

2013

Special Purpose Business Property Assessment Review & Recommendations

Report-back to Minister of Finance and
Minister of Municipal Affairs and Housing
Parliamentary Assistant Steven Del Duca



Ontario

Ministry of Finance

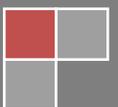


Table of Contents

Transmittal Memo	1
Report Highlights	3
Review Mandate	3
Strategic Context and Challenges	3
Key Recommendations	4
Path Forward.....	4
Introduction	5
Background	7
Property Assessment and Taxation	7
Roles and Responsibilities.....	7
Role of the Province.....	8
Role of Municipalities	8
Role of the Municipal Property Assessment Corporation (MPAC)	9
Table 1: Quick-facts about MPAC	9
Role of the Assessment Review Board (ARB).....	9
The Assessment Process	10
Challenges in Assessing Special Purpose Business Properties.....	10
Overarching Recommendations	12
Accountability Recommendations.....	13
Roles and Responsibilities Recommendations	14
Assessment Methodology for Special Purpose Business Properties Recommendations.....	14
Data Accuracy and Integrity.....	16
Appeals Recommendations	17
Assessment-Specific Issues under Special Purpose Business Property Assessment Review (SPBPAR).....	19
Billboards	19
Landfills	22
Industrial Land	25
Farms.....	27
Grain Elevators.....	29
Wind Turbine Towers.....	31
Mills.....	33
Efforts Underway	38
MPAC Initiatives.....	38
ARB Initiatives	39

Table 2: Resolving the Backlog.....	39
Path Forward.....	41
Timing for Implementation.....	42
Acknowledgments.....	43
Appendix A: Summary of Research.....	44
Overarching Issues.....	44
Governance.....	44
Table 3: Governance Structures of Assessment Authorities across Canada	45
Business Operations.....	47
Appeals System	47
Assessment Issue-specific Research	48
Billboards	48
Landfills	48
Mills.....	49
Appendix B: Consultations Venues and Processes	51
Online Presence	51
Working Groups.....	51
Advisory Panel.....	51
Municipal and Taxpayer Representation.....	52
MPAC.....	53
Appendix C: Review Process	54
Governance.....	54
Business Operations.....	54
Appeals Process	55
Appendix D: Composition of Consultation Groups.....	57
Appendix E: MPAC Fact Sheets	60
Appendix F: Parallels between SPBPAR Recommendations and MPAC Strategic Plan	66
List of Directions, Outcomes and Statements in MPAC’s 2013-2016 Strategic Plan.....	66

Table of Figures

Figure 1: Partners in the administration and governance of Ontario’s property tax and assessment system.....	8
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Transmittal Memo

MEMORANDUM TO: Charles Sousa
Minister of Finance

Linda Jeffrey
Minister of Municipal Affairs and Housing

FROM: Steven Del Duca
Parliamentary Assistant to the Minister of Finance

RE: Report-back on outcome and recommendations of Special Purpose Business Property Assessment Review

I am pleased to provide this Report presenting the key findings from the Special Purpose Business Property Assessment Review.

As you know, the 2013 Ontario Budget announced that I would lead an initiative to work with municipalities and business taxpayers to identify potential opportunities to further refine Ontario's property tax system. Over the past summer and fall I have worked with municipalities, the Municipal Property Assessment Corporation (MPAC), business taxpayer representatives and other relevant stakeholders. I would like to thank all the participants in the review for their contributions to this comprehensive process.

This Report includes specific recommendations and proposed next steps for addressing issues that have arisen in relation to the assessment of special purpose business properties as well as recommendations for strengthening the property assessment system in general.

During the course of our consultations, it became clear that the issues that have arisen relating to the assessment of specific property types point to overarching challenges within the governance and operations of the property assessment system as a whole. I would like to emphasize that the majority of the property assessment and tax system is working well. That said, I heard clearly that there are legitimate concerns about important aspects of the property assessment system.

In particular, there are valid concerns with the performance and accountability of MPAC. Therefore, I am recommending that a comprehensive performance evaluation of MPAC by an independent third party be conducted to assess its business efficiencies and establish a baseline for gauging improved performance, specifically as it pertains to special purpose business properties. The recommendations coming out of this review build on existing efforts underway such as MPAC's Strategic Plan and a number of ARB initiatives. I believe that such a review must be undertaken in 2014 in order to ensure that required improvements to the property assessment system are in place in time for the next reassessment cycle, which begins in January 2016.

I also heard concerns about how the assessment appeals process is functioning. The current system in which appeals are filed as a protective measure or as a mechanism for obtaining information about methodology or data used to establish the value does not achieve the

objective of a fair, accurate and most of all predictable assessment system. Relying on the appeal system for fact-finding leads to volatility in the assessment system and does not benefit the property taxpayer or municipalities. Clearly defining and publicly disclosing detailed assessment guides and data disclosure requirements for all parties well in advance of assessed values being established will change this practice and improve the efficiency of the system.

While issues have been identified with respect to the assessment authority, I recognize that all parties within the system share the responsibility to ensure that it is functioning effectively.

I believe that the action plan to strengthen the property assessment system should be developed within the context of the following:

- Ensuring transparency by requiring semi-annual, publicly available progress updates by all parties involved in implementation.
- Directing the Ministry of Finance to oversee the implementation of improvements to the property assessment system.
- Ensuring that municipalities are engaged as full partners with a clear role to play in the path forward.
- Ensuring compliance with recommendations by putting in place regulations and other accountability mechanisms.

I am confident that this report provides the appropriate recommendations that will, when implemented, provide all participants in the system with the fairness, accuracy and predictability that they deserve.

Sincerely,

[Original signed by]

Steven Del Duca
MPP (Vaughan)
Parliamentary Assistant to the Minister of Finance

Report Highlights

Review Mandate

The mandate of the Special Purpose Business Property Assessment Review (SPBPAR) was to develop recommendations to ensure Ontario's property assessment system is fair, accurate and predictable. Through the summer and fall of 2013, the review focused on areas in which municipalities and taxpayer representatives had expressed an interest in working with the Province on issues including:

- Clarifying and refining the assessment methodologies applied to special-purpose business properties, such as mills, landfills, industrial lands, billboards, farms and wind turbine towers;
- Reviewing the timelines for the assessment appeal process; and
- Considering other opportunities to strengthen the Municipal Property Assessment Corporation (MPAC).

Over the course of the consultations, the importance of transparency was highlighted as critical to achieving the objectives of ensuring a fair, accurate and predictable property assessment system.

Strategic Context and Challenges

There is broad recognition that the majority of the property assessment system is working well – specifically the assessment of residential properties. However, significant problems have been identified pertaining to specialized and unique types of business properties that often involve complex assessment methodologies. Discussions relating to specific special purpose business property types (e.g. billboards, landfills, and mills) have revealed overarching challenges within the system and underlying problems within MPAC. These challenges relate to accountability, defining roles and responsibilities, assessment processes, and the appeals system.

This review has identified the need to take action to:

- Strengthen the operations and governance of the property assessment system generally;
- Clarify MPAC's accountabilities within the overall property assessment system;
- Establish specific protocols to ensure MPAC performs according to expectations; and
- Improve documentation in assessment methodologies and processes to increase transparency and predictability for all parties in the system.

Key Recommendations

There are three groups of recommendations which are key to addressing the overarching challenges:

1. Creating methodology guides and an advance disclosure protocol to create a credible and transparent process and reduce the number of appeals.
 - This is a significant change to the current process as it will ensure that discussions about methodology and data occur prior to the assessment roll being returned.
2. Creating a directive to clarify accountability frameworks, roles and responsibilities, and appeal processes.
 - Put policies, procedures and standards in place to allow for provincial direction to MPAC, including consequences for non-compliance
3. Conducting a comprehensive, independent performance evaluation of MPAC, focused on special purpose business properties to assess business efficiencies and to establish a baseline for gauging improved performance. A component of this evaluation would determine if MPAC has the capacity to implement recommendations regarding business operations, leadership and culture.
 - While this evaluation will build on the work already done through MPAC's Strategic Plan, additional improvements are required.

Recommendations were also identified for each of the specific special purpose business property types that address the immediate issues raised through the review and are aligned with the overarching challenges.

Path Forward

The property tax and assessment system is a shared responsibility – municipalities, MPAC and the Province must work together to implement the recommendations. Implementing the recommendations should be undertaken in the context of ensuring:

- A consultative and collaborative approach with all stakeholders;
- Transparency by requiring semi-annual, publicly available progress updates by all parties involved in implementation;
- Municipalities are engaged as full partners with a clear role to play in the path forward;
- Practicality, reasonableness and feasibility are considered when establishing a more detailed action plan; and
- Compliance with recommendations by putting in place regulations and other accountability mechanisms.

It is recommended that the Ministry of Finance oversee the implementation of improvements to the property assessment system.

Introduction

Ontario's current property assessment and tax system plays a fundamental role in supporting local municipal services as well as the Province's elementary and secondary school system. Property taxes raise approximately \$24 billion per year in Ontario. The municipal portion of the tax raises over \$17 billion and the education portion approximately \$6.7 billion.

There is broad recognition that the majority of the assessment system is functioning well. In particular, previous reviews of MPAC and the assessment system have focused on the assessment of residential properties, which have resulted in significant improvements for this property class. For this reason the assessment of residential properties is not part of this review.

This review centred on issues associated with the assessment of specialized and unique types of business properties that are not commonly bought and sold and often involve complex assessment methodologies. For each issue under consideration, the Province worked closely with municipalities, MPAC, the Assessment Review Board (ARB), and business taxpayer representatives to seek input, gather factual information and explore solutions.

The purpose of this Review was to identify opportunities to ensure a fair, predictable and accurate property assessment process and property tax system in Ontario. The review focussed on areas in which municipalities and taxpayer representatives had expressed an interest in working with the Province including:

- Clarifying and refining the assessment methodologies applied to special-purpose business properties, such as mills, landfills, industrial lands, billboards, farms and wind turbine towers;
- Reviewing the timelines for the assessment appeal process; and
- Considering other opportunities to strengthen MPAC.

The consultations identified a number of underlying challenges across the assessment system and within MPAC. Some of these challenges are unique to specific types of special purpose business properties, while others are associated with the property assessment system as a whole.

The recommendations contained in this report reflect stakeholder feedback and address both the root causes as well as the symptoms of the identified challenges, which can be grouped into five primary themes:

1. Accountability
2. Roles and responsibilities
3. Assessment methodology
4. Data accuracy and integrity
5. Appeals

The review process was supported through the creation of the SPBPAR Secretariat within the Ministry of Finance. It included collaboration with a number of provincial ministries including:

- Ministry of Municipal Affairs and Housing
- Ministry of the Attorney General
- Ministry of Agriculture and Food
- Ministry of Community and Social Services
- Ministry of Economic Development, Trade and Employment
- Ministry of Energy
- Ministry of Environment
- Ministry of Infrastructure
- Ministry of Natural Resources
- Ministry of Northern Development and Mines
- Ministry of Transportation

Implementation of review recommendations will continue to involve affected ministries.

Background

Property Assessment and Taxation

Property assessments based on market values are used widely across North America as the basis for property taxation. This approach provides clarity and transparency and establishes an equitable basis for distributing property taxes among property owners.

In Ontario, this system of valuation is referred to as current value assessment (CVA). The CVA system was introduced in Ontario in 1998. All properties are assessed in Ontario at their market value on a common base year, and reflect the probable amount the property would sell for, if sold at arm's length by a willing seller to a willing buyer.

The Province has successfully implemented a number of important measures to enhance the stability and predictability of Ontario's property tax system. For example, effective for the 2009 taxation year, the Province introduced a four-year reassessment cycle complemented by a four-year phase-in program. These measures brought stability and predictability to assessments for taxpayers; maintained regular revaluation of properties so that similar properties of similar value pay similar taxes; and enabled municipalities to continue relying on a stable revenue source to fund important public services.

Property taxes are determined by multiplying the assessed value of properties by municipal and education property tax rates:

$$\text{PROPERTY TAX} = \text{TAX RATE} \times \text{ASSESSED VALUE}$$

It is important to note that different classes of property exist in the property tax system, and are typically taxed at different rates. Each property is assigned to a property class based on its use and physical characteristics.

In some municipalities, a small number of business properties – or even a single business property – can account for a very large share of total property tax revenue. As a result, fair, predictable and accurate assessments of business properties are crucial for both taxpayers and municipalities.

