Assessment Growth & Assessment Appeals

General Issues Committee
November 26, 2013
Item 4.8
Assessment Growth
Assessment growth includes both new construction / supplementary taxes (increase in assessment) and write-offs/successful appeals (decrease in assessment).

Growth over the last 5 years has averaged 1.1%.

<table>
<thead>
<tr>
<th>Year</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1.0%</td>
<td>1.3%</td>
<td>1.3%</td>
<td>1.1%</td>
<td>0.8%</td>
</tr>
</tbody>
</table>

Estimated growth for 2013 = 0.8%*

Similar to previous years, write-offs and successful appeals continue to have a significant negative impact on growth.

* Final will not be known until December / January
2012 Assessment Growth: By Property Class

- Growth primarily driven by the Residential property class

<table>
<thead>
<tr>
<th>Property Class</th>
<th>Change in Municipal Taxes</th>
<th>% Class Change&lt;sup&gt;1&lt;/sup&gt;</th>
<th>% Total Change&lt;sup&gt;2&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>$6,014,130</td>
<td>1.3%</td>
<td>0.9%</td>
</tr>
<tr>
<td>Multi-Residential</td>
<td>($1,033,310)</td>
<td>-1.3%</td>
<td>-0.1%</td>
</tr>
<tr>
<td>Commercial</td>
<td>$187,050</td>
<td>0.2%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Industrial</td>
<td>$34,380</td>
<td>0.3%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Other</td>
<td>$15,110</td>
<td>-0.1%</td>
<td>0.0%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$5,217,370</strong></td>
<td><strong>0.8%</strong></td>
<td><strong>0.8%</strong></td>
</tr>
</tbody>
</table>

<sup>1</sup> % change in respective property class weighted assessment

<sup>2</sup> % change in total weighted assessment

- For 2013, the Residential class continues to be the main growth area
2012 Assessment Growth: Increases/Decreases

• As identified below, assessment decreases (primarily due to successful assessment appeals) drove down the 2012 assessment growth by -0.4%
  – Represented a reduction in municipal taxes of $3.1M

<table>
<thead>
<tr>
<th>% Change(^1) (Growth)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assessment Increase (existing property)</td>
</tr>
<tr>
<td>Assessment Decrease (existing property)</td>
</tr>
<tr>
<td>Assessment Increase &amp; Decrease (existing property)</td>
</tr>
<tr>
<td>Deleted Roll</td>
</tr>
<tr>
<td>New Roll</td>
</tr>
<tr>
<td><strong>Total Change</strong></td>
</tr>
</tbody>
</table>

\(^1\) % change in total weighted assessment

• Assessment reductions due to successful appeals continue to negatively impact growth in 2013
Three main differences between assessment growth and building permits:

1. Time lag – potential 2+ years from when building permit issued and property on assessment roll

2. Difference in valuation – some items included in construction value (i.e. equipment) are not assessable; assessed value may be years behind current market value

3. Property Type – Government/Institution properties (which over the last five years accounts for 20%, on average, of the total construction value), are not taxable (either exempt or subject to payment-in-lieu of taxes) therefore not included in assessment growth
Assessment Appeals
The City has a number of industrial and retail/commercial properties that have outstanding assessment appeals - some go back as far as 2006, the bulk are 2009 to 2013.

Most are in the Assessment Review Board process - staff have been involved in negotiations on some of them.

Since these assessment appeals cover a number of years (mainly 2009-2013), when settled, will have an impact on both write-offs (pre-2013) and growth for 2013.
Assessment appeals have always been a large factor in municipal budgeting, affecting growth and leading to large tax refunds.

While there is a regulated system in place for assessment appeals, improvements can be made.

Large assessment losses continue in the commercial, industrial and multi-residential property classes.

Non-Residential assessment appeals tend to be quite complex and time consuming.

Experiencing more province-wide appeals for certain types of properties (golf courses, major retail chains).
What the City is Doing

- Participate in “Special Purpose Business Property Assessment Review” set up through 2013 Provincial Budget and in “Municipal Assessment Review Representatives” (MARR)

- Monitor ARB appeals and participate in pre-hearing events to ensure that the City’s interests are protected

- Monitor building permit activity to ensure MPAC picks up new construction on a timely basis
Recommended Changes to the Assessment Act:

- Clearly indicate what information property owners must supply to MPAC - failure to provide by deadline would result in losing the right to appeal.

- Clearly define the assessment methodology used for assessing properties and eliminate changing the methodology used between assessment cycles.

- Where sales data is non-existent, set standards on replacement costs per square foot to alleviate the values being subject to interpretation.
What Can be Done by The Province cont’d (Appendix A to Report FCS13080)

Recommended Process Changes for MPAC:

• Improved access to information for property owners to identify and correct factual errors
• Mandatory 5 to 7 year inspection program on Commercial and Industrial properties and also upon the any sale

Recommended Process Changes for ARB*:

• Ensure large value appeals are heard on a timely basis
• Ensure more appeals are heard and settled earlier
• Establish mandatory dates for the release of assessment data
• Establish a mandatory date to provide income and expense information (where property is valued using the income approach)

*originally filed by the Municipal Assessment Review Representatives to the ARB May 14, 2012