



NAIOP

Capital Region Non-Residential Tax Report



Scope

The purpose of this report is to update the 2015 analysis of the competitive environment from a non-residential property tax perspective of the Capital Region in Alberta; specifically the City of Edmonton..

In reviewing the competitive nature of taxes we have reviewed and analyzed:

- Seven year non-residential mill rate trends in Edmonton and competing municipalities;
- Seven year non-residential assessments in the respective municipalities;
- Seven year non-residential tax increases in the respective municipalities;
- Seven year non-residential municipal tax budget analysis including the ratios of non-residential municipal tax increases over time;

Limiting Conditions

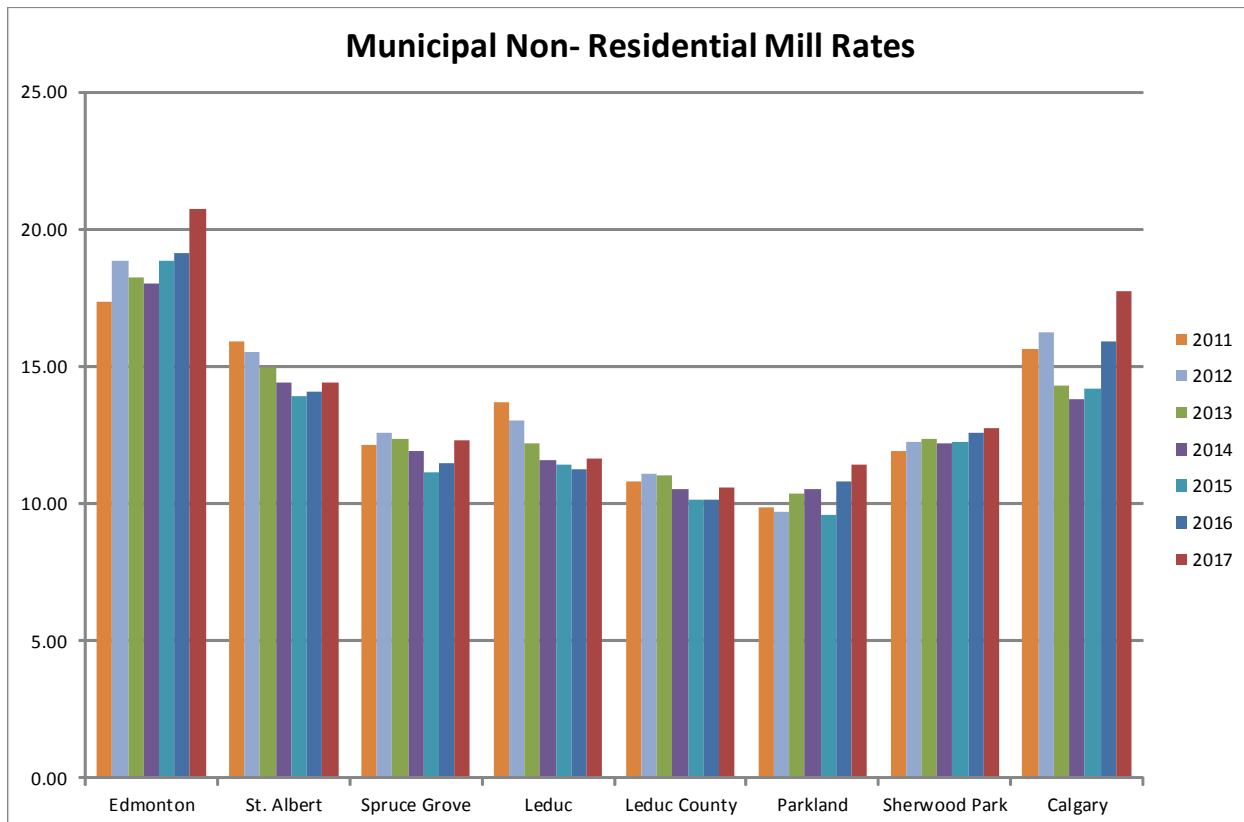
Upon review of the original scope several issues arose in the compilation of the required data that required some modification of the scope of the project:

- The assessment information for Strathcona County is limited to the assessed mill rates. Altus was unable to find reliable published information on the tax dollars collected or the total assessment rates of the various classes of properties within the municipality.
- Historical data within Alberta beyond the seven year time frame was difficult to accumulate for the smaller jurisdictions, therefore only information within the seven year timeframe was utilized.



