

# FISCAL DISPARITY & NON-RES TAX BASE GROWTH CHALLENGES

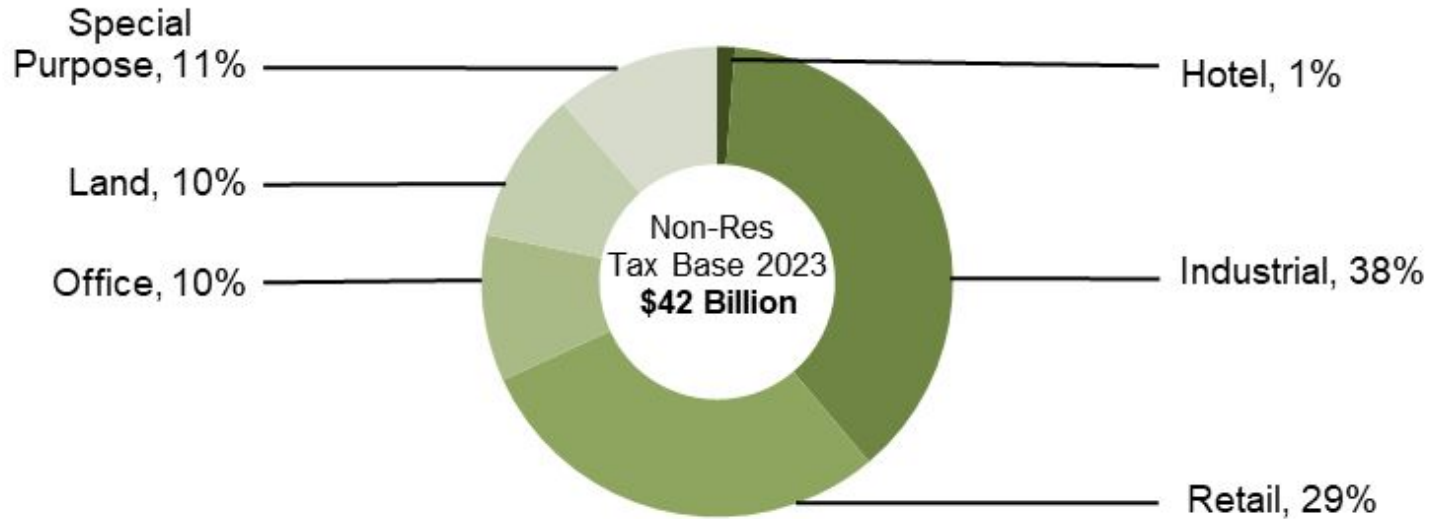
Edmonton

FCS02483

Executive Committee, June 19, 2024

# CONTEXT SETTING

# 1. Edmonton's Non-Res Tax Base in 2023



## 2. Market Preference For Business/Industrial Parks (Demand Factor)

- Non-res building construction has disproportionately occurred in business/industrial parks

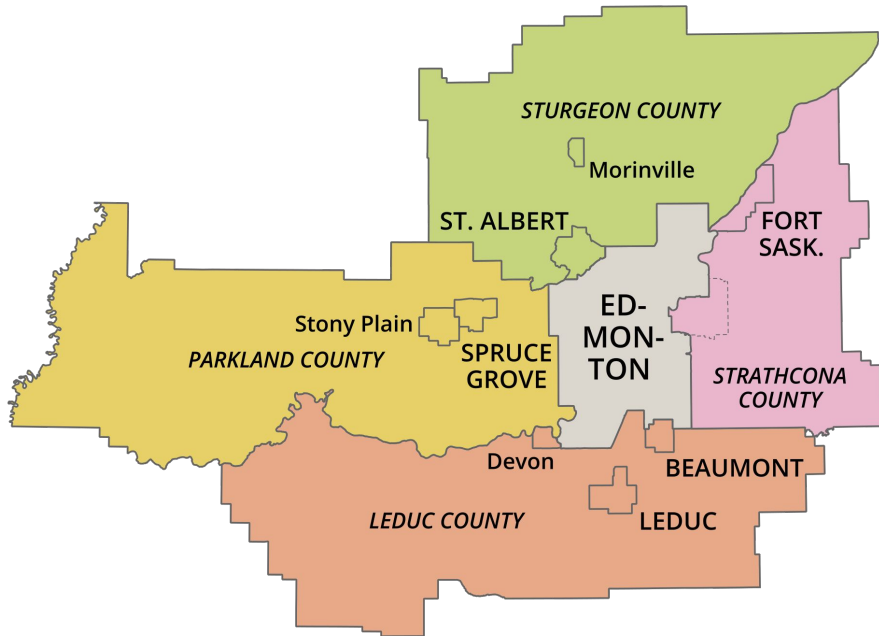


*Photo: Leduc Business Park, Leduc County*



*Photo: South Central Business Park, Edmonton*

### 3. Region is More Abundant in Developable Land (Supply Factor)



- Edmonton region is a conglomeration of municipalities
- 12 municipalities centred on Edmonton competing for non-res tax base
- Most municipalities in region can absorb non-res growth in business/ industrial parks
  - **More abundant land supply**

