Attachment #1

Summary of Previous and Current Assessment Ratio Analysis

The analysis to achieve a 70-30 tax split in Edmonton has been conducted several times over the past four years. The result of these calculations has been relatively consistent.

<u>2016 Industrial Investment Action Plan Analysis:</u>

In 2016, Administration provided an analysis of what would be required to shift the residential to non-residential tax ratio from 74.5 to 25.5% to a ratio of 70% to 30%.

The tax ratio analysis investigated two scenarios:

1. Growth required to reach a 70-30 split in 10 years and
2. The growth required to reach a 70-30 split in 20 years.

Under the first scenario, it was estimated that for the City to reach a 70/30 ratio, an additional $1.45 billion ($2016 real dollars) in real non-residential assessment growth would be needed each year for the next 10 years above baseline levels of non-residential growth. This would have required a 250 percent increase per year in industrial development over 10 years above baseline development levels.

The second scenario examined reaching a 70/30 split in 20 years. In order for this balance to be reached, an additional $0.92 billion ($2016 real dollars) in real non-residential assessment growth was needed each year for 20 years above baseline levels of non-residential growth. If this growth burden was placed entirely on the industrial base, this would require a 190 percent increase per year in industrial development over the next 20 years above baseline development levels. The Industrial Action Plan 2016 analysis concluded that achieving a 70-30 split through industrial growth was not feasible:

> "...*industrial assessment accounts for only 8.6% of the City's total assessment base today. Placing the full burden of shifting the total assessment base on this relatively small segment is not feasible."*

This analysis was repeated in two subsequent Council reports.

<u>2016 Financial Stability Plan Analysis:</u>

In 2016, Administration presented Council Report, CR_3516, "Edmonton's Financial Sustainability Plan: The Way We Finance - Property Assessment and Tax White Paper". Without repeating the detailed analysis, the report noted:

> *"to reach an assessment split goal of 30 per cent non-residential, the City would need to grow its non-residential assessment base by $10.5B – an increase of 25.5*

per cent over the City's current base. This number also assumes no future residential growth, which seems unrealistic given current trends."

2017 Addressing the Fiscal Impacts of Greenfield Growth Analysis:

In the July, 2017 Report, CR_3592, Administration presented "Addressing the Fiscal Impacts of Greenfield Growth". The report considered what it would take to achieve a 70-30 assessment base split. The report concluded:

"... non-residential would need to grow by $10B in order to reach 30% of the total assessment base. Such growth is significant and represents a 22% increase to the existing non-residential taxable assessment base. This is equivalent to building slightly more than an additional downtown and assumes no additional residential growth."

2020 Updated Analysis

Two scenarios were examined to reach a 70/30 split in 10 and 20 years.

10 years: Similar to the 2016 findings, an additional $10.6 billion in real non-residential assessment growth would be needed over the next 10 years above baseline levels of non-residential growth. The industrial assessment base makes up approximately one third of the non residential assessment base. If this growth burden was placed entirely on the industrial base, this would require a 6.1 percent year over year increase in industrial assessment over the next 10 years. The average year over year growth in industrial assessment in the last 10-years was 3.9 percent, however, over the past five years, the industrial growth has been negative, where the market value of the assessment base has dropped more than the value of new construction.

20 years: In order for this balance to be reached, an additional $10.6 billion in real non-residential assessment growth would be needed for the next 20 years above baseline levels of non-residential growth. If this growth burden was placed entirely on the industrial base, this would require a 3 percent year over year increase in industrial assessment over the next 20 years. While this growth rate is not impossible, it may be considered it is unrealistic and very aggressive considering the current economic climate and the fact that residential and other non-residential assessments will also grow at varying rates as industrial assessment grows. Projected growth rates have decreased since 2016, however it is reasonable to factor in some background residential growth to accompany non-residential growth. Accounting for a net 3% industrial increase year over year, would actually need real growth to be greater than 3% in order to reach the target of a 70/30 assessment ratio.