



INFORMATION REQUEST

REQUESTED BY: Mayor Acker

TOPIC: Multi-family Residential Property Tax Rate

DATE OF REQUEST: November 6, 2023

DATE OF RESPONSE: November 7, 2023

QUESTION:

Is the City's multi-family residential property tax rate a barrier to investment and affordability? Please provide information on comparator jurisdictions.

Response

A multi-family property tax rate is not common across all jurisdictions.

The following table shows the City of Spruce Grove's multi-family residential property tax rate for 2023 and a sampling of jurisdictions in Alberta that also have a multi-family residential property tax rate.

	Municipal			
	Res	Non- Res	Multi-Fam	MF Ratio
RM Wood Buffalo	2.2923	4.4513	6.2181	2.7126
Drayton Valley	7.2113	14.8295	12.4725	1.7296
Fox Creek	8.5830	14.7548	13.1928	1.5371
Lethbridge	8.1944	21.1144	12.5310	1.5292
Spruce Grove	6.4992	9.8658	9.0989	1.4000
Nobleford	2.5995	4.8926	3.6000	1.3849
Medicine Hat	6.6744	15.9113	7.8755	1.1800
Edmonton	7.0081	20.8591	8.0593	1.1500
Peace River	10.1250	20.4188	11.2508	1.1112
Red Deer	7.2877	15.5529	7.9436	1.0900
Hardisty	8.1100	12.9986	8.5000	1.0481
Cold Lake	8.7765	12.7760	8.9312	1.0176
Bonnyville	7.3350	11.4388	6.5292	0.8901

Background

On November 21, 2022 City Council approved the Property Tax Distribution Policy CP-1042-22. Council first approved this policy on February 22, 2021.

Specific to Multi-family Residential, which is defined to mean properties that encompass four or more residential units on one land parcel under one ownership structure, a differential rate from residential rates was established under the policy.

Policy CP-1042-22 states:

- 4.4 Multi-family Residential properties and Non-residential properties shall bear a higher rate of taxation than Single-family Residential properties as these properties represent an adventure or concern in the nature of trade
- 4.5 Multi-family Residential properties shall be taxed using a rate that is 1.4 times the Single-family Residential tax rate.

The multi-family rate allows for a multi-family residential business property to pay a proportionately higher rate of property tax reflective of the reality that property taxes can be claimed as a business expense for income tax purposes and therefore have a lower after-tax impact for these properties.

Prior to the initial approval of the policy in 2021, from 2004 to 2020 the multi-family residential rate had been charged the same as the non-residential rate.

Financial Implications/Taxation Impact

Based on the 2023 property tax rate bylaw, the City will collect \$2,148,549 in multi-family property tax revenue in 2023. As there are currently 1565 multi-family residential units in the City, this equates to an average property tax levy of \$1,372.87/year or \$114.41/month per unit.

If the City was to amend the tax rate for multi-family to be equal to the residential rate, the City would collect \$1,534,674 based upon the 2023 property tax bylaw. This equates to an average property tax levy of \$980.62/year or \$81.72/month.

The difference of \$613,875 is the additional multi-family residential property tax revenue that is being collected in 2023, or an average of \$392.25/year or \$32.69/month per unit.

If the multi-family residential property tax rate were made equal to the residential property tax rate, the shortfall of \$613,875 would need to be included in the proposed tax rate increase for 2024 (1.2% of 2024 property tax) or reductions in other areas would need to be considered as part of the 2024-2026 budget process.

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