## 4. Place-Bound vs. Non-Place-Bound Firms (Demand Factor)

- In general, firms in the Edmonton region are place-bound to the region, but not place-bound within Edmonton's municipal boundaries
- Non-place bound firms comprise a significant share of Edmonton Region's non-res assessment base.
- All else equal, non-place bound firms may locate where costs are lower:
  1. Lower property taxes
  2. Lower development costs/standards
  3. Lower land costs

## 5. Edmonton Region is One Interconnected Urban Economy

- Edmonton and surrounding municipalities all benefit from the same broad economic factors:
  - Labour force,
  - Same construction costs,
  - Access to markets (domestic +international),
  - Federal/Provincial regulatory and tax environment,
  - etc.

## 6. Edmonton Metro Economy vs. City Tax Base

- The performance of metropolitan Edmonton's economy and the City's non-res tax base are not necessarily correlated.
- The economy may grow, but if construction of new business properties disproportionately occurs in the region, Edmonton's non-res tax base will not grow adequately.



## 7. Property Tax Model in Most of North America

In General:

- Residential sector costs the City more than they bring in.
- Non-res sector pays higher tax rates (and uses less service), subsidizing res sector.
- This model becomes challenged if businesses disproportionately locate outside our boundaries.

# FISCAL DISPARITY ACROSS THE EDMONTON METROPOLITAN REGION

## EMRB Population Distribution

#	Municipality	Municipal Status	2022	% of EMRB
1	Beaumont	City (2020 onward; Town 2019 Prior)	21,918	1.50%
2	Devon	Town	6,689	0.40%
<b>3</b>	<b>Edmonton</b>	<b>City</b>	<b>1,087,803</b>	<b>72.80%</b>
4	Fort Saskatchewan	City	28,045	1.90%
5	Leduc	City	35,398	2.40%
6	Leduc County	Municipal District	14,547	1.00%
7	Morinville	Town	10,498	0.70%
8	Parkland County	Municipal District	34,487	2.30%
9	Spruce Grove	City	40,842	2.70%
10	St. Albert	City	70,422	4.70%
11	Stony Plain	Town	18,567	1.20%
12	Strathcona County	Specialized Municipality	104,330	7.00%
13	Sturgeon County	Municipal District	20,945	1.40%
	<b>TOTAL EMRB Population</b>		<b>1,494,491</b>	<b>100.00%</b>

## EMRB 2022 Assessment Base

Assessment Class	EMRB		EDMONTON		REST OF REGION	
	Assessment Base	%	Assessment Base	%	Assessment Base	%
<b>Residential &amp; Farmland Subtotal</b>	<b>215,380,515,532</b>	<b>71.2%</b>	<b>147,137,648,668</b>	<b>77.9%</b>	<b>68,242,866,864</b>	<b>60.0%</b>
Residential	215,066,302,921	71.1%	147,069,621,737	77.9%	67,996,681,184	59.8%
Farmland	314,212,611	0.1%	68,026,931	0.0%	246,185,680	0.2%
<b>Non-Residential &amp; M&amp;E Subtotal</b>	<b>87,210,190,151</b>	<b>28.8%</b>	<b>41,754,489,481</b>	<b>22.1%</b>	<b>45,455,700,670</b>	<b>40.0%</b>
Non-Residential	67,910,937,647	22.4%	40,883,637,167	21.6%	27,027,300,480	23.8%
Machinery & Equipment	19,299,252,504	6.4%	870,852,314	0.5%	18,428,400,190	16.2%
<b>Total Assessment</b>	<b>302,590,705,683</b>	<b>100.0%</b>	<b>188,892,138,149</b>	<b>100.0%</b>	<b>113,698,567,534</b>	<b>100.0%</b>