Roles and Responsibilities

There are four main partners in the governance and administration of Ontario's property tax and assessment system:

- Municipalities
- Municipal Property Assessment Corporation (MPAC)
- Provincial Government
- Assessment Review Board (ARB)

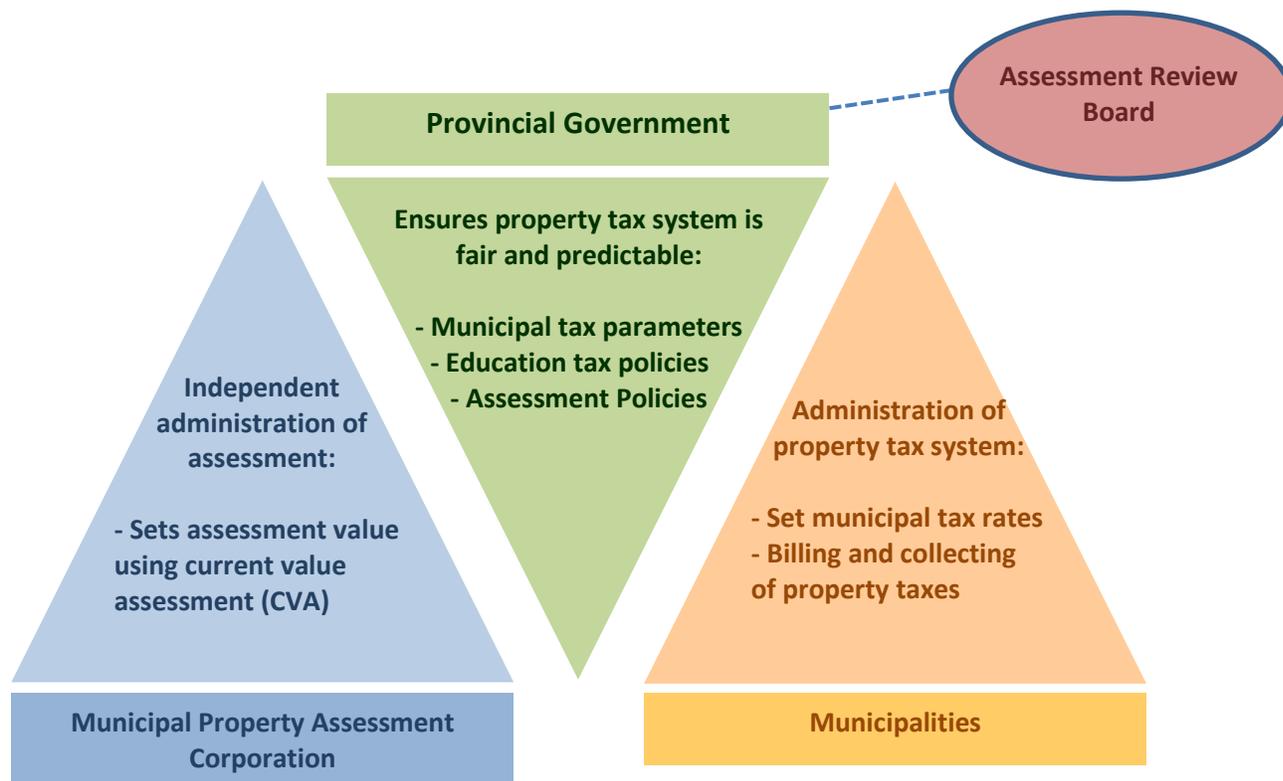


Figure 1: Partners in the administration and governance of Ontario’s property tax and assessment system

Role of the Province

The Province is responsible for ensuring that the property tax system is fair and predictable. The Province establishes assessment policies, the municipal tax parameters, and the education tax rate policies which govern the property tax system in Ontario. Provincial policies on property assessment and taxation are implemented through legislation and regulation. The Province is also responsible for appointing MPAC’s Board of Directors.

The provincial role in assessment services varies across the country. See Appendix A for a summary of how property assessment is administered across the country.

Role of Municipalities

Municipalities are responsible for the administration of the property tax system, including the establishment of local tax policies and tax rates (within a provincial framework), billing and collection. While there are no limitations on municipalities’ ability to increase property taxes, the Province sets rules that limit the ability of municipalities to increase taxes on business property classes relative to residential property classes.

Municipalities are shareholders in MPAC, fund its operations through a municipal levy estimated at \$204.5 million in 2013, and recommend the majority of board members (8 out of 15) to the Minister of Finance for appointment.

Role of the Municipal Property Assessment Corporation (MPAC)

MPAC is responsible for the administration of the property assessment system (within a provincial framework), including the establishment of assessed values for all properties in the Province. As such, MPAC is responsible for ensuring that values placed on properties are fair and accurate.

As a not-for-profit corporation, MPAC delivers assessment services on behalf of all municipalities in Ontario. It is governed by a 15 member board of directors, composed of five taxpayer representatives, two provincial representatives, and eight municipal representatives. While all board members are appointed by the Minister of Finance, municipal representatives are appointed based on a list of nominees provided annually by the Association of Municipalities of Ontario. The board's Chair is chosen by the board from among the municipal representative members who are elected municipal officials.

MPAC is responsible for assessing nearly five million properties across the Province. The organization has a staff of more than 1,600 people who work in a variety of different areas, from valuation to business development.

Table 1: Quick-facts about MPAC

QUICK FACTS ABOUT MPAC	
Began Operation:	January 1, 1999 (Established by the <i>OPAC Act, 1997</i>)
Legislative Authority:	<i>MPAC Act, 1997</i>
Corporate Status:	Not-for-profit Corporation (MPAC is not a provincial agency)
Board of Directors membership:	15 members
2013 Approved Budget:	\$204.5 million
Number of Employees:	1,662
Number of Departments:	8
Number of Assessors and Property Inspectors:	903
Number of Local Offices:	33
Total Residential Properties in Ontario:	Approximately 4.4 million
Business and other non-residential properties	Approximately 600,000
Total Assessed Value of all Properties in Ontario:	\$2.17 trillion
Number of Requests for Reconsideration Filed (2012 Assessment Update)	115,000
Number of Appeals Filed (2012 Assessment Update)	31,000

Role of the Assessment Review Board (ARB)

The ARB is an independent adjudicative tribunal whose main function is to hear appeals from property owners or municipalities who disagree with the accuracy of the assessment or tax classification that MPAC has established for a property.

The Board holds hearings across the Province. During a hearing, persons who have filed an appeal with the Board, or their representatives, have the opportunity to explain their positions to the Board. MPAC's role in the appeal process is to prove the accuracy of its assessment.

The Province operates the ARB as an independent adjudicative tribunal under the oversight and legislative jurisdiction of the Ministry of the Attorney General.

The Assessment Process

During the years following the transfer of responsibility of property assessment to MPAC, the Province successfully implemented a number of important measures to enhance the stability and predictability of Ontario's property tax system. A prime example was the introduction of a four-year reassessment cycle complemented by a four-year phase-in program in 2009. Moving to a four-year reassessment cycle, combined with a mandatory four-year phase-in program, brought stability and predictability to assessments for homeowners; maintained regular revaluation of properties so that similar properties of similar value pay similar taxes; and enabled municipalities to continue relying on a stable revenue source to fund important public services.

Property taxes are levied in Ontario based on current value assessment (CVA). All properties are assessed in Ontario at their market value on a common base year. Current value in relation to land is the amount of money the land would sell for, if sold at arm's length by a willing seller to a willing buyer. Accordingly, CVA for individual properties is generally determined based on sales data by property type.

The property assessment base province-wide is estimated at \$2.17 trillion – the total value of almost 5 million properties in Ontario. Different classes of property exist in the property tax system, and are typically taxed at different rates. Each property is assigned to a property class based on its use and physical characteristics. The primary classes are defined in a regulation under the *Assessment Act*. While there are no limitations on municipalities' ability to increase property taxes, the Province sets rules that limit the ability of municipalities to increase taxes on business property classes relative to residential property classes.

Challenges in Assessing Special Purpose Business Properties

There are three internationally-recognized approaches to valuing property for assessment purposes:

1. The direct comparison approach derives a value for property based on recent sales of similar properties in the vicinity.

This approach is generally used in the valuation of single-family residences and vacant land because these properties frequently sell on the open market.

2. The income approach derives a value for property based on its net income stream, most commonly based on rental income.

This approach is generally used in the valuation of commercial income-producing properties such as shopping centres, offices, rental apartment buildings, and hotels, because prospective purchasers generally value this type of property based on the income-generating potential, rather than the cost of the bricks and mortar.

3. The cost approach derives a value for a building based on the cost to construct it, taking depreciation and obsolescence into account. The value for the land under the building is usually established on the basis of the direct comparison approach.

The cost approach is generally utilized in the valuation of industrial properties and some unique types of properties which do not sell frequently on the open market.

For most types of properties, these valuation approaches work well and can be applied consistently. However, for unique or specialized business properties, there are variations and complexities to the application of the valuation approaches which makes it difficult to arrive at a clear, consistent, agreed-upon methodology for determining value.

Ontario is not alone in facing challenges in assessing special purpose business properties. In other Canadian provinces and American states, determining and applying with consistency a fair, accurate and predictable process for assessing special purpose business properties is an ongoing challenge.

Overarching Recommendations

The impetus for this review arose out of concerns expressed by business taxpayers and municipalities about the assessment of particular types of special purpose business properties. During the course of the consultations (Appendix B), there was consensus that the issues that have arisen relating to the assessment of the special purpose business properties pointed to overarching issues relating to the governance and operations of the property assessment system as a whole. See Appendix C for details on the Review Process.

In order to identify potential opportunities to strengthen the property assessment system in general, a broad examination of issues relating to accountability, roles and responsibilities, assessment methodology, data accuracy and integrity and appeals was undertaken. Recommendations have been identified in each of these areas.

- **Accountability Recommendations** identify opportunities to set up frameworks and mechanisms to ensure that the assessment system is performing according to agreed-upon standards and the Province, municipalities and taxpayers can evaluate the extent to which these standards are being met.
- The **Roles and Responsibilities Recommendations** identify opportunities to clarify and increase the transparency of the roles and responsibilities of all parties within the assessment system. These recommendations are linked to the accountability recommendations, as clear and agreed-upon definitions of roles and responsibilities are essential to setting up accountability frameworks and mechanisms.
- The **Assessment Methodology Recommendations** identify opportunities to increase transparency, predictability and accuracy in the development and implementation of assessment methodologies and the determination of assessed values.
- The **Data Accuracy and Integrity Recommendations** identify opportunities to ensure that assessment data can be readily accessed and reflects accurate and up-to-date information about properties.
- The **Appeals Recommendations** identify opportunities to build on existing efforts and help to clarify, streamline and improve the efficiency of the appeals process.

These overarching recommendations should strengthen the overall functioning of the property assessment system, and may provide opportunities for improved operational efficiency. It is important to emphasize that these recommendations are not meant to be implemented selectively. They represent an integrated set of recommendations and are intended to be implemented in a comprehensive manner.

Accountability Recommendations

As the agency responsible for the delivery of assessment valuation services, MPAC is accountable to municipalities who rely on accurate values for municipal budgeting purposes, taxpayers who rely on accurate assessment valuation, and the Province which oversees the property assessment system. During the review, we heard that MPAC should not and cannot operate in isolation from its stakeholders and also that it is essential to set out agreed-upon accountability frameworks which clearly articulate the roles and responsibilities of parties to the assessment system, including MPAC.

The following accountability recommendations identify opportunities to establish frameworks and mechanisms to ensure that the assessment system is performing according to agreed-upon standards, and the Province, municipalities and taxpayers can evaluate the extent to which these standards are being met. A key first step in the creation of these accountability frameworks and mechanisms is a comprehensive and independent performance evaluation of MPAC, including its leadership structures and corporate culture. We heard that such an evaluation is required in order to ensure that MPAC can meet the performance expectations of the assessment system's stakeholders. We also heard that regular performance reviews, based on key performance indicators agreed-upon by stakeholders, and service level agreements between municipalities and MPAC should be put in place to ensure MPAC is accountable to its stakeholders.

Recommendations: Accountability

- 1. The Province should undertake an initial, arms-length performance evaluation of MPAC's governance and operations, and then implement regular reviews of MPAC's performance.**
- 2. The Province should direct MPAC to develop and refine in collaboration with taxpayers and municipalities:**
 - (a) key performance indicators (KPIs), and**
 - (b) tools to annually measure, evaluate, and disclose achievement of KPIs (public performance report).**
- 3. The Province should direct MPAC to work with municipalities to develop a standard form, two-way service level agreement (SLA) that makes transparent and accessible the accountability frameworks, service parameters, support needs, KPIs, and enforcement mechanisms.**
- 4. The Province should direct and work with MPAC to review and make appropriate modifications to improve MPAC's leadership structures and corporate culture to improve transparency and responsiveness.**
- 5. The Province should direct and work with MPAC to review and make appropriate modifications to improve MPAC's succession planning and staffing model.**

Roles and Responsibilities Recommendations

Closely linked to the accountability recommendations is the requirement to ensure a clear and agreed-upon definition of roles and responsibilities for the various parties in the property assessment system.

Included among these recommendations are proposals for improving the governance and operations of MPAC. These recommendations respond to the concerns that municipalities have expressed about the services MPAC provides to them through the assessment process - particularly during the assessment appeals process. At the same time, the recommendations recognize that taxpayers and the Province expect MPAC to focus on producing and justifying fair and accurate assessed values.