Mill Rates

In its simplest form the mill rate is the way in which each municipality determines the taxes to be levied against an individual property. Taxes are determined by multiplying the property assessment by the mill rate then dividing by 1,000.



In the Capital Region in 2017, non-residential mill rates ranged from a low of 10.59 in Leduc County to a high of 20.7587 in the City of Edmonton. The City of Edmonton's non-residential mill rate is approximately 69% higher than the median mill rate (12.3) in the surrounding municipalities and 17% higher than the City of Calgary.



Population Growth

Alberta has experienced a period of population growth. Below is a chart showing the last seven years population growth:

Municipality	Population						
	2011	2012	2013	2014	2015	2016	2017
Edmonton	812,201	817,498	847,712	877,926	895,000	899,447	932,546
St. Albert	61,466	60,994	62,125	63,255	<i>64,004</i>	64,645	65,589
Spruce Grove	26,171	27,023	27,875	29,526	32,036	33,640	34,881
Leduc	24,139	25,482	27,241	28,583	29,304	30,498	31,130
Leduc County	13,524	<i>13,598</i>	<i>13,672</i>	<i>13,745</i>	<i>13,819</i>	13,780	<i>13,780</i>
Parkland	30,568	30,922	31,277	31,631	31,985	32,097	32,097
Sherwood Park	64,733	65,465	67,124	68,782	68,782	68,782	70,618
Calgary	1,090,936	1,120,225	1,156,686	1,195,194	1,230,915	1,235,171	1,246,337

* Italics indicate estimated population

The City of Edmonton's population has grown by 14.8% since 2011. This is slightly higher than the average of 14.3% for the Capital Region. Similarly, the City of Calgary grew by 14.2% over the same interval.

Inflation

Edmonton has experienced moderate levels of inflation over the last seven years according to Statistics Canada. Over the last seven years inflation has ranged from 1.1% to 2.5% in the City of Edmonton and from 1.0% to 3.0% in the City of Calgary.

City	Inflation						
	2011	2012	2013	2014	2015	2016	2017
Edmonton	2.50%	1.10%	1.30%	2.20%	1.20%	1.10%	1.60%
Calgary	2.20%	1.00%	1.70%	3.00%	1.20%	1.00%	1.60%



Assessment and Tax Base

Between 2011 and 2015 the overall non-residential assessment base grew in each municipality in the Capital Region. In 2016 & 2017 Calgary and Edmonton experienced a large drop in the Downtown Office markets resulting in a decrease in the Assessment base for the first time in recent history. Despite the assessment bases decreasing for Edmonton and Calgary the taxes collected increase in all seven years.

Seven Year Non-Res Assessment Base														
Municipality	2011		2012		2013		2014		2015		2016		2017	
	Non Res Asmt	Non Res Asmt	Δ	Non Res Asmt	Δ	Non Res Asmt	Δ	Non Res Asmt	Δ	Non Res Tax	Δ	Non Res Tax	Δ	
Edmonton	\$34,053 M	\$33,909 M	-0.4%	\$37,399 M	10.3%	\$41,030 M	9.7%	\$43,372 M	5.7%	\$44,722 M	3.1%	\$40,900 M	-8.5%	
St. Albert	\$1,027 M	\$1,130 M	10.1%	\$1,254 M	11.0%	\$1,388 M	10.7%	\$1,558 M	12.2%	\$1,578 M	1.3%	\$1,655 M	4.9%	
Spruce Grove	\$533 M	\$578 M	8.5%	\$659 M	14.1%	\$767 M	16.3%	\$917 M	19.6%	\$990 M	8.0%	\$996 M	0.6%	
Leduc	\$932 M	\$1,054 M	13.1%	\$1,259 M	19.5%	\$1,511 M	20.0%	\$1,749 M	15.8%	\$1,762 M	0.8%	\$2,061 M	17.0%	
Leduc County	\$3,699 M	\$3,025 M	-18.2%	\$3,351 M	10.8%	\$3,784 M	12.9%	\$4,313 M	14.0%	\$4,587 M	6.4%	\$5,396 M	17.6%	
Parkland	\$1,901 M	\$2,805 M	47.6%	\$2,900 M	3.4%	\$3,139 M	8.3%	\$3,446 M	9.8%	\$3,825 M	11.0%	\$3,892 M	1.7%	
Strathcona	\$3,330 M	\$3,579 M	7.5%	\$3,939 M	10.0%	\$4,334 M	10.0%	\$4,844 M	11.8%	\$5,591 M	15.4%	\$5,999 M	7.3%	
Calgary	\$59,957 M	\$62,531 M	4.3%	\$74,413 M	19.0%	\$82,812 M	11.3%	\$88,731 M	7.1%	\$75,299 M	-15.1%	\$73,856 M	-1.9%	