## EMRB Municipalities - 2022 Assessment Per Capita

		Residential & Farmland	Non- Residential	Machinery & Equipment	Non- Residential & M&E	Total Assessment
1	Beaumont*	\$156,031	\$11,425	\$6	\$11,431	\$167,462
2	Devon*	\$124,227	\$19,574	\$47	\$19,620	\$143,848
<b>3</b>	<b>Edmonton</b>	<b>\$135,261</b>	<b>\$37,584</b>	<b>\$801</b>	<b>\$38,384</b>	<b>\$173,646</b>
4	Fort Saskatchewan*	\$147,575	\$47,930	\$68,260	\$116,190	\$263,766
5	Leduc*	\$132,580	\$60,807	\$2,493	\$63,300	\$195,880
6	Leduc County*	\$219,091	\$412,449	\$11,471	\$423,920	\$643,011
7	Morinville*	\$115,243	\$17,590	\$233	\$17,823	\$133,067
8	Parkland County*	\$204,778	\$123,212	\$9,711	\$132,923	\$337,701
<b>9</b>	<b>Spruce Grove</b>	<b>\$138,830</b>	<b>\$29,639</b>	<b>\$476</b>	<b>\$30,115</b>	<b>\$168,945</b>
<b>10</b>	<b>St. Albert</b>	<b>\$169,008</b>	<b>\$29,202</b>	<b>\$373</b>	<b>\$29,575</b>	<b>\$198,583</b>
11	Stony Plain*	\$134,130	\$27,797	\$39	\$27,836	\$161,966
12	Strathcona County*	\$185,564	\$62,161	\$105,544	\$167,705	\$353,269
13	Sturgeon County*	\$204,290	\$116,840	\$232,193	\$349,033	\$553,322
	<b>AVERAGE</b>	<b>\$158,970</b>	<b>\$76,631</b>	<b>\$33,204</b>	<b>\$109,835</b>	<b>\$268,805</b>