While a number of these recommendations apply specifically to MPAC, they also acknowledge the need for all parties within the property assessment system to contribute to ensuring a fair, accurate and predictable assessment system.

Recommendations: Roles and Responsibilities

- 6. The Province should develop, document, and make publicly available a clear and transparent definition of the roles, responsibilities and accountability frameworks of all parties within the property assessment system (Province, municipalities, MPAC, ARB, and taxpayers).**
- 7. The ARB, in collaboration with MPAC and the Province, should develop and implement an education campaign to increase awareness of the roles and responsibilities of all parties within the appeals process.**
- 8. MPAC should clarify and make publicly available the existing roles and responsibilities of the MPAC board to articulate the oversight mechanisms and accountability frameworks. The Province should work with AMO and the City of Toronto to conduct further research to ascertain whether board structure changes or advisory support mechanisms are required.**
- 9. The Province should work with MPAC to identify and adopt appropriate accreditation standards of assessors based on assigned roles and the types of property being assessed.**

Assessment Methodology for Special Purpose Business Properties Recommendations

During the consultations, a good deal of concern was expressed about a lack of transparency in the way in which MPAC develops, applies and introduces changes to assessment methodologies. A related concern that was expressed was that MPAC is frequently unable to justify their assessment methodologies (i.e. in the assessment appeals process), and by extension their assessed values as they lack documented and transparent assessment methodologies.

Concerns were also raised about delays or failure to disclose information relating to the determination of assessment methodologies. We heard that addressing these concerns is critical to the functioning of

the property assessment system and to ensuring that all stakeholders understand and have confidence in assessment methodologies and their application to specific properties. In order to achieve this, it is important to ensure that assessment methodologies reflect best practices and are documented in a transparent manner, for example, in detailed assessment guides.

We also heard that MPAC must provide advance notification to municipalities and taxpayers of any intended changes to assessment methodologies, including a defensible rationale for the change and an analysis of the impacts of the change (e.g. on property tax revenues).

While MPAC must provide necessary information to taxpayers and municipalities to ensure greater transparency and predictability in the establishment of assessed values, taxpayers and municipalities also have a responsibility to share information with MPAC to facilitate the determination of accurate assessed values in a fair and predictable manner.

We understand that there are opportunities for advance disclosure and discussion of information prior to the appeals process. For example, advance disclosure of MPAC's assessed values for special purpose business properties would provide municipalities and taxpayers with the opportunity to review the application of the agreed-upon assessment methodology to specific properties in order to ensure all relevant data has been appropriately considered during the valuation process, and to discuss any issues with the assessed values with MPAC. Such advance disclosure and discussion should lessen the burden on the appeals system by encouraging upfront discussions amongst parties.

These recommendations are also intended to ensure that the development of assessment methodologies is consistent with assessment policy intent. Increased communication and dialogue between the parties of the assessment system – particularly between the Province and MPAC – will ensure that assessment policies are implemented and applied as intended.

Recommendations: Assessment Methodology for Special Purpose Business Properties

10. MPAC and the Province should work collaboratively to ensure clarity in the drafting of legislation and regulations such that legislative interpretation and implementation of assessment methodology reflects policy intent.

11. The Province and MPAC should more strictly enforce existing legal authorities that mandate information sharing by taxpayers to facilitate accurate property valuation. MPAC should seek out and consider information shared by taxpayers, municipalities and the Province in the valuation process.

12. The Province should require MPAC to (a) carry out iterative discussions with taxpayers, municipalities, and key experts to develop and disclose the parameters and guidelines for assessment methodologies; and (b) comply with and apply with consistency the agreed-upon assessment methodologies. This process will first be applied to special purpose business properties considered in the Review.

13. The Province and MPAC should work together to develop an advance disclosure protocol that increases predictability. This protocol would require MPAC to share and discuss with taxpayers and municipalities the data parameters and calculations used to determine assessed values, respecting existing laws regarding disclosure of third-party data. The goal of the protocol should be to resolve issues regarding data and calculations in advance of the roll being returned. The Province should ensure MPAC’s compliance with the advance disclosure protocol.

14. The Province and MPAC should work together to develop an assessment methodology change disclosure protocol that improves transparency. This protocol should include such requirements as analysis of impacted parties, analysis of scope of change, and a consultation and implementation plan. The Province should ensure MPAC’s compliance with the assessment methodology change disclosure protocol.

Data Accuracy and Integrity

During the consultations, concerns were raised regarding the accuracy of MPAC’s assessments. Accurate assessments are critical to the effective functioning of the property assessment system, and a number of recommendations have been identified for ensuring data accuracy and integrity. We heard clearly that MPAC must strive to “get it right the first time”, and not rely on subsequent opportunities for revising incorrect valuations (e.g. Requests for Reconsideration (RfRs), appeals).

As a matter of best practice, it is important that MPAC have sufficient checks and balances in place to flag significant changes and outliers in data, and to control for potential errors relating to such factors as assessor oversight. We also heard that MPAC should engage in more proactive data sharing and analysis, including trend analysis associated with property type, sector, outliers and appeals (potential and ongoing). Such analysis would be a valuable resource to municipalities and taxpayers, as well as MPAC itself, and would highlight significant changes to assessed values that may require further examination. In order to facilitate such analysis, municipalities and taxpayers should be willing to provide data and information to MPAC.

Recommendations: Data Accuracy and Integrity

15. MPAC should develop suitable internal controls and approval mechanisms to ensure data integrity and accuracy, to track in-year changes of assessed values, and to report such changes to taxpayers and municipalities in a timely manner.

16. The Province should work with MPAC to review and make appropriate modifications to MPAC’s internal approvals processes to improve quality assurance of assessed values.

17. MPAC should work with stakeholders to identify and remedy data system interfacing limitations.

Appeals Recommendations

The assessment appeals process plays an important role in ensuring that property taxpayers and municipalities have an opportunity to challenge property assessments they feel are inaccurate. However, during consultations, concerns were expressed about the “gaming of the appeals system”. For example, we heard that “protective appeals” are frequently filed in order to induce disclosure of information about methodology or data. We understand that it is important to prevent such a frivolous and costly abuse of the appeal system.

As an overall comment, we heard that assessment appeals should be a last resort rather than an unavoidable step in the process of obtaining an accurate assessed value. Based on assessment appeal data for industrial properties, almost two-thirds of appeals were withdrawn by appellants between 2008 and 2012. This indicates that significant benefits could be gained by ensuring accuracy of values at the outset, and early disclosure of assessment information from all parties. Additionally, parties should consider the use of other means of dispute resolution prior to filing an appeal, such as using RfRs for special purpose business properties, or alternate dispute resolution (ADR).

Pre-appeal alternate dispute mechanisms can be quite effective in resolving disputes and in reducing costs to parties by avoiding the need to bring less complicated matters through a long appeals process.

As noted above, we also heard that advance disclosure and discussion of assessment data would not only increase accuracy and predictability, but also lessen the burden on the appeals system by encouraging upfront discussions amongst parties.

Recommendations: Appeals

18. MPAC should work with stakeholders to improve appeal tracking and reporting mechanisms to alert municipalities to immediate and potential assessment risks to municipalities and relevant property types. This tracking mechanism should include an inventory of appeals and their status.

19. MPAC and the Province should consider the expanded use of the RfR process to special purpose business properties.

20. MPAC and the Province should advocate for the increased uptake of ADR prior to appeals and once appeals have been filed for special purpose business properties. The ARB should implement processes to improve access to ADR.

21. The Province should work with municipal organizations to increase municipalities’ awareness of best practices in financial mitigation strategies and to support municipalities’ use of existing authorities to develop tools to mitigate financial risk.

22. The Province should work with the ARB to identify mechanisms to improve all parties’ compliance with ARB disclosure requirements.

23. The Province should work with MPAC and the ARB to develop a process to expedite appeals with the greatest impact on the municipal assessment base and improve efficiencies.

24. The Province should direct MPAC to work with taxpayers and municipalities to develop and implement a protocol that requires MPAC assessors and legal counsel to adequately prepare for ARB hearings in a timely fashion and to communicate regularly with all parties (taxpayers and municipalities), prior to and throughout ARB processes.

25. The Province should direct MPAC to work with municipalities to develop and implement a protocol to increase early and ongoing municipal engagement in ARB and settlement processes to reduce the current imbalance in the level of engagement of parties in the appeals process.

26. The Province and MPAC should work with municipal organizations to develop tools to support municipalities so they can better understand assessment at risk, historical analysis of risk and to prioritize municipal involvement in appeals accordingly.

Assessment-Specific Issues under Special Purpose Business Property Assessment Review (SPBPAR)

As noted above, this review arose out of a number of concerns that were expressed by business property taxpayers and municipalities about the assessment of certain types of special purpose business properties.

To support the review of these specific assessment issues, working groups were formed with stakeholder representatives to facilitate a productive discussion that examined options and considered potential solutions.

A summary of each assessment issue is presented below together with recommendations that aim to support the objective of fair, accurate and predictable assessments for the long term.

Billboards

Issue

The review considered the methodology to be used to establish the assessed value of advertising billboards for property tax purposes. The issue arose in the context of changes that were being proposed by MPAC to the historic assessment treatment of advertising signs.

The issue relates only to “third-party” signs; that is, signs that advertise goods or services of someone other than the property owner. The issue does not apply to “first-party” signs that advertise the business that is carried out on the property (for example, it does not apply to a gas station sign on the property of the gas station).

Background

In Ontario, all “real property” is subject to assessment and taxation, subject to a few legislated exemptions from taxation. Assessable real property includes buildings and structures. MPAC is responsible for determining which properties are assessable as real property, and for placing a value on all assessable properties.

Historically, MPAC has not assessed most of the billboards in the Province. Of the signs that were assessed, different methodologies were used to establish their assessed values, and many had outdated values that had not been updated for several years.

For the 2013 tax year, MPAC had been planning to assess all billboards province-wide using updated values. However, recognizing the potential impact of the proposed new assessments, the Province requested that MPAC refrain from implementing new billboard assessments pending the outcome of this review.

Across Canada, there does not appear to be a consensus among the provinces regarding how to assess billboards. However, most provinces which assess billboards use the cost approach to value billboard structures, and a few provinces report that they may use rental income from billboards when assessing the commercial property on which the sign is located.

In the United States, many states impose two forms of property taxation on business properties:

1. Personal Property Tax – levied against business occupants in respect of property that is deemed to be personal to the business operator rather than part of the real estate; and
2. Realty Tax – levied against property owners in respect of the land and building.

Most states treat billboard structures as personal property, subject to taxation to the business occupant (the operator of the billboard). The billboard structure is commonly valued on the cost approach. The land is valued separately and assessed against the property owner through the realty tax. The land is often assessed with regard to the rental income derived from leasing the land on which the billboard is located, consistent with the approach that MPAC was proposing to employ.

In the City of Toronto, there is a separate tax on billboards in addition to property tax. Under the *City of Toronto Act, 2006*, the City can pass by-laws to impose direct taxes in specified circumstances. In 2010, the City utilized this authority to create the Third-Party Sign Tax. Under this tax, different rates are set based on the size and type of each billboard.

Consultations

In 2012, in the context of action being taken by MPAC to commence updating the assessment of signs, the Ministry of Finance engaged in discussions with representatives from the advertising industry and municipalities to seek input on the assessment and taxation of signs.

In 2013, to support the SPBPAR review of the assessment of billboards, a working group was formed with representatives of billboard owners and operators, commercial property owners, municipalities, the agriculture sector, and MPAC. Discussions were held with the working group to look at different valuation approaches for billboards.

Two main assessment approaches were considered, focusing on the valuation of the billboard structure, and the valuation of the land based on rental income. In addition to looking at assessment methodologies, consideration was also given to the location of signs (indoor versus outdoor), the City of Toronto's Third-Party Sign Tax, and signs located on Crown property.

Concern was expressed by billboard operators and property owners about the new updated assessments that MPAC had placed on a few signs in advance of the proposed province-wide update. Dramatic changes in assessments brought into question MPAC's ability to accurately implement an updated assessment approach province-wide, particularly an approach based on income, recognizing the challenges in obtaining and analyzing the income information.

Discussion was held about a proposal to assess billboards based only on their structure cost, without regard for the land rental which is normally a factor in the valuation of properties that are assessed on the income approach. The structure value approach was used for most of the signs that had historically been assessed. It was noted that this approach is stable and predictable.

For most municipalities, the assessment of signs on a structure value approach would result in increased tax revenue, as most signs are currently not assessed. However, a few municipalities may receive less tax revenue if signs in their jurisdiction are currently assessed on an income approach.

Recommended Approach

It is recommended that all billboards should be assessed to ensure consistent treatment province-wide.

Based on the input that was received during the review, and having regard for the historic assessment treatment of signs in Ontario, it is recommended that billboards be assessed based on their structure cost without an added value for land rental. It is recommended that this valuation approach would apply starting in 2014. Consideration could also be given to retroactive application of this valuation approach for signs that have been newly-assessed since the 2008 reassessment.

