
	15-Apr-14	0	0	0	5	1
	17-Apr-14	0	0	1	0	2
	24-Apr-14	0	1	0	9	3
<b>4. I was able to contribute to what was being discussed?</b>						
	14-Apr-14	0	0	1	1	5
	15-Apr-14	0	0	0	4	2
	15-Apr-14	0	0	0	2	4
	17-Apr-14	0	0	0	2	1
	24-Apr-14	0	0	2	6	5

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**I felt the overall organization (including logistics, room, supplies, invitation/notification) was:**

	Poor	Below Average	Average	Above Average	Excellent
14-Apr-14	0	0	1	3	3
15-Apr-14	0	0	2	1	3
15-Apr-14	0	0	1	3	2
17-Apr-14	0	0	1	1	1
24-Apr-14	1	0	2	9	1

**I felt the clarity of the process:**

14-Apr-14	0	0	1	4	2
15-Apr-14	0	0	3	1	2
15-Apr-14	0	0	0	4	2
17-Apr-14	0	0	1	1	1
24-Apr-14	0	0	4	9	

**I felt the length of the session was:**

14-Apr-14	0	0	2	2	3
15-Apr-14	0	0	2	1	3
15-Apr-14	0	0	1	2	3
17-Apr-14	0	0	1	0	2
24-Apr-14	0	1	5	4	3

**I felt my opportunity for input was:**

14-Apr-14	0	0	2	1	4
15-Apr-14	0	0	1	2	3
15-Apr-14	0	0	0	1	5
17-Apr-14	0	0	1	0	2
24-Apr-14	0	0	2	5	6

## Evaluation Summaries –Open ended comments

### GENERAL COMMENTS

- 14-Apr-14 Make sure there is adequate parking  
Thanks
- Parking was tight
- 15-Apr-14 Informative - thanks

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Additional timeline should be considered and debated further to provide the council enough time to think through

It may have helped to have the options in advance

Really good session. Organized, informative and well presented. Ample opportunity for input and feedback. Thank you.

15-Apr-14 Very good discussion. Thank you for the opportunity

17-Apr-14 Options/examples could be more clear

24-Apr-14 TEX bylaw is my vote

Thank you!

Providing options prior to session would allow more thoughtful input from those attending

Excellent session! Good input. Presenters should face the people while speaking, not speak facing the screen. With air conditioning running difficult to hear the presenter. (Also speak louder)

Appreciated the opportunity of contributing