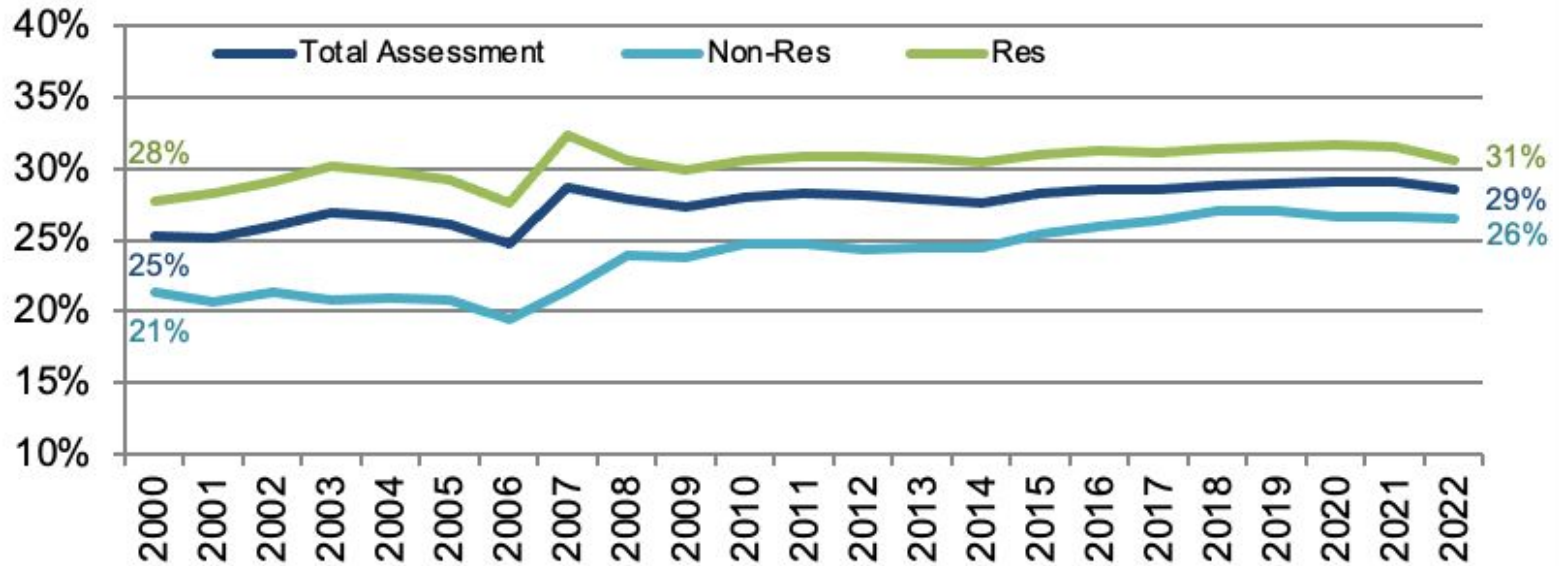
## Assessment % of EMRB Total

#	Municipality	Pop	Residential & Farmland	Non-Residential	Machinery & Equipment	Non-Residential & M&E	Total Assessment
1	Beaumont*	1.50%	1.60%	0.40%	0.00%	0.30%	1.20%
2	Devon*	0.40%	0.40%	0.20%	0.00%	0.20%	0.30%
<b>3</b>	<b>Edmonton</b>	<b>72.80%</b>	<b>68.30%</b>	<b>60.20%</b>	<b>4.50%</b>	<b>47.90%</b>	<b>62.40%</b>
4	Fort Saskatchewan*	1.90%	1.90%	2.00%	9.90%	3.70%	2.40%
5	Leduc*	2.40%	2.20%	3.20%	0.50%	2.60%	2.30%
6	Leduc County*	1.00%	1.50%	8.80%	0.90%	7.10%	3.10%
7	Morinville*	0.70%	0.60%	0.30%	0.00%	0.20%	0.50%
8	Parkland County*	2.30%	3.30%	6.30%	1.70%	5.30%	3.80%
<b>9</b>	<b>Spruce Grove</b>	<b>2.70%</b>	<b>2.60%</b>	<b>1.80%</b>	<b>0.10%</b>	<b>1.40%</b>	<b>2.30%</b>
<b>10</b>	<b>St. Albert</b>	<b>4.70%</b>	<b>5.50%</b>	<b>3.00%</b>	<b>0.10%</b>	<b>2.40%</b>	<b>4.60%</b>
11	Stony Plain*	1.20%	1.20%	0.80%	0.00%	0.60%	1.00%
12	Strathcona County*	7.00%	9.00%	9.50%	57.10%	20.10%	12.20%
13	Sturgeon County*	1.40%	2.00%	3.60%	25.20%	8.40%	3.80%
	<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

\*Taxes M&E / Does Not Tax M&E

# NON-RES TAX BASE - DECLINING REGIONAL SHARE

## Edmonton Region Assessment as % of Alberta Assessment

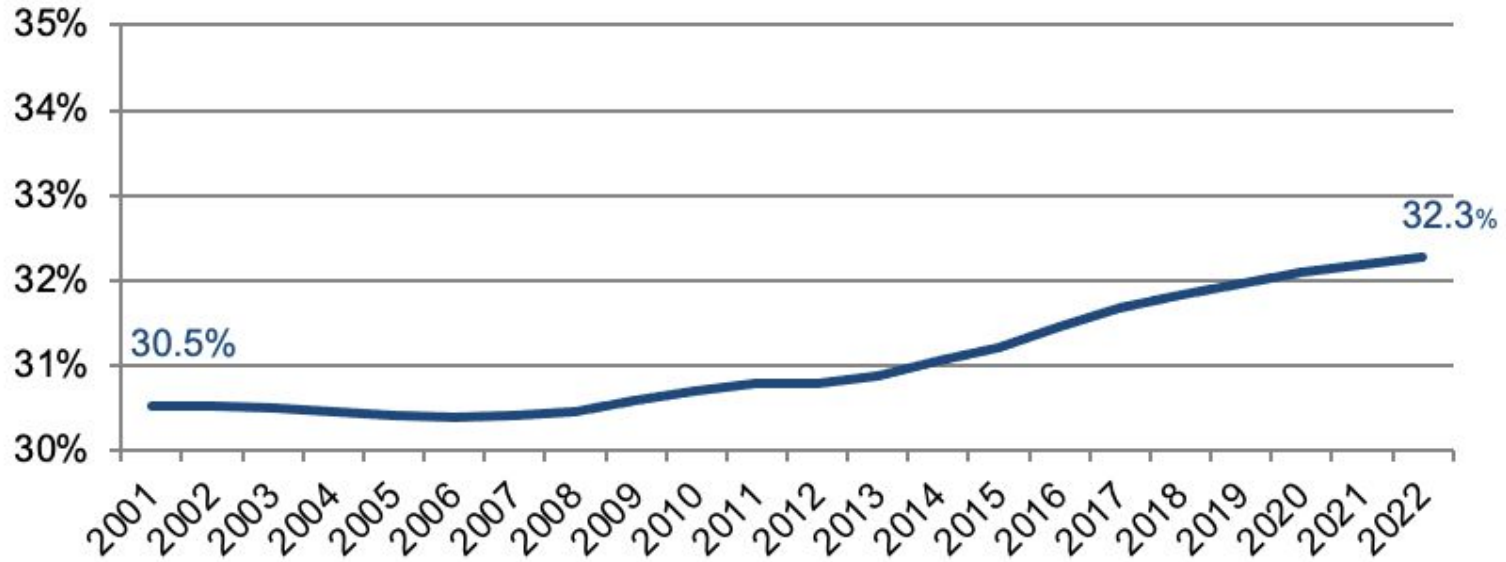


- The Edmonton Region has grown slightly in its share of Alberta's property assessment. This conforms to the growing urbanization trend (next slide).
- The region as a whole has not seen any tax base erosion relative to Alberta.