It is further recommended that MPAC actively maintain an accurate and complete inventory of billboards with input from billboard operators and property owners.

Landfills

Issue

The review considered the methodology to be used to establish the assessed value of landfill sites for property tax purposes. The issue arose in the context of changes that MPAC was proposing to make to the assessment methodology for landfills.

Background

Historically, MPAC valued landfill sites using rates for vacant industrial land in the vicinity of the landfill.

In 2012, MPAC was planning to implement changes to the methodology used to value approximately 30 large landfill sites in Ontario for the 2013 tax year. MPAC's updated assessment methodology was intended to be more reflective of the capacity of the sites based on the volume of space available to accept waste. Landfills with significant future capacity would have a higher value, whereas those with diminished capacity would have a lower value (the values would decline over time as the sites filled up).

In view of the potential magnitude of the changes that MPAC's proposed new methodology could produce, and recognizing concerns that were expressed by stakeholders, the Minister of Finance requested that MPAC maintain its existing methodologies until in-depth consultations were conducted with stakeholders.

Across Canada, provinces do not regulate a specific valuation methodology for assessing landfills. Generally, the provinces value landfills on the cost approach using sales of comparable properties or similarly zoned neighbouring lands to determine the value of the land, and buildings are valued based on their replacement cost less depreciation, consistent with MPAC's historic approach. For tax rate purposes, landfills are generally classified as industrial or business property. Where landfills are owned by public entities, they are typically found on Crown or municipal land and are exempt from taxation, but may be subject to payments in lieu of tax. Privately-owned sites are subject to taxation.

Across the United States, different approaches are used to value landfills for property assessment purposes, with some states using the cost or sales approach and some using an income-based approach.

In Ontario, there are 2,425 landfill sites, of which 868 are open and 1,557 are closed.

Landfill properties have multiple components, each of which can be valued and taxed differently. These components include active fill areas, future fill areas, filled areas, buffer areas, transfer stations, recycling facilities, and contaminant attenuation zones.

During the consultation process, consensus emerged regarding the treatment of a few components of landfill sites. However, for those portions of a landfill that are of greatest value (the active and future fill areas), there were divergent views on the appropriate valuation and tax classification treatment.

Consultations

To support the review of the assessment of landfills, a working group was formed with representatives of landfill owners and operators, municipalities, and MPAC. Discussions at the working group meetings centered around three main valuation approaches that were brought forward by consultation participants:

1. Cost Approach - Capacity Method: This methodology values a landfill based primarily on a site's remaining capacity multiplied by a fixed rate which is developed based on landfill sales.
2. Income Approach: Two variations of the income approach were raised.
 - The Discounted Cash Flow methodology recognizes the anticipated future income of a site given the estimated life of a landfill and discounts this to a present value;
 - The Royalty methodology applies a discounted cash flow analysis based on assumed land lease rates and adjusts income attributable to the land lease by applying a royalty rate.
3. Regulated Cost Approach: This methodology would value a landfill based primarily on the value of nearby industrial land using acreage rates based on industrial land sales, and some components would be valued based on residential land values.

In addition to the methodology for valuing the land, other issues were considered such as the valuation of the landfill licence, the treatment of environmental protection installations, the impact of host agreements, and the treatment of closed sites.

Common principles were articulated as a basis for comparing and evaluating the different assessment methodologies, including accuracy, transparency, equity, stability and predictability.

Positive progress was made during the consultations, such as working group participants gaining a better understanding of the pros and cons of each valuation methodology, and MPAC identifying refinements to the capacity methodology that would make the approach more reflective of the unique circumstances of each site.

Recommended Approach

Based on the input received during the consultations, it is clear that there is insufficient support for MPAC's capacity methodology, at least in the form in which it was introduced. As a result, it is recommended that MPAC's capacity approach should not be applied to any additional landfill properties before the 2016 reassessment.

It is also evident from input received during working group discussions that further consultation and analysis is required in order to develop a principled valuation methodology and to ensure that all facts and impacts are known and understood before changes are implemented. Continued consultations and analysis would also facilitate consideration of the proposals that were brought forward by stakeholders late in the review process.

It is recommended that Ministry staff continue the consultation process, working with stakeholders, to examine the methodologies presented during the review, consider impact analysis, focus on the policy principles articulated during the review, consider the applicability of the methodologies to all landfills province-wide, and arrive at a recommended valuation approach by the summer of 2014. This timeframe would ensure that preliminary values can be developed in 2015, providing sufficient time for MPAC to apply the approach in the development of values for the 2016 reassessment.

As part of the work in preparation for the review, it became apparent that there were issues with the accuracy of the information that MPAC has available for certain landfill properties. It is recommended that MPAC continue to closely review the data that it has on each landfill property with a view to ensuring that any factual errors and inconsistencies are corrected so that the most accurate valuations are produced for the 2016 reassessment.

Industrial Land

Issue

The review considered the methodology used to value industrial facilities that are located in areas undergoing redevelopment. The issue arose in the context of concerns that were expressed by property owners and the City of Toronto about assessment increases that were experienced for the 2013 tax year.

Background

In some areas, particularly large urban centres, the value of industrial land is increasing because nearby land is being sold for redevelopment as condominiums or other high-density uses.

MPAC assesses properties based on their current market value, taking local sale prices into account. In some situations, the assessed value of industrial properties increased during the last reassessment based on the high price paid for nearby redevelopment land. This was seen particularly in the City of Toronto.

Concern has been expressed about the potential impact of assessment increases on the viability of ongoing industrial operations in areas where redevelopment pressures are influencing market values.

The City of Toronto has a particular interest in preserving employment lands and retaining current employment uses, expressing concern that assessment methodology should not work in opposition to the City's Official Plan objectives, municipal zoning designations, or other policies designed to retain and attract employment uses in designated employment land areas.

Consultations

To support the review of the assessment of industrial land, a working group was formed with representatives of industrial manufacturers, land developers, trade associations, municipalities, MPAC, and partner ministries. The working group discussions focused on municipal and provincial land-use planning policies, zoning designations, and assessment methodologies applied to properties in areas undergoing transition and redevelopment.

During the consultations, industry representatives expressed concern about MPAC's practice of assessing properties based on their highest and best use. Views were expressed that assessed values should be based on the existing zoning of property, not the potential uses of a property based upon zoning or density allowances that are not currently permitted by the municipality. City of Toronto representatives stated their objective to safeguard the financial viability of local industry by protecting lands that are currently in industrial use, and articulated the view that lands in industrial use with industrial zoning should be valued as industrial property until the zoning changes.

Recommended Approach

Based on the input that was received through the review process, and having regard for the broader policies of protecting employment land in employment uses, it is recommended that MPAC develop clearly-defined valuation procedures for industrial properties located within designated employment areas. Under these valuation procedures, properties should be assessed based on the current permitted uses on the site where land use restrictions and current zoning designations limit the development potential of industrial land in an employment area. The assessment should not be based on speculative uses that are not currently permitted.

MPAC's valuation procedures should be prepared and made publicly available well in advance of the next province-wide reassessment of properties in 2016. Implementing clear rules for assessors would enhance the transparency and consistency of MPAC's assessment process.

Prior to the issuance of new assessments for the 2017 tax year, a process should be implemented for confirming that the approach outlined above has been successful in addressing the concerns.

It is also recommended that consideration be given, with municipal input, to providing greater regulatory clarity regarding the circumstances when a change or proposed change in zoning or official plan designation should impact the assessment approach.

It is further recommended that municipalities be reminded that they have an important role to play by making full use of their land-use planning tools to limit the potential for redevelopment in priority employment areas, thereby making the zoning and permitted uses clearer for property assessors when valuing sites.

Farms

Issue

The review considered the methodology to be used to establish the assessed value of farmland for property tax purposes. The issue arose in the context of concerns that were expressed about the accuracy of the current valuation approach and valuation increases that were experienced for the 2013 tax year.

Background

As required by the *Assessment Act*, farm properties are assessed by MPAC based on farmer-to-farmer sales, excluding the value of sales to developers or other non-farmers. As part of the valuation process, MPAC categorizes farmland based on soil texture, topography, stoniness, drainage, flooding, depth to bedrock and erosion.

When a farm property is sold, MPAC initiates a sales investigation process to determine whether the property was sold to another farmer or to a non-farmer. The results of this investigation determine whether the sale will be incorporated as part of MPAC's sales analysis for establishing farmland values in the area. For the purposes of their farmland valuation model, MPAC considers only sales of "unimproved" farmland, that is, farms without buildings. Three to five years of sales are used for analysis purposes. Information that MPAC collects as part of its farmland database includes size of farm, climatic zone, soil quality, and the presence, age, use and condition of any buildings on the farm.

Farmland is taxed at 25% of the residential rate for municipal and education tax purposes. Municipalities have the option of reducing the municipal portion of the farm tax rate below 25% of the residential rate.

For the 2013 reassessment, which was based on 2012 values, the assessed value of farm properties increased by an average of approximately 46% province-wide since the last reassessment four years ago based on 2008 values. Increases in the assessed value of farms generally resulted from changes in the real estate market and reflected current market conditions for farm properties. Recent studies of farmland prices indicate that factors contributing to these increased values include rising commodity prices, low interest rates and a shortage of arable land for sale.

In some parts of the Province, farmland values increased by more than the provincial average. This led to concerns being expressed about whether MPAC's current farm valuation procedures effectively exclude redevelopment values from the assessment of farmland, particularly in urban shadow areas.

Consultations

The Ministry of Finance has been leading a working group comprised of representatives from the agricultural sector, the municipal sector, MPAC, and partner ministries. This group has been meeting semi-annually to discuss emerging issues relating to farm property assessment and classification, and it has a mandate to share information and research and discuss possible approaches for resolving the specific issues that are identified.

Building upon the work of this working group, further consultation was conducted as part of this review with representatives from the agricultural and municipal sectors, along with MPAC and partner ministries. Discussion focused on the valuation of farmland, the tax classification of agri-business properties including grain elevators, and administration of the farm property class program.

Regarding the valuation of farmland, the primary theme that emerged is the importance of ensuring the accuracy and fairness of MPAC's valuations. Consideration was given to the manner in which farmer-to-farmer sales are verified and utilized in the valuation process, and the process by which MPAC establishes "land bands" to make adjustments for location based on climatic region and soil type.

A need was identified for improvements to be made to the valuation process in terms of identifying and verifying farmer-to-farmer sales, as well as looking at the number of sales that are used to populate the valuation models to ensure that there is an adequate sample size.

Recommended Approach

To address the concerns that have been expressed about the accuracy of the assessment of farmland, it is recommended that clearly-defined processes and procedures be established to strengthen MPAC's assessment methodology for farm properties, including the following:

- **Improve the sales verification process by ensuring that analysis of farm sales reflects only sales between bona-fide farmers, such as seeking enhanced information on the sales verification questionnaire and following up proactively with the new owners to obtain detailed and timely information;**
- **Strengthen the accuracy and equity of the valuation process by ensuring that an adequate sample size is used for farm sales analysis, such as having regard for a larger geographic area and expanding the sales analysis period.**

The enhanced procedures should be in place for implementation with the next province-wide reassessment in 2016. MPAC should continue to work with the Ontario Federation of Agriculture, the Ministry of Finance and the Ministry of Agriculture and Food to identify the range of new procedures and discuss their effective implementation.

Prior to the 2016 reassessment, it is recommended that MPAC closely review the existing assessments of farm properties. If analysis based on the application of the enhanced procedures outlined above indicates that an assessment reduction for individual properties may be warranted, changes should be made prior to the next reassessment.

It is further recommended that the farm property class administration issues that were raised during consultations by the Ontario Federation of Agriculture be discussed through the standing working group (referenced above) that is led by the Ministry of Finance.

Grain Elevators

Issue

The review considered the tax classifications to be applied to grain elevators for property tax purposes. The issue arose in the context of requests that have been made by the agri-business sector and municipalities for changes to the historic classifications.

Background

Grain elevators are used primarily for storage of grain in a temperature and humidity controlled environment to prevent spoilage. Elevators may also be used in the sorting, cleaning, and drying of grain.

The provincial regulation defining the property classes under the *Assessment Act* stipulates that grain elevators shall be included in the industrial property class. However, in practice, MPAC has assigned grain elevators to a variety of different property classes, including farm, commercial, and industrial.

Consultations

As noted above, the Ministry of Finance has been leading a working group comprised of representatives from the agricultural sector, the municipal sector, MPAC, and partner ministries to discuss issues of concern to the agricultural and agri-food sectors. Building upon the work of this group, further consultation was conducted as part of this review with representatives from the agricultural and municipal sectors, along with MPAC and partner ministries. Discussion included the tax classification of grain elevators.

Proposals have been made both during and outside this review process for grain elevators to be classified consistently. It has been submitted that the activity of grain elevators is not industrial in nature and would be more suited to a commercial classification where the elevator is run by a licensed commercial operator, and a farm classification where the elevator is run by a farmer as part of a farming operation.

