COVID-19 Impact on Property Tax Assessment

COVID-19 will significantly impact assessed values and presents an unprecedented challenge of establishing property valuations in a volatile market with limited real estate activity. The following is a high level summary of initial expectations, with more information to follow in the fall as the impacts of the COVID-19 pandemic become more known and understood.

Assessed Values

Preliminary modelling indicates an overall decrease in assessed values of residential property of up to 10 percent. Non-Residential assessed value change appears to be more significant. In this tax class, industrial property appears most stable; whereas retail, office and hotel properties look more volatile.

Assessment legislation in Alberta establishes July 1, 2020 as the market value date for 2021 assessments. The uncertainty in the real estate market will create challenges in establishing property valuations for the 2021 taxation year.

Volatile markets can also lead to significant shifts in assessments between property types, which could lead to a redistribution of the property tax burden within the non-residential and residential tax classes.

Assessment Complaints

Previous years of volatility have resulted in large increases in assessment complaints. For example, following the global financial crisis 2007-2009, complaint volumes more than doubled from 3,496 to 7,556; requiring considerable resources to administer and defend the assessment roll. The expected increase in appeals due to the volatile real estate market during the COVID-19 pandemic may require an adjustment for the budget for assessment complaint losses.

Supplementary Assessments

Forecasts for supplementary assessments suggest that activity will slow down in 2020, and may not recover until 2022 or later, which would lead to a reduction in supplementary assessment revenue.

Supplementary assessments establish the value added to a property from new construction during the current taxation year. This process ensures that newly built properties pay their share of property taxes during the current taxation year.

In recent years, supplementary assessment revenue has been in the range of $5 to $7 million annually. A decline in construction by half or more could see annual supplementary revenue decrease in the order of $2 to $3 million in 2020 and 2021.

Supplementary Assessment Revenues

Year	Actual	Budget	Variance
2015	$7.26 M	$5.90 M	$1.36 M
2016	$5.72 M	$4.20 M	$1.52 M
2017	$4.66 M	$3.90 M	$0.76 M
2018	$5.18 M	$2.70 M	$2.48 M
2019	$5.73 M	$4.70 M	$1.03 M
2020		$2.79 M	

Assessment Growth

Modelling of effects after the pandemic suggests that growth in 2021 will likely slow compared to previous years.

Assessment growth relates to the increase in property value that results in tax uplift, typically related to the construction of improvements, property subdivision, rezoning or change in exemption status. Growth in a given tax year is based on construction activity in the previous year. In 2020, growth in tax levy revenue, resulting from 2019 construction, totalled $32.2 million - an overall increase of 4.9 percent from the previous year. Looking to 2021 and beyond, growth is expected to be negatively impacted by COVID-19 and growth revenue will likely decline, at least over the short term.

Original 2021 growth forecasts suggested Edmonton to be in a recovery period with growth continuing in an upward trajectory. The 2021 budget for growth is $34 million. The pre-COVID growth modeling suggested growth numbers could be as much as $39 to $45 million over the next three years. Updated analysis now suggests that growth in 2021 will likely be between $19 million and $27 million.

Modeling also indicates that pent up demand will result in higher construction activity in 2022 and beyond, although this effect is not a certainty. Current forecasts suggest construction growth revenue in 2022 to be near $35 million.