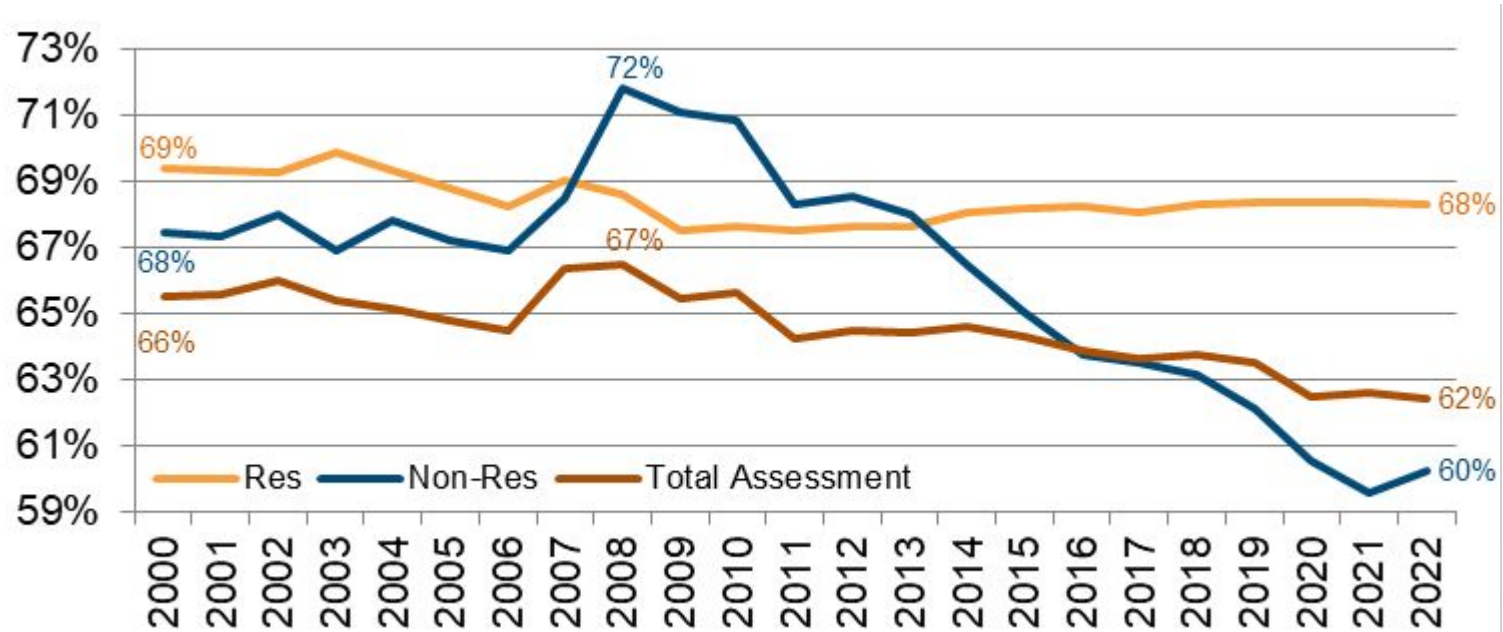
# EMRB Population as % of Alberta Population

Continued Urbanization Trend



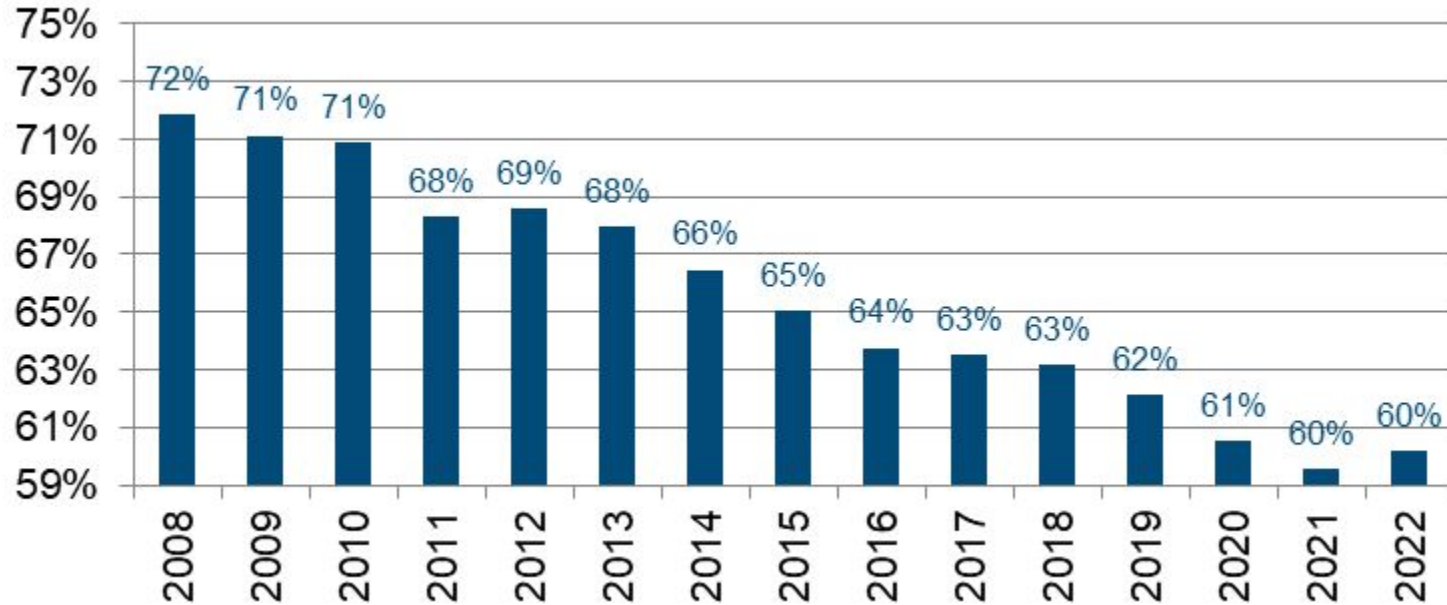
# Edmonton Assessment as % of EMRB Assessment