Recommended Approach

It is recommended that the property class regulation under the *Assessment Act* be amended for the 2014 tax year based on the following criteria:

- **Commercial classification to apply to licenced commercial grain elevators located off farms;**
- **Split commercial / farm classification to apply to grain elevators located on farms that are licensed for commercial use and store both the farmer's own grain and that of other producers (classification split to be based on the proportion of customer to farmer grain handled at the elevator); and**
- **Farm classification to apply to grain elevators located on farms that are used to store only the farmer's own grain.**

It is recommended that MPAC be directed to collect any information they may require, including conducting site visits, to ensure that accurate assessed values and tax classification apportionments are determined for all grain elevators across the Province before the proposed new tax classification policy is implemented. The updated assessments would inform the determination of tax impacts of the proposed changes as part of the ministry's due diligence process.

Wind Turbine Towers

Issue

The review considered options for increasing the assessment rate of wind turbine towers, which have been assessed at a fixed amount since 2005.

Background

On May 30, 2013, the government announced that the regulated amount used by MPAC to determine the assessed value of wind turbine towers would be increased, subject to consultation on an appropriate rate of increase.

Currently, wind turbine towers operated by corporate power producers are assessed at the regulated amount of \$40,000 per MW of the installed capacity of the turbine attached to the tower. This amount has remained unchanged since it was first introduced in 2005.

The \$40,000 amount applies to the tower structures. Land associated with the towers is assessed separately. Machinery and equipment, such as the turbines and blades, are exempt from taxation.

The fixed assessment policy was established to provide consistent and predictable treatment to the wind energy sector.

Since the introduction of the fixed assessment amount in 2005, property taxes for wind turbine towers have effectively been decreasing because municipal and education tax rates have been reduced while the assessments of these structures have remained static. While tax rates in some municipalities have changed more than others, the average tax reduction on tower structures between 2005 and 2013 across municipalities with wind turbine towers is approximately 22%.

Consultations

During the review, input was received from representatives of the municipal sector and the wind energy sector to consider options for determining the amount of the assessment increase. Options considered included:

- Industrial Property Values – using the provincial average reassessment increase of industrial properties as the basis for increasing the assessment of wind turbine towers; and
- Consumer Price Index (CPI) – using CPI as the basis for increasing the assessment of wind turbine towers.

Timing of implementation was also considered, particularly in terms of whether an increase should be calculated to capture growth in industrial assessment or CPI since 2005.

Recommended Approach

It is recommended that the increase in the assessment of wind turbine towers apply on a going-forward basis starting in 2014, not seeking to capture increases retrospectively to 2005.

It is recommended that the amount of the increase be based on the province-wide average increase in the assessed value of industrial properties. For the 2014 to 2016 tax years, the increase would be approximately 3% per year.

Beginning in 2017, and with every four-year reassessment, the amount of the increase for wind turbine towers would be updated to reflect the province-wide average assessment increase of the industrial property class, phased in over four years.

This approach is recommended to provide stability and to help mitigate tax shifts within the industrial property class between wind turbine towers and other industrial properties.

Mills

Issue

In early 2013, the ARB issued decisions that dramatically lowered the assessed values of a number of mill properties in Ontario. These decisions affected the assessed values of these properties going back as far as 2005 and resulted in municipalities owing large tax refunds to mill property owners. The lower assessed values also result in ongoing reductions in the property assessment bases of the affected municipalities.

The review considered two issues related to the assessment of mill properties:

- Addressing the significant tax refunds owing to taxpayers in a small number of adversely affected, single-industry towns in Northern Ontario; and
- Refining the assessment methodology for mill properties in a way that responds to the ARB decisions and provides a measure of predictability for both municipalities and taxpayers.

Background

ARB decisions in early 2013 resulted in substantial reductions to the assessed values of a number pulp and paper mills and saw mills in Northern Ontario. For example, the 2008 assessed values of the mills in Espanola and Dryden were reduced by 62% and 72% respectively. These appeals took a number of years to resolve, and the ARB decisions have a retroactive impact on multiple taxation years, in some cases dating back seven years. The impact of the appeals was amplified by the fact that these mill properties constitute a significant portion of the tax bases of the affected municipalities. The combination of the retroactive nature of the decisions and the significance of these properties means that affected municipalities both owe significant tax refunds to mill property owners and face a diminished property tax base going forward.

As a result, affected municipalities are now facing significant financial hardships. The tax refunds owing as a result of the appeals represent up to 40% of some municipalities' budgets. Moreover, in addition to those municipalities already affected by the ARB decisions, other municipalities with mill properties currently under appeal are also expected to face similar repayment obligations, depending on the appeals' outcomes. These municipalities will also see reduced property tax revenues in the future as a result of ongoing reductions to their property assessment base.

Those municipalities that have experienced assessment decreases as a result of ARB appeals have expressed significant concerns regarding the level of support provided by MPAC, and have criticized MPAC's inability to justify and support the assessed values that MPAC has assigned to the affected mill properties. Municipalities have also expressed frustration with MPAC's failure to proactively engage them not only during the appeals process but also in advance of changes being made to the assessment of properties more generally. At the same time, mill property owners have expressed concerns with delays in the appeals process and with the difficulties they have experienced in communicating with MPAC. It is also worth noting that the ARB Member presiding over the Espanola and Dryden cases commented on MPAC's approach to the assessment of these properties, noting that MPAC's assessors are "limited by MPAC's standards, guidelines and policies," and that "MPAC's method does not conform

to appraisal theory and practice as well as [the property owner's] focused analysis" (additional information on the impact of the ARB decisions on assessment methodology is provided in Appendix A).

The issues that have arisen during discussions between the Province, municipalities and taxpayers regarding the assessment of these mills properties highlight broader concerns with the quality and accuracy of MPAC's assessments as well as their overall performance. They also point to overarching challenges within the property assessment system more generally.

By way of context, it is important to emphasize that the Province has taken action to support both communities and businesses in northern Ontario.

Provincial support for municipalities

The Province has a strong record of supporting municipalities:

- In 2014, the Province is providing municipalities with \$550 million in unconditional funding through the redesigned Ontario Municipal Partnership Fund (OMPF).
- This includes \$59 million to communities affected by recent ARB decisions, which translates into \$529 per household – eight times the average in southern Ontario. Moreover, municipalities affected by recent ARB decisions will also receive an additional benefit of \$29.1 million as a result of the provincial uploads.
- The combined benefit of the provincial uploads and OMPF for these municipalities will total \$88.1 million in 2014. This is the equivalent of 31 per cent of municipal property tax revenues in these communities and represents an increase of \$29.9 million, or 51 per cent over the level of funding provided in 2004.

Provincial support for businesses

Significant steps have also been taken by the Province to make Ontario's tax system more competitive. Since 2007, Business Education Tax (BET) rates have been cut significantly. In fact, mill properties affected by ARB decisions have typically benefited from large BET cuts of 50 to 70 per cent.

Additional assistance to the forestry industry has been provided through a number of provincial initiatives including the Northern Industrial Electricity Rate (NIER) program and the Forest Sector Prosperity Fund. The Province has provided this support to Ontario's forestry sector to ensure it remains competitive locally and globally and contributes to the vitality of Ontario's northern and rural communities.

Consultations

Through the consultations, affected municipalities, MPAC, and taxpayer representatives had the opportunity to review options for addressing both the financial impacts of the ARB decisions and concerns related to MPAC's approach to assessing mill properties.

A key theme that emerged from the consultations was the need for the Province, municipalities, and taxpayers to work together based on the principle of “shared responsibility” to resolve the challenges resulting from the ARB decisions, including the tax refunds owing. There was also agreement that it was important to examine the broader and ongoing implications of these ARB decisions.

A municipal working group was formed to develop a common fact base, consider the financial impacts of ARB decisions and issues relating to mills assessment methodology, and identify approaches to address short-term and longer term concerns. This working group was comprised of representatives of northern communities, including those affected by recent ARB decisions and settlements, as well as representatives from FONOM and AMO.

Issues discussed by the working group included:

- Evaluating the need for one-time financial assistance, noting that the limited provincial funding available would need to be targeted towards the most adversely affected municipalities.
- Discussing to what extent retroactive assessment reductions, affecting prior taxation years, have led to financial challenges for some municipalities.
- Examining how property and other policy tax tools that are currently available to municipalities could be used to help mitigate the impacts of assessment reductions on their tax bases on an ongoing basis.
- Discussing how municipalities can best prepare for the risks of assessment appeals, for example through the appropriate use of reserves (while noting that it would not have been possible for some municipalities to adequately plan for assessment reductions of the magnitude experienced as a result of the ARB decisions).
- Exploring opportunities to improve assessment methodologies and processes in order to promote increase predictability in the property assessment system (e.g. by drawing on best practices relating to legislation, regulation, methodological manuals, and advance disclosure and consultative mechanisms employed in other jurisdictions such as Quebec and BC).
- Strengthening MPAC’s accountability.

Results of consultations

Based on feedback from municipal and taxpayer representatives, solutions have been identified based on the principle of “shared responsibility” that will require each party – municipalities, mill property owners, and the Province – to work together to resolve the challenges resulting from the ARB decisions, including the tax refunds owing.

The Province will provide one-time financial assistance that targets a small number of northern rural municipalities most adversely affected by the reduced assessed values and with the least financial capacity to respond. The Ministry of Finance will be providing more details regarding this one-time financial assistance in the coming weeks. However, the Province has already begun discussions with those municipalities that may be eligible for this targeted funding.

Municipalities will be able to make use of the property tax and other policy tools that are currently available to them to help mitigate the impacts on their tax base in 2014. For example, in certain situations municipalities could make use of tax flexibility tools to mitigate the impacts of assessment reductions going forward. It is important to note that even in cases where municipalities choose to

implement tax flexibility, mill property owners will continue to benefit from a reduction in business education property taxes (BET) once assessments are finalized. They will also continue to benefit from the large provincial BET cuts.

As part of the consultations, the Province also engaged affected **mill property owners** in discussions regarding the tax refunds owing from municipalities and the impacts on affected communities. Discussions between the Province and mill property owners focused on the need to balance concerns relating to the impact of the tax refunds on municipal finances with the importance of ensuring that property tax levels do not adversely impact the economic competitiveness of Northern Ontario businesses. These consultations will continue into 2014.

Recommended Approach

The recommended approach is based on the principle of “shared responsibility” which balances the objectives of ensuring that Ontario businesses remain economically competitive and that municipalities have sustainable revenues to support their communities.

The Province should continue to support municipalities and mill property owners in arriving at a solution to the tax refund issue that is consistent with this “shared responsibility” principle.

In a limited number of cases, the Province will be providing one-time financial assistance that is targeted to municipalities most adversely affected by the reduced assessed values resulting from the recent ARB decisions. To qualify for one-time provincial assistance, the municipality must be northern and rural. Further, the municipality must have an individual property which:

- is a large industrial pulp and paper or saw mill property.
- represented a significant portion of the municipality’s tax base prior to the assessment change (specifically 15 per cent or greater).
- has experienced a property assessment loss of a magnitude greater than 15 per cent of its original assessed value.
- is owed a tax refund for taxation years up to 2012, resulting from minutes of settlement or a final ARB decision, for which the municipality was not eligible for assistance under a prior program.

In order to facilitate this assistance, the Province has already initiated discussions on the assistance and specific details of the eligibility criteria with the small number of northern municipalities that may qualify for this one-time financial assistance.

The Province recognizes that additional municipalities with mill properties will see reduced values in their 2014 assessment rolls. In 2014, municipalities will be able to make use of property tax and other policy tools currently available to them to help to mitigate the impacts on their tax base. For example, in certain situations, municipalities could make use of tax flexibility tools to mitigate the impacts of assessment reductions going forward.

The Province should also further examine existing tax and policy tools available to municipalities to ensure they are effective in allowing municipalities to manage and adapt to changes in their tax base.

In preparation for the next reassessment in 2016, the Ministry should continue to work with municipalities, taxpayers and MPAC to clarify and refine the assessment methodology for mill properties.

Many of the overarching challenges within the property assessment system and issues regarding MPAC’s performance and services were highlighted in discussions relating to mill assessment. These challenges will be addressed through the overarching recommendations noted earlier in the report. The overarching recommendations reflect the advice and concerns of municipalities, and the shared nature of the property assessment system. It will be important for municipalities to play a significant role in implementing these overarching recommendations.

Efforts Underway

MPAC Initiatives

MPAC has implemented recommendations arising out of prior initiatives to improve the property assessment system, including the 2006 Ombudsman's Report and the 2010 Auditor General's Report. The Ombudsman's Report addressed taxpayer concerns pertaining to the assessment of residential properties. The Auditor General's Report assessed whether MPAC had adequate systems and procedures in place to ensure the accuracy and cost-efficiency of its operations, primarily also related to residential properties. There is acknowledgment that MPAC's implementation of recommendations has resulted in improvements to the assessment of residential properties, which in turn has resulted in the majority of the property assessment and tax system working well.