Seven Year Non-Res Taxes														
Municipality	2011		2012		2013		2014		2015		2016		2017	
	Non Res Tax	Non Res Tax	Δ	Non Res Tax	Δ	Non Res Tax	Δ	Non Res Tax	Δ	Non Res Tax	Δ	Non Res Tax	Δ	
Edmonton	\$479 M	\$514 M	7.4%	\$544 M	5.9%	\$603 M	10.8%	\$656 M	8.8%	\$695 M	5.9%	\$724 M	4.1%	
St. Albert	\$13 M	\$13 M	6.5%	\$14 M	6.2%	\$15 M	6.2%	\$16 M	7.7%	\$17 M	5.9%	\$18 M	6.4%	
Spruce Grove	\$5 M	\$5 M	12.7%	\$6 M	10.0%	\$7 M	13.5%	\$7 M	9.2%	\$8 M	10.3%	\$9 M	6.5%	
Leduc	\$10 M	\$10 M	6.4%	\$11 M	9.6%	\$13 M	10.9%	\$14 M	13.7%	\$16 M	11.3%	\$17 M	6.6%	
Leduc County	\$27 M	\$22 M	-16.2%	\$25 M	9.3%	\$27 M	9.5%	\$29 M	9.4%	\$31 M	4.9%	\$31 M	1.3%	
Parkland	\$13 M	\$18 M	43.2%	\$20 M	5.6%	\$23 M	15.5%	\$26 M	13.4%	\$29 M	14.1%	\$31 M	4.7%	
Strathcona	\$29 M	\$32 M	11.4%	\$34 M	8.0%	\$38 M	12.0%	\$44 M	13.7%	\$51 M	17.0%	\$55 M	7.1%	
Calgary	\$537 M	\$594 M	10.7%	\$643 M	8.2%	\$682 M	6.1%	\$772 M	13.1%	\$859 M	11.3%	\$941 M	9.6%	

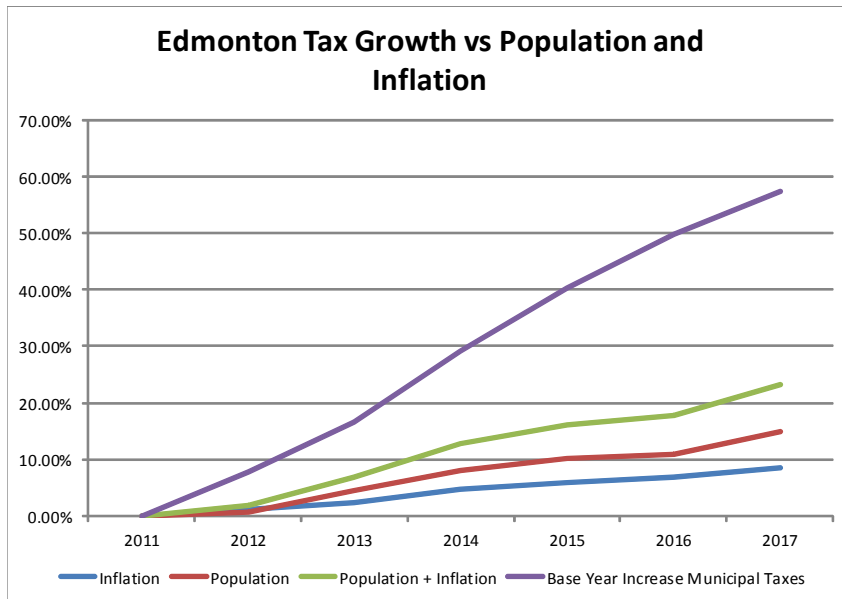
The City of Edmonton's non-residential assessment growth of 20.1% versus the non-residential tax increase of 51.2% creates an unfavorable tax position of 31.1% for non-residential property owners in the City of Edmonton. With the exception of Parkland County and Strathcona County, other municipalities in the Capital Region have had assessment growth on non-residential properties exceed tax growth.

