

Subject: Request for Tax Forgiveness - Pacific Investments GP Ltd.**APPROVALS:**

Brian Moore, Director
Elsie Hutton, Executive Director
Glen Laubenstein, Chief Administrative Officer

Administrative Recommendation(s):

That the request for Pacific Investments GP Ltd. for tax forgiveness be denied.

Summary:

Per the *Municipal Government Act*, Section 347(1), Council is the approving authority for all cancellation, reduction, refund or deferral of taxes requests.

Background:

In December of 2011, Pacific Investments GP Ltd. (Pacific Investments) purchased 397 hectares of land from the Province for \$35M. The assessor entered an assessment on the roll for the partial year taxation based on the fact that the land was not patented in 2010. In 2011 the land was changed from unpatented Crown Land to patented land and the assessment for 2012 was calculated accordingly.

Pacific Investments approached the Assessment and Taxation Department to have either their assessment reduced or the Urban Service Area Tax Rate applied to the subject property, which is known as the Prairie Creek Business Industrial Park. They were advised that it was not possible to apply the urban rate and it was recommended they exhaust their assessment appeal rights before making such a request before Council.

Pacific Investments appealed the 2011 based assessment in an attempt to have their taxes reduced to the level of what would be paid in the rural area for unpatented Crown Land or to have the Urban Service Area Rate applied and were unsuccessful. In its decision of October 9, 2012, the Composite Assessment Review Board ("CARB") pointed out that it did not have the authority to change the classification of the property from rural non-residential and secondarily that the property is outside the Urban Service Area and earmarked for industrial or commercial development. CARB also confirmed the assessment as entered by the Municipality. Pacific Investments did not appeal their 2012 assessment for 2013 Taxes.

A subdivision of the property is being sought by the property owner, however Section 654(1)(d) of the *Municipal Government Act* stipulates that a municipality must not approve a subdivision of land on which taxes are owing unless arrangements have been made for payment pursuant to Part 10 of the *Municipal Government Act*. As a result, the subdivision application was put on hold.

At the September 10, 2013 Council meeting a delegation from Pacific Investments presented a request for tax relief regarding the Prairie Creek Industrial Business Park. Their presentation included a request for similar taxation treatment that was afforded to the Parsons Creek development. The matter was accepted as information and referred to Administration. There was an outstanding balance of \$1,647,048.84 on the property tax account at that time.

Pacific Investments subsequently contacted the Municipality the week of September 23, 2013 seeking an agreement which would allow them to proceed with their subdivision application. The Municipality's Regional Assessor and senior management of Pacific Investments have since come to an agreement pursuant to Part 10 of the *Municipal Government Act*, Section 418(4) with respect to the property taxes owing. The subdivision application would then be subject to any remaining conditions.

Budget/Financial Implications:

There is currently no funding identified in the event tax forgiveness is granted by Council.

Rationale for Recommendation(s):

The Prairie Creek Industrial Business Park and the Parsons Creek Development have been treated equitably from a tax application perspective in that both were taxed using Rural Service Area tax rates while the lands were in the Rural Service Area.

The Municipality has been approached by owners of other non-residential properties in the Rural Service Area, including Oil Sands companies, concerning the differential in the rates of taxation between the two service areas. If Council were to grant relief in this instance it would set precedence for further applications seeking similar treatment and create a tax inequity with other non-residential properties within the Rural Service Area for the years any tax and penalty relief was applied to.