MPAC adopted its 2013-2016 Strategic Plan in 2012 after receiving input from a broad cross-section of MPAC's stakeholders. The Plan has been championed by MPAC's President and Chief Administrative Officer, and reviewed and approved by MPAC's Board of Directors. It was also guided by the recommendations from the Ombudsman's Report, Auditor General's Report and the Report of the Drummond Commission on the Reform of Ontario's Public Services.

The major components of MPAC's Strategic Plan correlate to MPAC's Balanced Scorecard, an internal Key Performance Indicator (KPI) mechanism established in 2010. The Balanced Scorecard considers four factors: 1) Customer Service Excellence, 2) Operational Excellence, 3) Organizational Effectiveness and 4) Financial Effectiveness. A full list of the Plan's Strategic Directions, Outcomes and Initiatives is in Appendix F.

MPAC has a number of initiatives in place to achieve these objectives. In particular, it has begun making progress on a commitment to achieve \$20 million in savings over 2013-2016. While the focus of MPAC's 2013-2016 Strategic Plan is on operations and interactions with its stakeholders, similarities between the review's overarching recommendations and the Strategic Plan exist at a high level. In addition to MPAC's strategic outcome that aims to foster greater public trust, a number of other review recommendations build on specific MPAC initiatives, such as increased consultations with municipalities and ensuring assessor accreditation.

MPAC's commitment to reduce the backlogs in the appeals system aligns strongly with the ARB's initiatives. Currently, approximately 16 percent of MPAC's existing budget is related to appeals. By building on specific MPAC initiatives, the review recommendations should provide an opportunity to shift resources within MPAC toward cost-efficient pre-appeal processes. This provides the opportunity for MPAC and the Province to continue to work together to develop implementation plans that are focused on achieving optimal outcomes with existing resources.

For further information on parallels between review recommendations and the Strategic Plan refer to Appendix F.

ARB Initiatives

The ARB is currently making efforts to address backlog and hasten the resolution of matters before the board (Table 2).

Appeals (as at February 15, 2013)		Appeals (as at December 1, 2013)	
Pre-2013	55,000	Pre-2013	35,000
2013	22,000	2013	31,000
Total	77,000	Total	66,000

Table 2: Resolving the Backlog

Appeals are being expedited through a Streaming Strategy which the ARB introduced in 2003. The Streaming Strategy was amended and released on February 15, 2013 to include goals and target dates for resolutions. Rule changes and new practice directions took effect in April 2013. Parties are required to file Procedural Orders after pleadings for appeals that meet the criteria in the Standard Stream. The goals of the 2013 Streaming Strategy are to:

- Resolve pre-2013 caseload by March 31, 2014.
- Resolve majority of caseload within four-year assessment cycle.
- Establish fair and reasonable hearing procedures in each stream proportional to the nature of the dispute.
- Provide timelier and more effective resolution of appeals.

The Streaming Strategy includes two streams into which hearings may fall.

- The Direct Hearing Stream covers all residential properties and low-value commercial/industrial properties (\$6 million threshold in GTA and Ottawa, below \$3 million elsewhere). The ARB is aiming to resolve all residential appeals in the direct hearing stream within one year of filing. As of November 4, 2013, 100% of these appeals had been closed within one year of receipt.
- The Standard Stream covers high-value, complex commercial/industrial properties. This stream requires that parties file Procedural Orders with consent of all parties before pre-hearing conference dates to be set in Fall of 2014, with final hearing dates to be set in 2016. Case Management Mechanisms are available for a limited number of appeals and approvals for case management may be sought by filing a motion. The ARB is aiming to resolve 90% of Standard Stream appeals within the four-year reassessment cycle.

The ARB is continuing to implement and enforce new practice directions around adjournments, scheduling of hearings and case management. Outreach efforts are also underway between the ARB and MPAC, who currently meet quarterly to share information regarding progress of Requests for Reconsideration, and trends that are arising. The ARB is also engaging agents and representatives who file large numbers of appeals with the ARB (2,000 – 5,000 appeals). Part and parcel of the engagement

with agents is an education and awareness component to inform them of ARB timelines and expectations associated with the newer elements of the Streaming Strategy. The ARB will also be engaging more with municipalities. On several occasions, MPAC has invited the ARB when meeting with municipalities at the quarterly meetings of MPAC's Municipal Liaison Group. The ARB has also undertaken to speak to municipal representatives as part of an ongoing educational campaign which will be seeking input about what information the ARB needs to produce and provide municipalities, as well as how the board can assist municipalities to be more aware about what the appeals process entails. The ARB is in the early phases of considering the use of mediation whereupon parties will agree to principles around the issue for appeal. These principles may include parameters associated with assessment methodology. As part of this process the ARB is compiling a roster of mediators to be used based on case-specific expertise. Consideration is also being given for increased uptake of ADR and case-management where appropriate.

Since the ARB is an independent adjudicative body it was necessary to ensure that jurisdictional boundaries were respected in the development of recommendations regarding the appeals process. The ARB and the Ministry of the Attorney General (MAG) were engaged throughout the review process. Recommendations which would impact the appeals process were communicated to the ARB and MAG, and have received their endorsement.

Path Forward

The property tax and assessment system is a shared responsibility – municipalities, MPAC and the Province must work together in implementing the recommendations. Accordingly, the path forward should involve a consultative and collaborative approach which ensures the engagement of municipalities and stakeholders.

A concrete action plan should be developed with the Ministry of Finance overseeing the implementation of all improvements to the property assessment system. To ensure transparency in the implementation process, publicly available progress updates must be made semi-annually by all parties involved with implementation. The first progress update will cover the period from January to June 2014.

The recommendations were developed recognizing that the various components of the property assessment system are closely interconnected. The recommendations also take into account existing efforts being made by MPAC and the ARB to increase efficiencies and stakeholder involvement in the assessment and appeal process.

The recommendations are not meant to function in a mutually exclusive fashion. Three groups of overarching recommendations which are key to achieving the objectives of the review and pivotal for implementing the majority of the recommendations:

- 1. Creating methodology guides and an advance disclosure protocol to create a credible and transparent process and reduce the number of appeals.**
 - This is a significant change to the current process as it will ensure that discussions about methodology and data occur prior to the assessment roll being returned.
- 2. Creating a directive to clarify accountability frameworks, roles and responsibility and appeals processes**
 - Put in place policies, procedures and standards to allow for provincial direction to MPAC, including consequences for non-compliance
- 3. Conducting a comprehensive, independent performance evaluation of MPAC, focused on special purpose business properties to assess business efficiencies and to establish a baseline for gauging improved performance. A component of this evaluation would determine if MPAC has the capacity to implement recommendations regarding business operations, leadership and culture.**
 - While this evaluation will build on the work underway through MPAC's 2013-2016 Strategic Plan, additional improvements are required.

Specific arrangements must be put in place to ensure compliance and follow-through with the implementation of the recommendations. Within existing legal authorities, the Province can establish policies, procedures and standards for the provision of assessment services by MPAC. The Province should use these mechanisms to ensure that recommendations are implemented in a manner that

satisfactorily addresses the concerns identified through the review process. The Province should consider other options, including the need for statutory amendments, as required.

Timing for Implementation

It is recommended that the Deputy Minister of Finance oversee the development of a detailed action plan for implementation, and carry out this action plan once approved.

The detailed action plan should take a staged approach and should consider practicality, reasonableness and feasibility of implementing the recommendations. For example, recommendations related to methodology guides should be phased-in by first applying to the special purpose business property types within the scope of the review.

The potential timelines for the implementation of recommendations will be:

- Short Term = by March 31, 2014
 - Actions that are clearly articulated, require minimal consultation, and can be accomplished quickly.
 - Preparatory actions for medium term improvements (e.g. stakeholder-led development of guidelines and protocols, additional research).
- Medium Term = by December 31, 2014
 - Governance-related actions that must be implemented prior to operationalizing recommendations related to business operations and appeals (e.g. accountability frameworks, roles and responsibilities).
 - Preparatory actions for long term improvements (e.g. regulations, performance measures).
- Long term = by next reassessment cycle (e.g. January 1, 2016) and ongoing
 - All actions that must be accomplished before the next reassessment cycle (e.g. application of methodology guidelines, operations of the disclosure protocols, MPAC internal approvals processes).

An analysis of implementation effort and a determination of clarity and complexity pertaining to recommendations should be undertaken in order to categorize the recommendations within the above timeframes. In addition, a full risks and mitigation strategy will need to be developed for the recommendations as a whole, and for each individual recommendation.

Acknowledgments

A number of talented and professional individuals worked over many months on the Special Purpose Business Properties Assessment Review. Both the process more generally, and this final report specifically, are the product of this exceptional team's efforts.

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Appendix A: Summary of Research

Overarching Issues

The Province of Ontario recognizes the importance of evidence-based policy-making. The Special Purpose Business Property Assessment Review (SPBPAR) Secretariat of the Ministry of Finance conducted research designed to substantiate solutions, which would improve MPAC governance, business operations as well as the appeal process. The Secretariat's research efforts included:

- review of statutory frameworks,
- review of service-level agreements and memoranda of understanding (MOUs),
- review of best practices in other jurisdictions and within the Ontario public sector,
- review of business management best practices, and
- survey of peer-reviewed academic literature on relevant topics.

Solutions were developed based on the consultations and then evaluated based on this research. The Secretariat recognized the importance of input from outside government. An Advisory Panel was convened and discussions were held with assessment and other experts to validate research findings and solutions. In this appendix, the Secretariat's research and expert consultations are summarized.

Governance

The consultations process revealed concerns about lack of knowledge about roles and responsibilities within the assessment system. There appears to be a trend within board governance literature toward boards constituted with a degree of subject or content expertise. Best practices indicate a clear need to articulate the roles and responsibilities of parties within corporations and parties to larger public sector systems. For example, the Property Valuation Services Corporation of Nova Scotia has a Governance Manual which articulates the roles and responsibilities of its Board.

It is best practice within the Ontario public sector to develop clear service performance indicators to contribute to good governance and accountability. For example, the Ministry of Municipal Affairs and Housing manages the Municipal Performance Measurement Program to promote local government transparency and accountability. Tarion, the not-for-profit agency administering warranty protection for new home buyers, provides another example of an agency setting and maintaining performance targets consistent with fulfilling its mandate. In other jurisdictions, British Columbia (BC) Assessment commits itself to a Service Plan with strategic goals, implementation steps, and performance measures.

Regular, external performance evaluations can support accountability mechanisms and complement internal monitoring of performance. For example, the Canada Revenue Agency's (CRA) performance is assessed by both the Treasury Board Secretariat (TBS) and its Board. Although there is some intended overlap, TBS refrains from assessing the CRA in areas that fall under the legislated authorities of the Board. Together the two assessments provide a complete evaluation of the CRA's management performance. Both assessments are structured around key elements that establish expectations for

good management. Each year, the CRA’s management responds to the results of the two assessments, and publishes this response online.

Table 3: Governance Structures of Assessment Authorities across Canada

Province	Board Structure/Governance
Not-for-Profit Arms-Length Assessment Authorities	
BC	<ul style="list-style-type: none"> • BC Assessment Authority <ul style="list-style-type: none"> • British Columbia Assessment Authority (BC Assessment) operates as an independent, provincial Crown corporation and is accountable to the Government of BC. • BC Assessment is a publicly-funded corporation constituted under the <i>Assessment Authority Act</i> and has responsibility for developing and administering a complete system of property assessment for the Province of British Columbia. • BC Assessment is governed by a Board of Directors appointed by the Lieutenant Governor in Council (Cabinet).
Ontario	<ul style="list-style-type: none"> • Municipal Property Assessment Corporation (MPAC) <ul style="list-style-type: none"> • MPAC is a non-share capital, not-for-profit corporation. • MPAC is accountable to the public through a 15-member Board of Directors. <ul style="list-style-type: none"> ○ Eight members of the Board are municipal representatives; ○ Five members represent property taxpayers; and ○ Two members represent provincial interests. • The Minister of Finance appoints all members of the Board for a set term.
Nova Scotia	<ul style="list-style-type: none"> • Property Valuation Services Corporation <ul style="list-style-type: none"> • Property Valuation Services Corporation (PVSC) is a not-for-profit organization responsible for assessing all property in Nova Scotia as mandated under the <i>Nova Scotia Assessment Act</i>. • The Corporation is governed by a shareholder representative Board of Directors comprised of municipal council members, employees of municipal councils, the Executive Director of the Union of Nova Scotia Municipalities (UNSM), and the Deputy Minister of Service Nova Scotia and Municipal Relations (non-voting member). • Members of the Board are appointed by the UNSM. The Board elects a Chair and Vice Chair from its municipal council and municipal employee members. • As of December 1, 2008 the Board may appoint two independent members.
Assessment Services Provided by Municipalities	
Alberta	<ul style="list-style-type: none"> • Under provincial legislation, a municipality must appoint, by bylaw, a designated assessor. • To be the designated assessor for a municipality, an assessor must hold at least one of the following professional designations: <ul style="list-style-type: none"> ○ Accredited Municipal Assessor of Alberta (AMAA) as

- o granted by the Alberta Assessors' Association
 - o Certified Assessment Evaluator (CAE) as granted by the International Association of Assessing Officers
- The assessor designated by the Minister of Municipal Affairs assesses linear property, while assessors employed or contracted by municipalities assess all other types of property.

