

Property Valuation - Leduc County Annexation Area

Recommendation

That the October 26, 2020, Financial and Corporate Services report FCS00021, be received for information.

Previous Council/Committee Action

At the August 17/19, 2020, City Council meeting, the following motion was passed:

That Administration, with respect to properties annexed from the County of Leduc:

1. provide a report summarizing an analysis of disparities in property value assessment methods and approaches between the County of Leduc and the City of Edmonton;
2. approach the Ministry of Municipal Affairs requesting that the Assessment Audit department complete a review of property valuation in the Leduc County annexation area.

Executive Summary

In 2020, the reassessment of Leduc County annexed parcels resulted in value increases for 138 of the 364 accounts. Those increases are based on the City's analysis of market activity (sales) in the area. All properties in Alberta must be reassessed annually and all non-regulated properties must reflect their market value as of July 1 of the previous year.

Property owners who believe their value is incorrect have the right to file an assessment complaint with the Assessment Review Board. While the City is confident in its values, it will work with Municipal Affairs to ensure valuation in the area is a fair reflection of the market.

Report

In June, 2017, The City of Edmonton reached an annexation agreement with Leduc County. This agreement was subsequently followed by an annexation order by the Municipal Governance Board (MGB). As part of that agreement, the City of Edmonton would assess parcels in the annexed area for taxation purposes, but the tax rate would

remain the lower of the two tax rates (Edmonton or Leduc County) for the next 50 years, unless certain development conditions were met. Those conditions included voluntary rezoning, subdivision, accessing City water/sewer services, or specific new developments. The conditions are listed under section 5 of the annexation order.

Starting in 2019, The City of Edmonton was the official assessing authority for annexed parcels. However, given that assessment modeling is done in the year previous to the taxation year, Edmonton rolled over the values the Leduc County assessment authority would have placed on these parcels in 2019. During 2019, Edmonton reviewed market data and prepared its own values for the 2020 taxation year, in accordance with the legislated market value mass appraisal standards. This reassessment resulted in a value increase for 138 of the 364 parcels. Of those parcels, 92 experienced an assessment increase of more than 10 percent (median increase of 23 percent). These assessment increases have resulted in tax increases for property owners in the Leduc County annexed area.

The City of Edmonton is not privy to Leduc County’s assessment models and is unable to comment on the reasons for the disparity. However, both Edmonton and Leduc County are governed by the same provincial assessment legislation that requires both municipalities to assess properties at a market value standard. The increase in assessment values may be due to consideration of a different or larger group of sales.

Whenever a property owner believes their assessment value is not reflective of market value, that property owner has the option to file a complaint with the Assessment Review Board. The Assessment Review Board is an independent quasi-judicial body with the mandate to arbitrate assessment disputes and the authority to adjust values if they are deemed to be out of line. Annexed area property owners have the opportunity to file an assessment complaint on any assessment notice the City sends. The City also encourages property owners to review their data and sales (made available online) and speak with an assessor directly before filing a complaint. If an error is found or a re-estimation of the property value is warranted, a change can be made without the need to proceed with a formal complaint.

In order to ensure Edmonton’s assessments are a fair reflection of market value, the City has approached Municipal Affairs to seek an audit of its values as per the August 17 motion. This will allow a third-party arbiter to determine the validity of those assessment values. A response to that audit request is still pending.

Corporate Outcomes and Performance Management

Corporate Outcome(s): The City of Edmonton has a resilient financial position			
Outcome(s)	Measure(s)	Result(s)	Target(s)

Property taxes are fairly distributed in accordance with provincial standards and market value principles	Average Assessment to Sales Ratio across four quartiles (Single-family Res)	1.002 in 2020	0.95 - 1.05
	Average Coefficient of Dispersion across four quartiles (Single Family-Res)	6.8% in 2020	</= 15%

Others Reviewing this Report

- B. Andriachuk, City Solicitor