

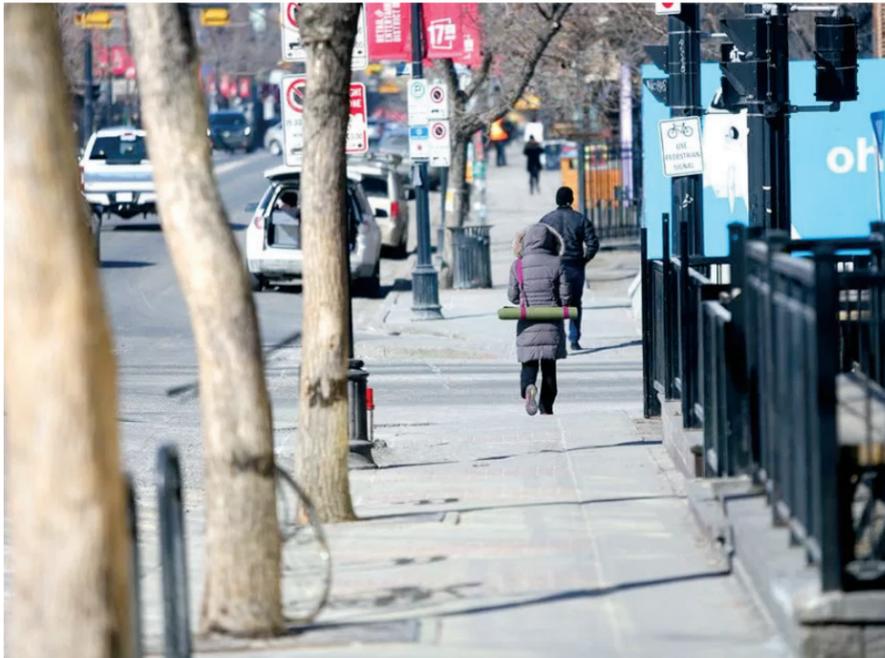
Slammed by downtown 'tax shift', shop owners bail out of trendy districts

AMANDA STEPHENSON, CALGARY HERALD

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In the span of two months this winter, Calgary's 17th Avenue S.W. lost 29 businesses.

The iconic retail and entertainment strip had 370 operating businesses in December 2018 and 341 at the end of February 2019 — a decline of 8.5 per cent.



Looking west along 17 Avenue S.W. in Calgary on Wednesday, April 4, 2018.
LEAH HENNEL / POSTMEDIA

In Kensington, the funky inner-city neighbourhood that has been a mecca for shoppers and pedestrians for years, 15 of 274 businesses have shut their doors for good since Christmas. The street-front vacancy rate in the area is now higher than six per cent and For Lease signs dot the landscape.

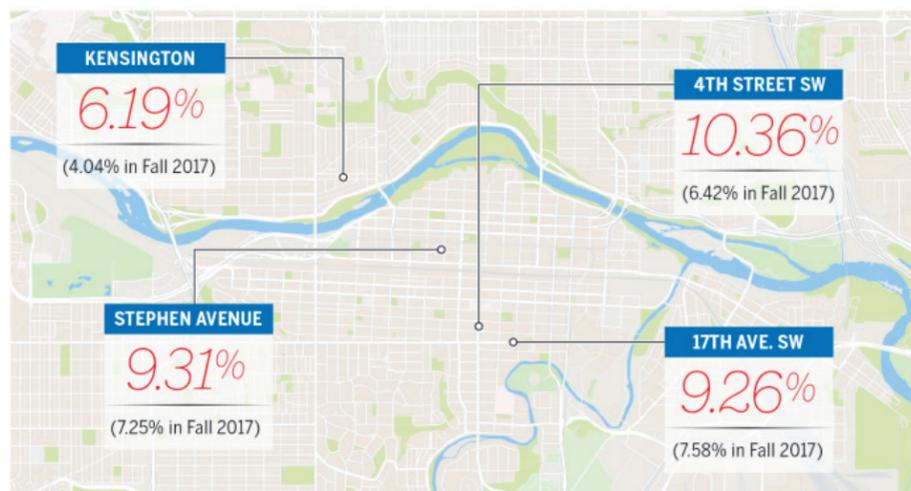
Businesses come and go, even in boom times. But advocates say the spate of closures in recent months — and the climbing vacancy rates in virtually all of the city's "destination districts," from Stephen Avenue to Chinatown to Mission — is anything but business as usual.

"Since 2015, our numbers have been holding firm or slightly increasing — until the end of December. So this sudden loss is concerning," said Annie McInnes, executive director for the Kensington Business Revitalization Zone.