Declining Share of Non-Res Tax Base



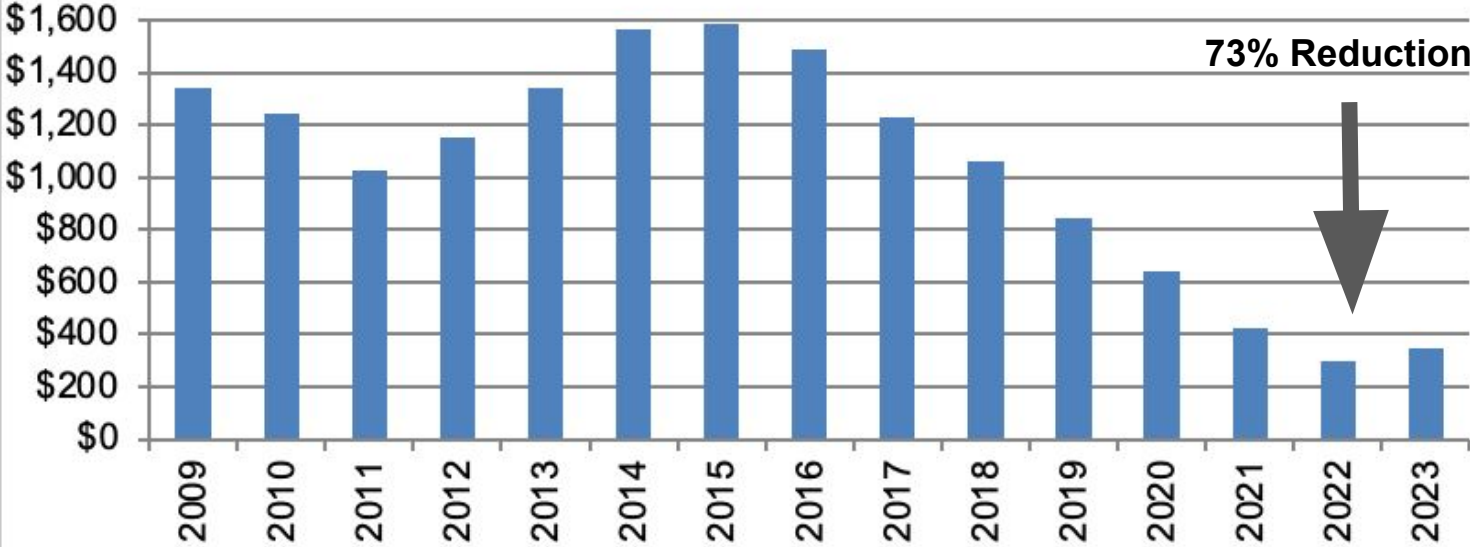
# Edmonton Non-Res Assessment as % of EMRB Assessment