Seven Year Increase Commercial Assessment vs. Tax						
Municipality	2011			2017		
	Non Res Asmt	Non Res Asmt	Δ	Non Res Tax	Non Res Tax	Δ
Edmonton	\$34,053 M	\$40,900 M	20.1%	\$479 M	\$724 M	51.2%
St. Albert	\$1,027 M	\$1,655 M	61.2%	\$13 M	\$18 M	45.8%
Spruce Grove	\$533 M	\$996 M	86.9%	\$5 M	\$9 M	80.7%
Leduc	\$932 M	\$2,061 M	121.1%	\$10 M	\$17 M	74.6%
Leduc County	\$3,699 M	\$5,396 M	45.9%	\$27 M	\$31 M	16.6%
Parkland	\$1,901 M	\$3,892 M	104.8%	\$13 M	\$31 M	136.8%
Strathcona	\$3,330 M	\$5,999 M	80.2%	\$29 M	\$55 M	92.0%
Calgary	\$59,957 M	\$73,856 M	23.2%	\$537 M	\$941 M	75.3%



Overall Tax Growth

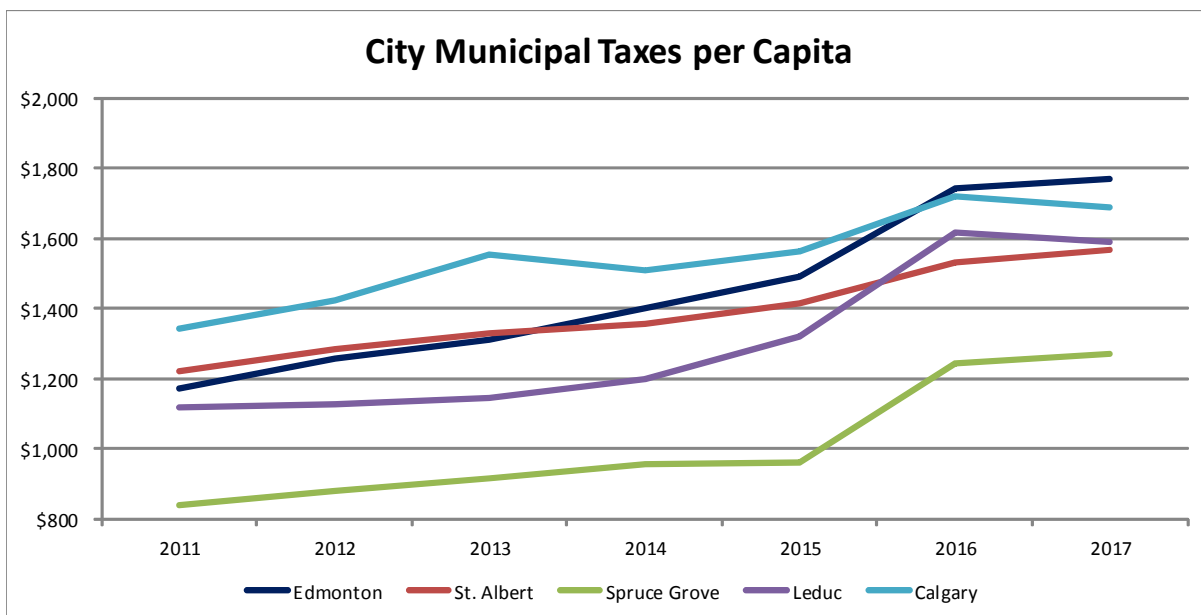
As municipalities grow their need for tax dollars understandably increases. Below is a chart showing the City of Edmonton's tax base growth versus population growth and inflation.



Edmonton		
Year	Tax Revenue	YoY Δ
2017	\$1,498 M	5.1%
2016	\$1,426 M	6.8%
2015	\$1,335 M	8.5%
2014	\$1,230 M	10.8%
2013	\$1,111 M	8.2%
2012	\$1,027 M	7.8%
2011	\$952 M	7.4%
2010	\$886 M	7.3%
2009	\$826 M	7.7%
2008	\$767 M	14.9%
2007	\$668 M	10.8%
2006	\$602 M	
Average		8.7%

Over the last seven years the overall growth in requisitioned taxes in the City of Edmonton has far outpaced the combination of inflation and population growth. In this time period the municipal tax base has increased by 34.8% compared to the sum of the population growth and inflation rate totaling 16.11%.