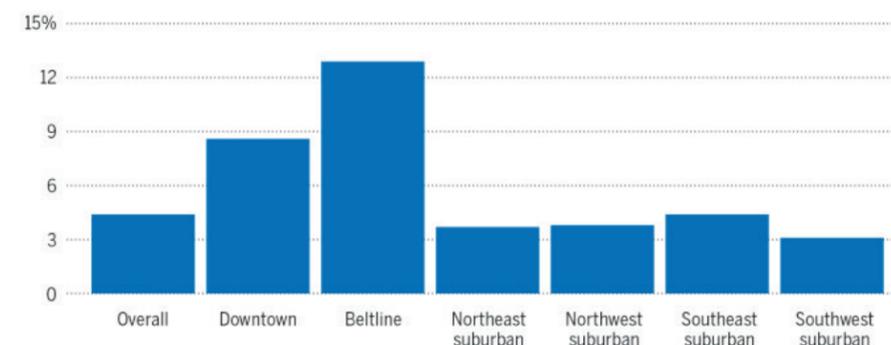
"It is getting worse now," said David Wallach, owner of Barclay Street Real Estate and co-chair of Calgary Economic Development's real estate advisory committee. "We are talking about big numbers in the core and around the core."

RETAIL TAKES A BEATING IN TRENDY DISTRICTS

Retail vacancy was 8.6 per cent in downtown Calgary at the end of Q1 2019. The Beltline was even worse at 12.9 per cent. Here are the storefront vacancy rates on four trendy streets in Fall 2018.



RETAIL VACANCY RATE ACROSS THE CITY



SOURCE: COLLIERS INTERNATIONAL, BARCLAY STREET REAL ESTATE

DARREN FRANCEY / POSTMEDIA



The Kensington district has lost 15 businesses since Christmas. BRENDAN MILLER / POSTMEDIA

Small businesses in Calgary have been struggling for some time now with a variety of challenges, everything from the state of the economy to the weak Canadian dollar to increased labour costs. But for many business owners, the biggest frustration is what has been dubbed the "downtown tax shift" — the \$250-million revenue gap in municipal finances as a result of empty downtown office towers. Office towers in the core have gone from shouldering 32 per cent of the non-residential tax burden in 2015 to just 18 per cent in 2019, leaving business owners outside of the core to pick up what's left of the tab.

Annabel Tully — the owner of Kismet, a women's clothing store in Kensington — said her property taxes have gone up 95 per cent since 2015. She said she considers herself fortunate because her landlord has so far been willing to share the increased costs, though she added she has been told that won't continue indefinitely.

"Going forward, as the increases go up, they're just going to pass it along to us," Tully said. "I have to give my staff less hours, I pay myself less, we've had to not take some opportunities we maybe could have taken because the confidence is just not there ... it is a day-to-day stress on your life."



Inner-city areas such as Kensington have been hit hard by high assessment values. BRENDAN MILLER / POSTMEDIA

According to information presented to a city council committee by the 17th Avenue Retail and Entertainment District, businesses along 17th Ave S.W. have seen a 79 per cent increase in property value assessments since 2016, translating to a 140 per cent increase in property taxes on average. This year, these same businesses could see a projected 20 per cent further increase on their property tax bills.

Areas like 17th Avenue and Kensington are being hit harder than suburban commercial districts, because properties in the inner-city have comparatively high assessment values, said Chris

Ollenberger, chair of the government affairs committee for NAIOP Calgary (the commercial real estate development organization that represents a mix of developers, building owners and landlords and related professionals).

"The businesses there also tend to be smaller, and the majority of them are independent ... so it has such an emotional and fast impact on them," Ollenberger said.

He added that most commercial leases in the city are "triple-net" leases, which means the entire property tax burden is passed along to the business owner.

"I've had several meetings personally with tenants of mine where they're almost in tears," Ollenberger said. "And there's not a lot I can do from a property tax perspective. It's government — they're going to collect it."

On Monday, city council is set to finalize 2019 tax rates for businesses and homeowners. It will also lay out a roadmap for tackling the tax shift problem. Solutions being considered include city asset sales, budget cuts and one-time cash injections, as well as a redistribution of the tax burden so that residential property owners take on more of the burden.

Business advocates say while no one likes tax increases, shifting some of the pain to homeowners is the only thing that will prevent further business closures.

"If city council doesn't have the conviction on Monday to make bold decisions and systemically address that issue, that's a long-game burden on businesses," said Sandip Lalli, president and CEO of the Calgary Chamber of Commerce.

Wallach, with Barclay Real Estate, said his brokerage's latest report pegs the commercial vacancy rate in the Beltline at a startling 13 per cent, compared to just 4.4 per cent for the city overall.

"If it doesn't get solved, I predict we will lose more businesses. We've had meetings with business owners where people have said straight to our face, 'We will look at leaving the city if this continues,'" he said. "It's the first time I have seen this level of frustration and rage from the business community."