Declining Share



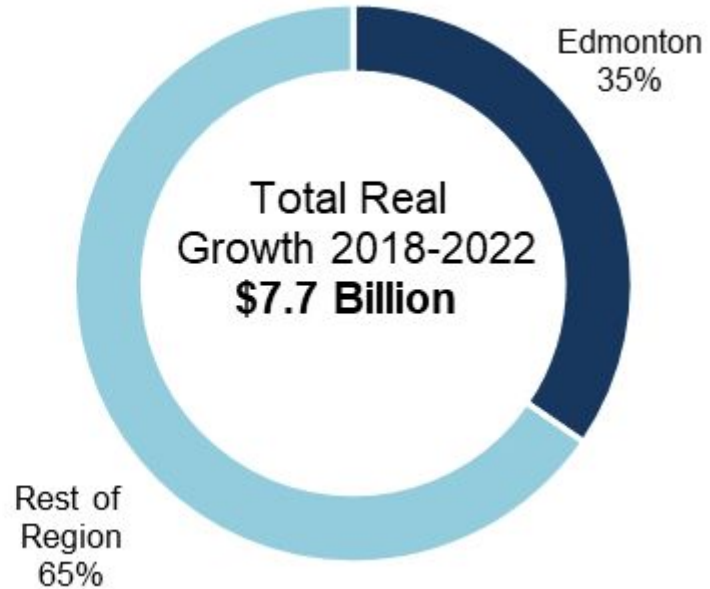
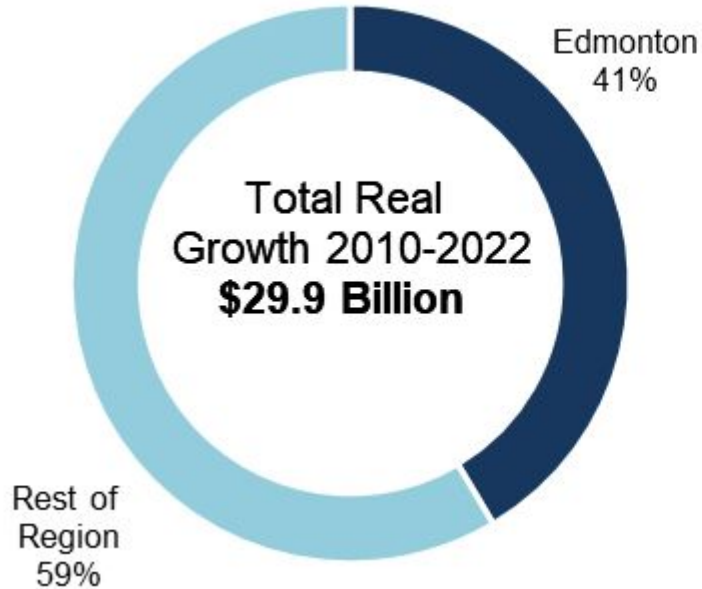
# Non-Res Real Assessment Growth Per Capita (\$2024)

3-Year Smoothing



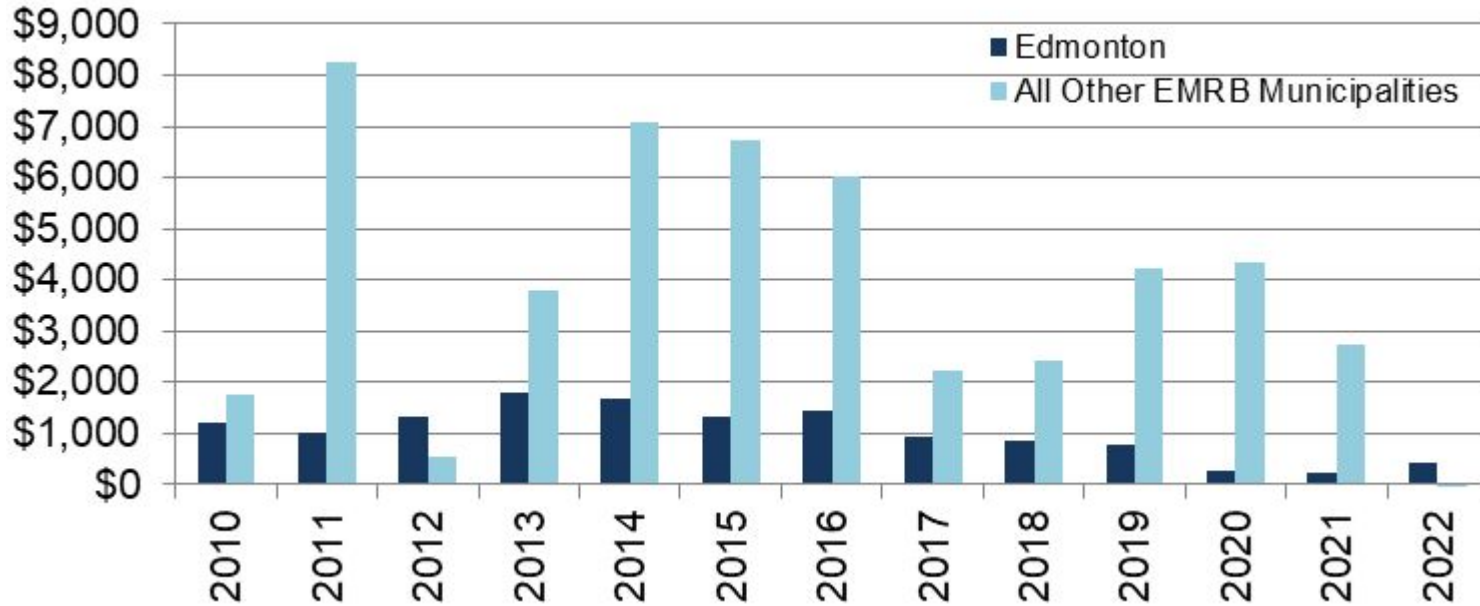
# Real Growth in the Edmonton Region - City Absorption