Another way to compare the tax requirements of various municipalities is to review the total property taxes per capita.





Taxes per Capita - Cities							
	2011	2012	2013	2014	2015	2016	2017
Edmonton	\$1,172	\$1,256	\$1,310	\$1,401	\$1,492	\$1,744	\$1,767
St. Albert	\$1,220	\$1,286	\$1,328	\$1,357	\$1,413	\$1,530	\$1,569
Spruce Grove	\$841	\$881	\$917	\$958	\$963	\$1,245	\$1,273
Leduc	\$1,121	\$1,127	\$1,148	\$1,201	\$1,319	\$1,615	\$1,590
Calgary	\$1,345	\$1,422	\$1,552	\$1,507	\$1,565	\$1,719	\$1,691

In 2017 the total taxes paid per capita were highest in the City of Edmonton. The City of Edmonton was 11.9% higher than the median taxes per capita of \$1,479 within cities of the Capital Region and 4.5% higher than the City of Calgary.

All Capital Region municipalities have raised the overall tax base significantly over the last seven years. The City of St Albert has been the least aggressive with an average increase of 4.28% per year and Parkland County being the most aggressive with an average annual increase of 10.63%. The City of Edmonton is just above the regional average at 8.12%.

St. Albert		
Year	Tax Revenue	YoY Δ
2017	\$97,498,101	4.5%
2016	\$93,299,400	3.1%
2015	\$90,465,300	5.4%
2014	\$85,841,944	4.0%
2013	\$82,519,091	5.2%
2012	\$78,408,660	4.5%
2011	\$75,002,827	

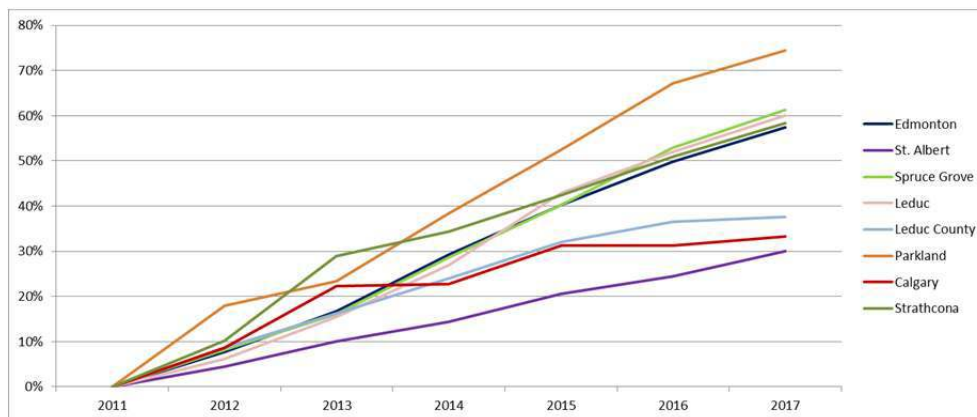
Spruce Grove		
Year	Tax Revenue	YoY Δ
2017	\$35,496,200	5.5%
2016	\$33,639,141	9.0%
2015	\$30,863,841	9.1%
2014	\$28,283,340	10.7%
2013	\$25,547,891	7.3%
2012	\$23,816,236	8.3%
2011	\$21,997,800	

Parkland		
Year	Tax Revenue	YoY Δ
2017	\$56,454,104	4.3%
2016	\$54,125,058	9.6%
2015	\$49,362,757	10.2%
2014	\$44,795,840	12.1%
2013	\$39,945,118	4.7%
2012	\$38,162,192	17.9%
2011	\$32,370,675	

Leduc		
Year	Tax Revenue	YoY Δ
2017	\$43,300,662	5.2%
2016	\$41,142,959	6.4%
2015	\$38,655,015	12.6%
2014	\$34,320,365	9.8%
2013	\$31,260,971	8.9%
2012	\$28,713,949	6.1%
2011	\$27,054,004	

