

## LEDUC ANNEXATION AREA ASSESSMENT POTENTIAL ADJUSTMENTS

### RECOMMENDATION

That the February 15, 2023, Financial and Corporate Services report FCS01500, be received for information.

<b>Requested Council Action</b>	Information only		
<b>ConnectEdmonton's Guiding Principle</b>	<b>ConnectEdmonton Strategic Goals</b>		
<b>CONNECTED</b> This unifies our work as we achieve our strategic goals.	N/A		
<b>City Plan Values</b>	N/A		
<b>City Plan Big City Move(s)</b>	N/A	<b>Relationship to Council's Strategic Priorities</b>	Conditions for Service Success
<b>Corporate Business Plan</b>	Managing the corporation		
<b>Council Policy, Program or Project Relationships</b>	<ul style="list-style-type: none"> <li>N/A</li> </ul>		
<b>Related Council Discussions</b>	<ul style="list-style-type: none"> <li>FCS00406 - Leduc Annexation Area Assessment Potential Adjustments, Executive Committee, February 16, 2022</li> <li>FCS00021rev - Leduc County Annexation Area (Taxpayer Support Options), Executive Committee, February 1, 2021</li> </ul>		

### Executive Summary

- Administration was directed to report to Executive Committee on the taxes and penalties that would need to be canceled to achieve a property tax phase-in approach for residential property owners in the Leduc annexed area that experienced 2020 tax increases.
- The cost to adjust the property taxes in accordance with Council's motion would be \$10,610.17.

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### REPORT

On January 1, 2019, two areas of land from Leduc County and the Town of Beaumont became part of Edmonton through an annexation order. Under the order, the properties in the annexed area are annually taxed for the next 50 years at the lowest rate set by either the City of Edmonton or their former municipality, unless there is a change to the property as described in the annexation order (such as a subdivision at the request of the owner). In 2020, a number of residents in the Leduc County annexed area raised concerns about tax increases, which were primarily due to property assessment changes related to either market analysis or data corrections (such as building improvements previously not on file with the previous municipality). Annual changes to property values are a normal part of the assessment process, but the difference in value upon reassessment was more significant for some properties.

At the February 8, 2021, City Council meeting, Council moved four motions regarding the Leduc County annexed properties. Administration addressed two motions at the May 3, 2021, City Council meeting (Financial and Corporate Services report FCS00470, Leduc Annexed Residential Properties): one canceling penalties and tax arrears for 2020, and the other deferring the payment of taxes until the end of 2021 (Financial and Corporate Services report FCS00404, Bylaw 19640 - Amendments to Bylaw 19394 - Leduc Annexation Area Change Tax Due Date) effectively removing the five per cent monthly penalties applied in July, September and November and eliminating tax arrears penalties. A third motion was addressed at the November 22, 2021, City Council meeting (Financial and Corporate Services report FCS00405, Leduc Annexation Area Tax Penalty Cancellation) providing a prorated tax rebate for the 2020 tax year for any property owner that successfully reduced their assessment at the Assessment Review Board (ARB) in 2021 (based on the difference between the 2021 revised assessment and the 2020 assessment).

The fourth motion would retroactively reduce previously applied taxes in 2020, 2021 and 2022. Under this motion, property owners that experienced a 2020 tax increase would retroactively have their 2020 tax increase reduced by 75 per cent, their 2021 tax increase reduced by 50 per cent, and their 2022 tax increase reduced by 25 per cent using 2019 as a baseline year. These retroactive rebates would be applied as tax credits in advance of sending the 2022 and 2023 tax notices. At the February 22, 2022, City Council meeting, Administration presented Financial and Corporate Services report FCS00406, Leduc Annexation Area Assessment Potential Adjustments, to reduce the 2020 and 2021 tax increases using 2019 as a baseline year. This report outlines the option to reduce the 2022 tax increase by 25 per cent using 2019 as a baseline year.

Of the 204 total residential properties in the annexed area, 77 properties (listed in Attachment 1) qualified for reductions based on Council's initial motion. For 2022, 52 of the 77 properties will receive tax rebates if Council wishes to proceed with this reduction. The 2022 tax bills for the remaining 25 properties were already below the 2019 baseline year amount and do not require a rebate.

### Budget/Financial Implications

The total amount of taxes to be canceled for 2022 would be \$10,610.17. These credits would be funded from a reserve fund maintained for prior year property tax adjustments.

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### COMMUNITY INSIGHT

At the October 26, 2020, Executive Committee meeting, Committee heard from a number of annexation area residents who expressed frustration with their property tax increases. These residents explained that their understanding was that taxes would remain at pre-annexation levels and that wording within the annexation order suggested that Edmonton should assess properties “on the same basis as if they were in Leduc County.” Administration heard these frustrations and clarified that the assessment methodology is provincially legislated and is the same for both municipalities; the tax increases were primarily due to property assessment value changes related to either market analysis or data corrections once the City assumed responsibility for their assessments. Administration will continue to listen to and work with these new residents as the area proceeds through the transition period.

### GBA+

The GBA+ considerations of this report, as with nearly all property tax policy matters, relate to the individuals who own property. It is considered a best practice for assessment and taxation that owners of similarly built and valued properties in a municipality pay a similar amount of property taxes each year. Administration does not have the ability to know if the demographic characteristics of the impacted annexed property owners differ from the demographic characteristics of Edmonton’s population.

### ATTACHMENT

1. Leduc Annexation Area Residential Property Tax Cancellations for 2022