Non-Residential Properties




# Real Growth in the Edmonton Region - Per Capita

## Non-Residential Properties



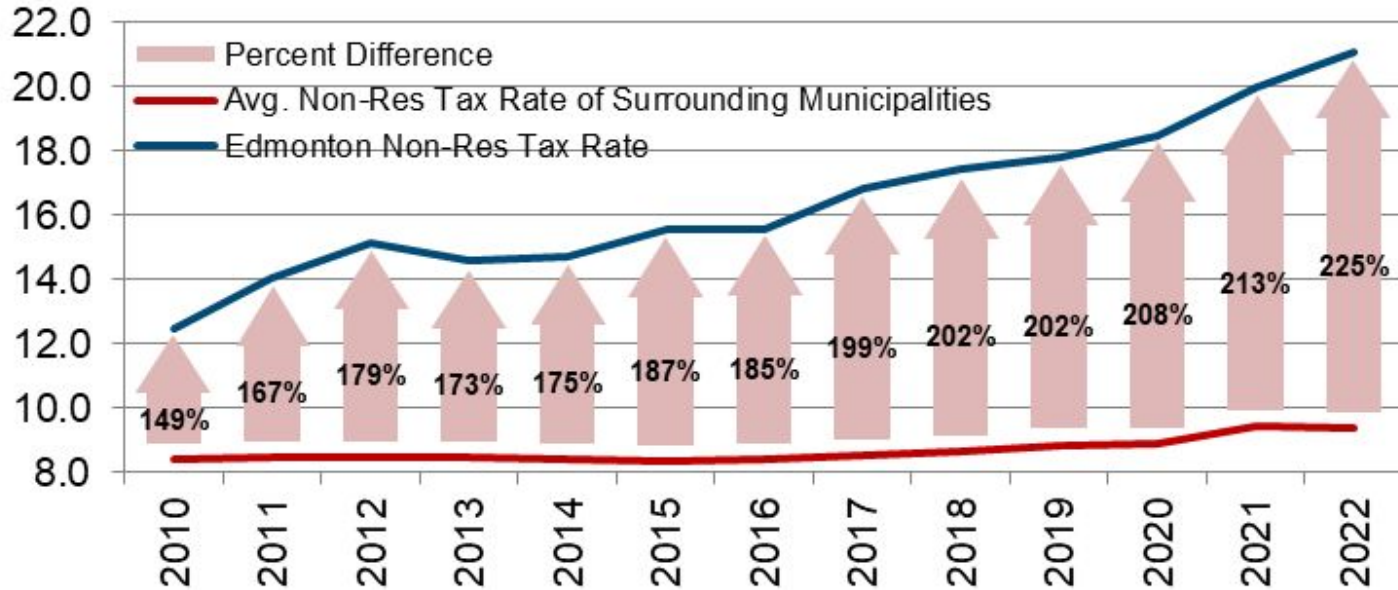
## Non-Res Tax Base - Insufficient Growth

### Declining Share of Regional Tax Base

- This can become a fiscal problem that feeds itself:
    1. Insufficient growth of non-res tax base
    2. Population grows → Expenditure budget grows → Tax levy grows
    3. With relatively smaller tax base, the growing tax levy drives up tax rates relative to surrounding municipalities
    4. Tax rate disparity may incentivize growth to lower-cost municipalities/counties
    5. Surrounding municipalities/counties see higher rates of non-res real assessment growth
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# Non-Res Mill Rate Differential - Edmonton vs Neighbours

Edmonton's Mill Rate has pulled apart from average of Surrounding Municipalities





# Non-Res Tax Base - Insufficient Growth

## Declining Share of Regional Tax Base

- Fiscal capacity eroding
  - City's ability to generate revenues
- Long-range financial sustainability compromised
  - Property taxes remain the single largest revenue tool for City
  - Non-res tax base needs to grow proportionately with population

# Concluding Remarks