



Financial and Corporate Services

Land Use Density Options Residential Subclasses Impact

Edmonton

Cate Watt, City Assessor
and Branch Manager,
Assessment and Taxation
edmonton.ca/assessment

Why is this information coming to Committee

MOTION - October 2020

That Administration report back to Committee with analysis and options to explore the impact of using residential subclasses adjusted for land use density.

Decision Points

- Does Council want to Administration to pursue a residential subclass adjusted for density?
- How is the Other Residential tax subclass affected?

Legislated Powers and Controls

- Subclassing Possible - some restrictions
- Subclassing either used to allocate costs or achieve a policy outcome
 - ◆ Tax rate differential unlikely to affect purchasing decisions
 - ◆ Can be used to signal municipal cost differential
- Reminder that tax decreases for some mean tax increases for others

Approaches

MARKET-BASED	LOCATION-BASED	LAND-USE-BASED *
Traditional, default approach (similar property taxed at same rate).	Augments market approach (similar property taxed at different rates based on location).	Augments market approach (similar property taxed at different rates based on land use).
Impact of location and density accounted for based on its market value.	Challenging to draw lines that can be considered fair and equitable.	Can align with goal of incentivizing denser development with minimal impact on equity.

Density Subclassing by Property Use

Within Existing Residential Class

	Assessment Share	Tax Impact
Low Density Property	78%	+0.3%
Medium-High Density Property	22%	-1.0%

Including the Elimination of Other Residential (After 1.6% Increase)

	Assessment Share	Tax Impact
Low Density Property	71%	+0.5%
Medium-High Density Property	29%	-1.0%

If Council wishes to proceed with adjustments to residential tax rates and subclasses, Administration recommends further analysis to communicate potential impacts to property owners.

Questions?

Cate Watt, City Assessor
and Branch Manager,
Assessment and Taxation
edmonton.ca/assessment

Edmonton

Legislated Powers and Controls

- City Council can create one or more residential subclasses.
- Non-residential tax rate cannot be more than five times higher than lowest residential tax rate.
- Separate residential rates based on land use density can:
 - ◆ align actual costs to groups of properties, or
 - ◆ promote the City's long-term land use plans.

Policy Considerations

EFFICACY

Tax rate differentials between similar types of property do not significantly affect the behaviours of real estate buyers.

Taxes can have some impact on where a purchaser chooses to live within a region (e.g., Leduc vs St. Albert vs Edmonton), but differentials do not typically impact decisions within a municipality itself.

Council may still wish to consider subclassing as a method of cost allocation, but detailed analysis is required to determine the appropriate allocation and tax rate adjustment.

Policy Considerations

STABILITY

Categorization of properties into each subclass would be subject to challenges to the Assessment Review Board.

With any policy decision, parameters cannot be designed to distinguish every possible variation of property.

For owners within the 'grey areas' of the subclasses would reasonably seek the lower rate.

Increased administrative resources would be required to manage and uphold the various subclasses to ensure tax revenue predictability.

Policy Considerations

EQUITY

Under the current system, similar residential properties of a similar value pay a similar amount of property tax.

Introducing tax rate variation requires clear justification as to why one property should pay more than another.

Any decrease in taxes for one group of property owners requires an increase for others (assuming there are no off-setting expenditure decreases).