Leduc County		
Year	Tax Revenue	YoY Δ
2017	\$46,660,081	0.7%
2016	\$46,334,705	3.4%
2015	\$44,804,828	6.5%
2014	\$42,050,631	6.7%
2013	\$39,428,387	7.0%
2012	\$36,863,465	8.7%
2011	\$33,923,350	

Edmonton		
Year	Tax Revenue	YoY Δ
2017	\$1,498 M	5.1%
2016	\$1,426 M	6.8%
2015	\$1,335 M	8.5%
2014	\$1,230 M	10.8%
2013	\$1,111 M	8.2%
2012	\$1,027 M	7.8%
2011	\$952 M	





Non-Residential Tax Bias

Tax bias is a simple ratio to show the relationship between the percentages of taxes paid by the non-residential sector in comparison to the percentage of the total assessment base. The formula is as follows:

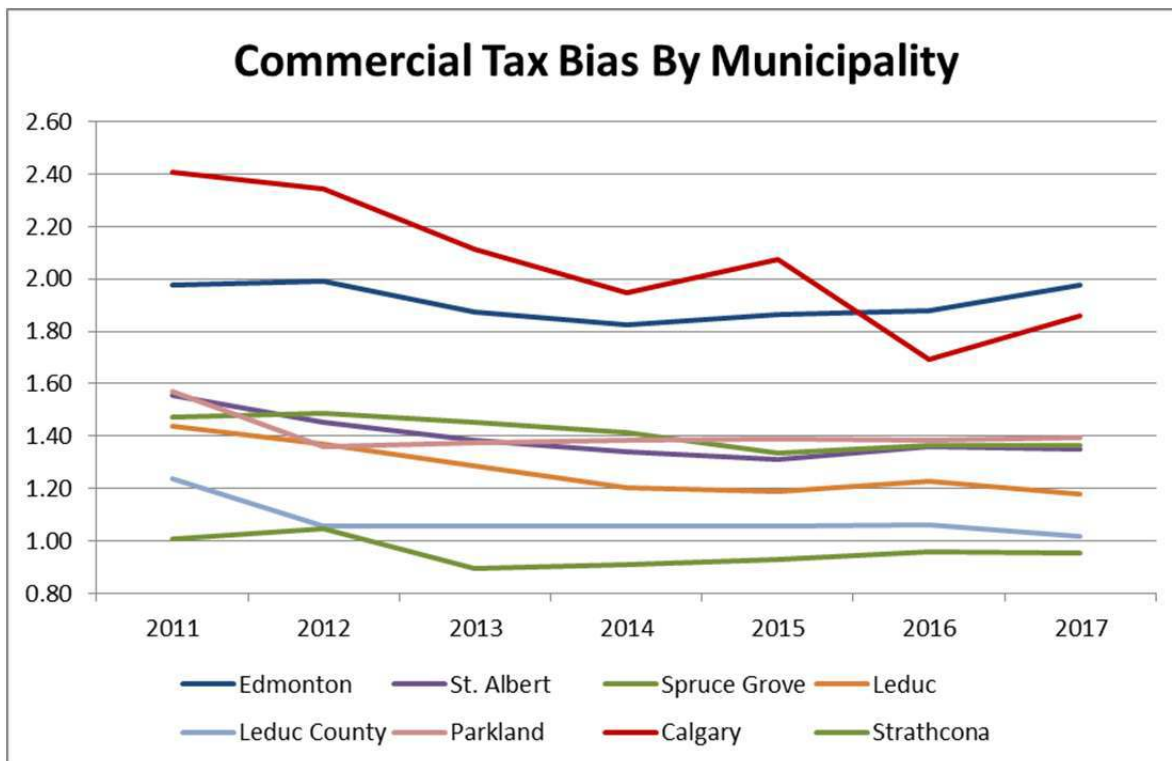
$$\frac{\% \text{ of Taxes Non-Residential}}{\% \text{ of Assessment Non-Residential}}$$