Quebec

- Municipalities in Quebec have the responsibility of assessment and maintaining the assessment roll.
- The Québec government entrusted the ministère des Affaires municipales et des Régions with ensuring that the property assessment system produces fair values in an efficient, transparent and uniform manner.

Assessment Services through Provincial Agency

New Brunswick

- Service New Brunswick
 - Service New Brunswick (SNB) is the assessment authority, and is a corporation owned by the Province of New Brunswick.
 - The Minister of Government Services is responsible for Service New Brunswick.

Newfoundland

- St. John's – Municipal Assessment Agency Inc.
 - The Municipal Assessment Agency is a crown-owned corporation, which is governed by a representative Board of Directors.
 - The board includes eight municipal representatives:
 - o Six elected by municipalities, and
 - o Two taxpayer representatives.

Saskatchewan

- Saskatchewan Assessment Management Agency (SAMA)
 - SAMA is an independent agency with responsibility to the Province of Saskatchewan, municipalities, and property owners.
 - SAMA is partly funded:
 - o by the provincial government for the core service of developing assessment policy, auditing municipal assessments and confirming assessment rolls; and
 - o through "requisitions" that municipalities pay for SAMA field services.
 - SAMA has a seven-member Board of Directors, which includes:
 - o Three representatives from the provincial government; and
 - o Two elected representatives from each of the rural and urban sectors.

Joint Provincial and Municipal System

Manitoba

- Manitoba Local Government – Assessment Services
 - Assessment Services, a provincial entity, is responsible for the assessment of all real and personal property in the Province, excluding property in the City of Winnipeg.
 - Assessment Services runs out of 10 District Offices.
- The City of Winnipeg
 - The City of Winnipeg is responsible for property assessment services in Winnipeg.

	<ul style="list-style-type: none"> • The City of Winnipeg Assessment and Taxation Department is responsible for the valuation and classification of all real property, personal property, and business occupancies within the City of Winnipeg for the purpose of distributing taxes fairly to the City's citizens.
P.E.I.	<ul style="list-style-type: none"> • The Government of Prince Edward Island provides a centralized assessment and collection system for real property taxation. • Each municipality in Prince Edward Island approves and provides Taxation and Property Records with the tax rates to be levied against commercial and non-commercial real property located within its municipal boundaries.

Business Operations

Evidence from other jurisdictions indicates that communication and consultation with stakeholders are best practice hallmarks of effective property assessment agencies. For example, the Quebec Government consults with municipal and taxpayer representatives to develop assessment methodologies and requires advance disclosure to taxpayers of the assessed values and the data used to calculate those values. The City of Calgary offers Advance Consultation to non-residential property owners. Such owners may request a preliminary assessment and a meeting with the assessment officer to discuss concerns. These formal advance consultation and disclosure requirements provide an opportunity for assessors and property owners to review data and methodology before the roll is officially returned. Quebec and BC both publish detailed guides and manuals to explain assessment methodologies to all parties to the assessment system. The evidence from other jurisdictions indicates that documented and transparent assessment methodologies and processes lead to predictability for all parties as well as fewer and less significant appeals.

Secretariat research on succession planning, responsibility charting, and corporate culture informed recommendations designed to improve MPAC's capacity and competency. In a 2006 report, "The Crisis in Federal Government Succession Planning", PricewaterhouseCoopers consultants stressed closing leadership gaps by institutionalizing practices such as job rotation, development through mentoring, and action learning supplemented by rigorous performance evaluation. Harvard Business Review authors emphasize investing in key employee retention as well as recognizing stakeholder input to turn around the corporate culture of an organization.

Evidence from the Secretariat's inter-jurisdictional and intra-jurisdictional scans informed recommendations to improve MPAC's data accuracy and integrity. BC Assessment receives feedback on data quality from a Taxation Jurisdiction Advisory Committee. BC Assessment has developed an Information Management/Information Technology Plan focusing on four strategies: 1) web portals with full self-service capability; 2) real-time data exchange capabilities with all clients and stakeholders; 3) flexible information systems based on field data collection; and 4) internal collaboration and communication on data issues. Within Ontario, Teranet's Electronic Land Registration System and Writs System provides an example of interactive systems able to provide accurate data to clients.

Appeals System

When assessment agencies have effective business operations and robust governance arrangements in place, evidence from other jurisdictions show that there appear to be fewer and less significant appeals.

In addition, the appeal process can be improved by clear communication about how the process works. For example, Saskatchewan's "Understanding the Property Assessment Appeal Process Guide" outlines the appeals process in plain language. Saskatchewan Assessment Management Agency staff attends hearings to explain how property values were determined.

Experience in other administrative tribunals indicates the potential for greater use of alternative dispute resolution (ADR) processes to improve the efficiency of assessment appeals. Speakers at the November 6th International Property Tax Institute/Royal Institution of Chartered Surveyors session on "Assessment and Property Taxation in Ontario: 2014 and Beyond" noted that the ADR option is being used more often by many other administrative tribunals.

In some jurisdictions, municipalities are provided with appeal tracking and analytical tools to support effective planning. For example, BC Assessment informs municipalities about potential risks arising from appeals or pending reassessments so that municipalities can develop risk mitigation strategies including increasing reserves.

Assessment Issue-specific Research

Billboards

Across Canada, there does not appear to be a consensus among the provinces regarding how to assess billboards. However, most provinces that assess billboards use the cost approach to value billboard structures. A few provinces report that they may use rental income from billboards when assessing the commercial property on which the sign is located.

In the United States, many states impose two forms of property taxation on business properties:

1. Personal Property Tax – levied against business occupants in respect of property that is deemed to be personal to the business operator rather than part of the real estate; and
2. Realty Tax – levied against property owners in respect of the land and building.

Most states treat billboard structures as personal property, subject to taxation to the business occupant (the operator of the billboard). The billboard structure is commonly valued using the cost approach. The land is valued separately and assessed against the property owner through the realty tax. The land is often assessed with regard to the rental income derived from leasing the land on which the billboard is located.

Landfills

Across Canada, landfills are generally considered assessable for property tax purposes. Canadian jurisdictions do not regulate a specific valuation methodology for assessing landfills. Generally, the provinces value landfills using the cost approach. Sales of comparable properties or similarly zoned neighbouring lands are used to determine the value of the land. Buildings are valued based on their replacement cost less depreciation. For tax rate purposes, landfills are generally classified as industrial or business property.

Where landfills are owned by public entities (municipalities), they are typically found on Crown or municipal land and are exempt from taxation, but may be subject to payments in lieu of tax. Privately-owned sites are subject to taxation.

Across the United States, different valuation approaches are used for landfills, with some states using the cost or sales approach and some using an income-based approach.

Mills

The Secretariat undertook research on the assessment methodology for mills in BC and Quebec. Because mills are most often classified as industrial or large industrial properties, the research expanded to include an investigation into the broader assessment methodology for industrial properties.

BC moved to a regulated system for large industrial in 1987 after a number of high value reassessments upon appeal and large tax refunds. The Major Industry Properties (MIPS) Manual was established in 1987 in order to create a more stable tax base, make tax revenue streams more predictable, and make property taxes a fixed cost for industry. The province established the MIPS Manual and requires assessors to adhere to it when assessing industrial properties. The MIPS Manual uses construction costs from 1986 and was intended to produce a proxy for market value assessments. The MIPS Manual is updated by the province each year based on trends in changes of reproduction costs; however, costs are not adjusted for changes in commodity prices. The annual adjustment is discussed with major industries. Functional and external obsolescence are not included in assessment of heavy industrial buildings (Class 4), and MIPS Manual rates are not subject to appeal. However, the MIPS manual is out of date due to changes in technology, building materials, processes and plant design. Despite annual updates, the MIPS Manual no longer approximates a market value assessment. BC's assessed values also vary substantially between similar properties, potentially indicating a lack of uniformity in the application of the MIPS Manual.

In Quebec, the province sets the assessment rules and issues two key methodological manuals to guide the assessment process. The Ministry of Municipal Affairs set up a committee of representatives of owners of large industrial properties, assessors, and appraisers to prepare a guide on what is assessable in the large industrial class. In 2005, this guide was published and then revised in 2013. Although this is not a regulatory document, the guide has been accepted by the courts for the purposes of interpreting the Assessment Act. In 2005, the province and the Association of Licenced Assessors of Quebec published a Guide for Assessing Depreciation of Industrial Buildings to assist assessors when they are valuing large industrial properties. Again, although this is not a regulatory document, the guide has been accepted by the courts for the purposes of interpreting the Assessment Act. Quebec also has advance disclosure requirements for industrial properties. Under sections 18.1 and 18.5 of the Assessment Act, Quebec introduced a special process in 1998 to discuss assessed values of industrial properties with owners in advance of returning the roll. The purpose of these requirements is to identify and limit the points under litigation in advance of returning a new roll. However, this process is not always followed due to its complexity and exclusion from service provider contracts. Consequently, the benefits of the system (advance agreement on facts and methods, and advance warning of pending litigations) are not being fully realized.

Complementing the research undertaken and building upon the discussions of the Mills municipal working group, a Mills Technical Sub-Group was formed with provincial and municipal staff as members. The Sub-Group and the Ministry investigated the implications of the ARB decisions for assessment

methodology, reviewed MPAC's interim methodology changes for mill properties, and discussed potential further refinements to the assessment methodology.

The Espanola and Dryden appeals hinged on two key issues: (a) the most appropriate methodology for determining the properties' functional obsolescence (i.e. loss in value due to excess capital or due to inefficiencies that result in excess operating costs), and (b) the extent of properties' external obsolescence of the properties (i.e. loss in value resulting from influences external to the property).

The ARB accepted the property owner's argument that functional obsolescence should be calculated using a "model approach" because (a) it is an accepted method within appraisal literature, and (b) a willing buyer would pay no more than the cost to build a new mill dedicated to producing pulp and paper efficiently. MPAC's approach was determined to be less appropriate in these circumstances as it attempted to uncover functional obsolescence without fully considering the design, size and layout of a modern pulp and paper mills. The ARB stated that this caused MPAC's allotment for functional obsolescence to be too low. MPAC's approach did not appropriately mimic the analysis that a willing buyer or seller would undertake.

The ARB also determined that MPAC did not appropriately quantify the extent of the properties' external obsolescence because it had relied on an insufficient qualitative adjustment. Analyzing common conditions found throughout the pulp and paper sector, comparative data on wood costs, and limited sales evidence, the ARB determined that an external obsolescence rate of approximately 52% was more appropriate than the 30% allocated by MPAC.

Recognizing the implications of the Espanola and Dryden decisions for the pulp and paper industry generally, MPAC is implementing the model approach for all major pulp and paper mills for the current assessment period. In order to apply the model approach more widely, MPAC has developed a specific method, which uses a production capacity factor. MPAC presented this approach in detail to the Mills Technical Sub-Group. With respect to the valuation of saw mills, MPAC continues to rely exclusively on its existing valuation methodology, and has updated its procedure for calculating the depreciation of saw mills.

In preparation for the next reassessment in 2016, the Ministry will continue to work with municipalities, taxpayers, MPAC and technical experts to clarify and refine the assessment methodology for mill properties. This may include further engagement of the Mills Technical Sub-Group. This work is also part of a longer-term and broader discussion of how to improve the property assessment system to ensure it is fair, accurate, predictable, and transparent. Broader improvements to the overall property assessment and MPAC's operations will reinforce improvements to the specific assessment methodology for mill properties.

Appendix B: Consultations Venues and Processes

Online Presence

In order to receive feedback and field queries from individuals, groups or representatives who were unable to participate in in-person consultations, a public website was established to provide updates about the review process. This website was also used to alert the public about particular events, such as the Concurrent Session event which was held during the 2013 Annual Association Municipalities Ontario (AMO) conference.

The URL remains active, and the SPBPAR report will be made publicly available through this site. The URL for the website is:

<http://www.fin.gov.on.ca/en/consultations/par/>.

Working Groups

In order to provide a forum for open and frank discussions of issue-specific concerns, Working Groups were constituted in a targeted fashion to include interest groups that have been affected by particular assessment issues. The objective of the working groups was to discuss valuation methodologies and suggest an approach that results in fair, accurate, and predictable treatment of properties. Working Groups were also involved in validating the overarching solutions that were developed as a result of consultations, research, and best practices.

The composition of each Working Group varied based on subject matter, and involved relevant industry groups and/or municipal representatives (see Appendix D). Working Groups were constituted for the following issues: Billboards, Landfills, Mills, Farms, and Industrial Lands.