Municipality	Non Res Asmt	Total Asmt	2017				Bias
			Asmt %	Non Res Taxes	Total Tax	Tax %	
Edmonton	\$40,900 M	\$167,196 M	24.46%	\$724 M	\$1,498 M	48.32%	1.98
St. Albert	\$1,655 M	\$11,795 M	14.03%	\$18 M	\$97 M	18.95%	1.35
Spruce Grove	\$1,017 M	\$5,803 M	17.52%	\$9 M	\$35 M	24.05%	1.37
Leduc	\$2,061 M	\$6,194 M	33.28%	\$17 M	\$43 M	39.24%	1.18
Leduc County	\$5,396 M	\$8,205 M	65.77%	\$31 M	\$47 M	67.03%	1.02
Parkland	\$3,892 M	\$10,019 M	38.85%	\$31 M	\$56 M	54.08%	1.39
Sherwood Park	\$5,999 M	\$23,359 M	25.68%	\$55 M	\$224 M	24.47%	0.95
Calgary	\$73,856 M	\$285,029 M	25.91%	\$941 M	\$1,955 M	48.11%	1.86

For example, in 2017 the City of Edmonton collected 48.32% of property taxes from non-residential properties; non-residential properties represent 24.46% of the total assessment base. This represents a ratio of 1.98.

	Commercial Bias						
	2011	2012	2013	2014	2015	2016	2017
Edmonton	1.98	1.99	1.88	1.82	1.86	1.88	1.98
St. Albert	1.56	1.45	1.38	1.34	1.31	1.36	1.35
Spruce Grove	1.47	1.49	1.45	1.41	1.33	1.36	1.36
Leduc	1.44	1.37	1.29	1.20	1.19	1.23	1.18
Leduc County	1.24	1.06	1.06	1.06	1.05	1.06	1.02
Parkland	1.57	1.36	1.37	1.38	1.39	1.39	1.39
Strathcona	1.01	1.05	0.89	0.91	0.93	0.96	0.95
Calgary	2.41	2.34	2.12	1.95	2.07	1.69	1.86

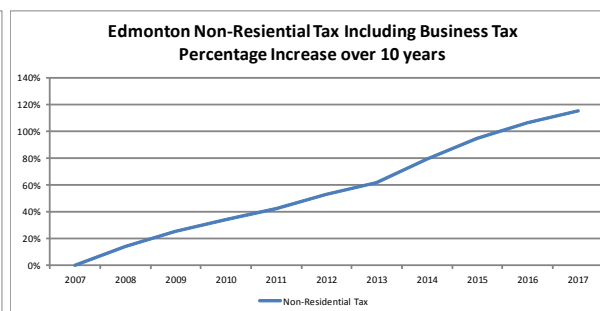
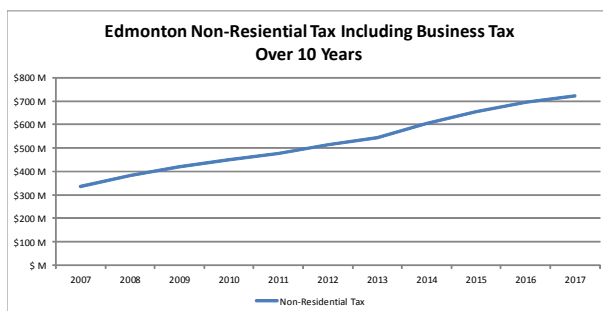
In the Capital region, the City of Edmonton significantly outpaces other jurisdictions in regards to non-residential tax bias. This illustrates the philosophy of having one type of property class pay more than their proportional share of the tax requirements of the municipality. Each municipality has a bias towards non-residential property; however, the bias in the City of Edmonton is more than 2.5 times the average bias (1.39) of the surrounding communities.



Over the seven year period Edmonton has an average bias of 1.91 compared to the Capital Region average of 1.35. Calgary has a seven year average of 2.06.

Non-Residential Tax Growth over Time

The growth in tax for non-residential properties has more than doubled in the last ten years. The total taxes collected for non-residential properties and business tax in 2007 was \$337M. This has risen to a total of 724M in 2017. This represents an increase of 115% in taxes over a ten year period.



Conclusions

Within the Capital Region, the City of Edmonton has exhibited the highest non-residential mill rate, municipal taxes per capita, and non-residential tax bias. In addition, the overall tax demand in the City has far outpaced the population growth and inflation.



Notes:

1. The assessment figures and tax revenues are calculated using the applicable years property tax bylaws when available and may be different than the actual taxes and assessment figures of the municipalities.
2. All opinions, estimates, data, and statistics furnished by other sources are believed to be reliable; however, we cannot guarantee its validity or accuracy. Possession of this report or copies thereof does not carry with it the right of publication.