Advisory Panel

An Advisory Panel was set up as part of the review process with the objective of facilitating two-way communication between the Ministry of Finance and representatives from the community and industry bodies that may be affected by issues under the scope of the review. Municipal participation was encouraged at this forum. See Appendix D for the composition of the Advisory Panel.

The mandate of the Advisory Panel was to encourage open and frank discussions about the approach to the review. This Panel provided a forum through which affected groups and parties could share their perspectives on review-specific issues as well as overarching concerns associated with the property assessment system as a whole.

The responsibilities of the Advisory Panel were to:

- Act as a liaison to relay information and consideration on topics of discussion as it relates to the Review back to each member's respective organization, agency and/or board.
- To provide expertise/perspective, local knowledge, relevant background and/or advice that relate to topics relative to each respective organization.

- Objectively participate in all aspects of the Panel’s discussion topics as presented at the meetings.
- Facilitate information dissemination about the review through mediums available through the member’s home organization, according to an agreed upon communications protocol.
- Assist in ensuring that the review process is transparent, representative and accountable to stakeholders.
- Independently validate solutions and recommendations developed as a result of consultations, research and best practices.

Municipal and Taxpayer Representation

Given the impact of property assessment and property tax revenue on municipal resources and service provision, the review Secretariat made efforts to ensure municipal perspectives were heard throughout the review process.

The Secretariat regularly reported to the AMO/MOU table, seeking feedback and input at each stage of the review process. A Review update was provided during a concurrent session at the 2013 Annual AMO Conference. AMO, the City of Toronto, and the Municipal Finance Officers’ Association (MFOA) were also represented on all of the issue-specific working groups and the Advisory Panel.

Presentations and further outreach to municipal groups and taxpayer representatives occurred at a number of venues. The purpose of this outreach was to provide updates on the review progress, seek feedback about the review process, and obtain validation of proposed solutions. The events organized and attended include:

- AMO/MOU and Toronto Ontario Cooperation and Consultation Agreement
- 2013 Association of Municipalities Ontario Conference (with concurrent session hosted)
- 2013 Municipal Finance Officers’ Association conference
- Regional Treasurers Meetings (North West, North East, South West, Eastern, and Single Tier and Regional)
- MFOA Webinar followed by municipal focus groups
- 2013 Open for Business Forum
- Private Sector focus groups (property lawyers and property consultants)
- 2013 Annual Property Tax & Assessment Forum
- Royal Institution of Chartered Surveyors/International Property Tax Institute conference

MPAC

The Secretariat worked closely with the Municipal Property Assessment Corporation (MPAC) throughout the review process. MPAC was invited to participate in all of the assessment issue-specific working groups, to provide them an opportunity to present their perspective on each of the issues. The Secretariat and MPAC ran a concurrent session at the 2013 AMO Conference where an update of the Review was provided, and MPAC's Chief Administrative Officer provided an update on the corporation's Strategic Plan. Following these presentations, a panel was constituted with Ministry of Finance and MPAC representatives to field questions from the public about the review process.

Feedback from the consultations was shared with MPAC, and MPAC was provided with updates on how the feedback would inform the formulation of solutions and development of recommendations. The Secretariat also sought data and feedback from MPAC at various stages of the review and took into consideration these perspectives as the review progressed. MPAC was forthcoming with sharing information requested by the Secretariat, and this openness helped to inform the development of recommendations.

Appendix C: Review Process

Observations about the current system and suggestions about the desired system were gathered through the consultation process and then synthesized and presented to stakeholders to validate. Using this feedback, concept maps of the current system and the desired system were developed. The last step was identifying actions that needed to be taken in order to appropriately transform the existing system into the desired system. The following section reflects what was heard during the consultations as well as the outcome of the validation process.

Governance

Governance refers to the processes and structures through which power and authority are exercised, including the decision-making processes. This includes both the internal organizational structure of MPAC and how all the parties involved in the system relate to one another.

Current System - Governance

- Lack of clarity about MPAC's role and accountability in establishing and defending assessment values.
- There are no agreed upon standards for MPAC's services to its stakeholders.
- Lack of communication by MPAC regarding changes in assessed values and potential impact of these changes for municipalities.
- Lack of clarity and agreement about who protects municipal interests in appeals.
- The failure of other parties to provide necessary information to MPAC limits MPAC's ability to return accurate and timely assessed values.
- Municipalities do not feel sufficiently supported in understanding assessments and appeals.
- Development and implementation of assessment methodology does not always consider the assessment policy objectives or implementation realities.

Desired System - Governance

- Roles, expectations and accountabilities of all parties within the property assessment system are clear, confirmed and agreed upon.
- Parties communicate regularly and share information in a respectful and timely fashion.
- Acknowledgment of and mitigation strategies for conflicting objectives which may arise out of the assessment authority's perceived need to protect the interests of multiple parties.
- Cohesive interaction between all entities within the property tax and assessment system, with the ultimate goal of ensuring a fair, predictable, and accurate process and system.

Business Operations

The current accountability structures within the property assessment system lead to reduced confidence in the system and between parties. This is exacerbated by a lack of meaningful communication and information sharing between parties. Concerns have also been expressed more generally about MPAC's business operations and ability to deal with the assessment of complex special purpose business properties. These concerns arise from observations that MPAC has not provided documented and

transparent assessment methodologies as well as an explanation for how general methodologies are applied to specific sites to determine the assessed value. Taxpayers and municipalities are justified in wanting to know how their property assessments are arrived at, and MPAC should be able to provide this information readily.

Concerns and questions also have been raised about the way MPAC conducts its operations. There should be increased transparency regarding corporate governance structures, oversight of decisions made by individual assessors, and competency and credentials of assessors and management.

Current System - Business Operations

- Lack of documented and transparent assessment methodologies and processes, which leads to a lack of predictability for all parties.
- Flaws in implementation that lead to credibility gap when methodology is applied to an actual property.
- Market adjustment factors in non-residential properties were not applied consistently and seemed arbitrary.
- Parties affected by assessments are not informed of changes with sufficient notice.
- Questions about assessment expertise and capacity at MPAC and the need for other parties to hire experts.
- Insufficient checks and balances to ensure accurate values and data integrity.

Desired System - Business Operations

- Assessment methodologies are reflective of best practices or industry standard.
- Assessment methodologies are based on sound reasoning and can be justified in an objective manner.
- Assessment methodologies are applied to specific types of properties in a defensible, transparent and predictable manner.
- Sensitivity to sudden or unexpected shifts in property values of special purpose business properties, which cannot be substantiated by market variance.
- Assessment valuation that results in accurate and fair values, and respects assessment and tax policy intent as legislated.
- Assessment policy and law clearly articulates intent.
- Communication of future assessment methodology changes, value changes, and other related changes to affected parties with sufficient advance notice.
- Sufficient capacity and competency exists to handle the assessment of special purpose business properties.

Appeals Process

Taxpayers and municipalities have the right to appeal assessed values to the Assessment Review Board (ARB). Assessment appeals provide an opportunity for taxpayers and municipalities to question the validity of assessed values. The appeals process, and related value dispute frameworks such as Requests for Reconsideration (RfRs), are mechanisms currently available to taxpayers and municipalities to hold MPAC accountable for the values they place on properties. Currently, appeals are often filed as a protective measure or as a mechanism for obtaining information about methodology or data used to establish the value. As a result, the objective of a fair, accurate, and predictable assessment system is

not being achieved. Relying on the appeal system for fact-finding purposes leads to volatility in the assessment system and does not benefit taxpayers or municipalities.

Furthermore, a lack of common understanding of what role each party should play in the appeals process causes confusion, delay, and increased expenses for all parties involved. Delays can also be caused by a lack of preparation by parties, failure of parties to disclose information, and the granting of several adjournments. ARB members are reluctant to dismiss cases or sanction parties who cause delays in proceedings for fear of unduly prejudicing the other parties to the appeal. Delays also occur after appeal decisions have been issued, as a result of MPAC having to update assessment rolls to reflect these decisions. These multi-staged delays affect the predictability of property tax revenues, and as a consequence, municipal budgeting.

The lack of understanding of roles commonly leads to insufficient engagement of parties to appeals, or delayed involvement especially in situations in which municipalities lack capacity and resources. The lack of clarity regarding who is responsible for defending the value results in each party retaining an expert to defend their interests.

Current System - Appeals Process

- Post-appeal processes impede municipal budgetary decisions (e.g. updating assessment rolls).
- Delays in appeals process create retroactive pressures for municipalities.
- The appeal process appears to have become an unavoidable element of the assessment valuation process for special purpose business properties.
- Participation by municipalities in the appeals process is limited by their lack of resources, access to expertise and cost of basic advice on valuation issues and legal matters.

Desired System - Appeals Process

- Assessment process, including appeals, occurs in a timely fashion.
- Recognition that the goal of the appeals process is to ensure fairness in assessment, as opposed to winning every appeal.

Appendix D: Composition of Consultation Groups

CONSULTATION GROUP	COMPOSITION
Advisory Panel	<p><u>Industry and Representatives</u> Ontario Chamber of Commerce Canadian Property Tax Association Canadian Manufacturers and Exporters Toronto Board of Trade Ontario Chamber of Commerce</p> <p><u>Municipal Representatives</u> Association of Municipalities of Ontario City of Toronto</p> <p><u>Ministry Representatives</u> Finance Municipal Affairs and Housing</p>
WORKING GROUPS	
Billboard Assessment	<p><u>Billboard Owner Representatives</u> Out-of-Home Marketing Association of Canada Astral Media Outdoor Clear Channel Outdoor Canada Pattison Outdoor Advertising Titan Canada</p> <p><u>Property Owner Representatives</u> Bentall Kennedy Cadillac Fairview Ontario Federation of Agriculture</p> <p><u>Municipal Representatives</u> Association of Municipalities of Ontario Municipal Finance Officers Association City of Toronto</p> <p><u>Ministry Representatives</u> Finance</p> <p><u>Other</u> Municipal Property Assessment Corporation</p>
Landfill Assessment	<p><u>Waste Disposal Industry</u> Ontario Waste Management Association BFI Canada Lafleche Environmental Newalta Walker Industries</p>

Waste Management Canada Corporation

Municipal Associations

Association of Municipalities of Ontario
Municipal Finance Officers Association
Ontario Municipal Tax and Revenue Association
Regional Public Works Commissioners of Ontario

Municipalities

Bancroft
Haldimand
Hamilton
Kawartha Lakes
Lambton County
Lambton Shores
London
Muskoka
North Bay
Oxford County
Peterborough (City)
Peterborough (County)
South Huron
Southwold
Sudbury
Toronto
Warwick

Ministry Representatives

Finance
Environment

Other

Municipal Property Assessment Corporation

Farm Assessment

Farm Sector Representatives

Ontario Federation of Agriculture
Ontario Agri-Business Association

Municipal Representatives

Association of Municipalities of Ontario
Municipal Finance Officers Association

Ministry Representatives

Finance
Agriculture and Food
Rural Affairs
Municipal Affairs and Housing

	<p><u>Other</u> Municipal Property Assessment Corporation</p>
Industrial Land	<p><u>Property Owner Representatives</u> Atlantic Packaging Products Canadian Manufacturers and Exporters Dancor Construction Ford Motor Company Loblaws and CHOICE Properties REIT Redpath Sugar Toronto Board of Trade Toronto Industrial Alliance Weston Foods</p> <p><u>Municipal Representatives</u> Association of Municipalities of Ontario Municipal Finance Officers Association City of Toronto</p> <p><u>Ministry Representatives</u> Finance Municipal Affairs and Housing Economic Development, Trade and Employment Infrastructure</p> <p><u>Other</u> Municipal Property Assessment Corporation</p>
Mill Assessment	<p><u>Municipal Associations</u> Association of Municipalities Ontario Federation of Northern Ontario Municipalities</p> <p><u>Municipalities</u> City of Dryden Town of Fort Frances City of Thunder Bay Town of Espanola Township of James</p> <p><u>Ministry Representatives</u> Finance Municipal Affairs and Housing</p> <p><u>Other</u> Municipal Property Assessment Corporation</p>

Appendix E: MPAC Fact Sheets

MPAC's MAJOR DEPARTMENTS AND FUNCTIONS*		
Major Department / Function	No. of Employees	Percentage of Total Employees
Business Development	6	.4%
Corporate Services	54	3%
Executive Office	8	.5%
Governance and Strategy	51	3%
Information Systems / IT	419	25%
Office of Chief Assessor (OCA)	185	11%
Stakeholder Relations & Communications	83	5%
Valuation & Customer Relations (VCR)	856	52%
Total Employees	1,662 *	100%
Total Assessors <i>(includes 798 valuers of all levels in Valuation & Customer Relations dept. [222 of which are property inspectors], and 76 valuers in the Centralized Properties branch, located in the Office of Chief Assessor, and 29 in the Assessment Standard and Mass Appraisal branch)</i>	903 **	54%

*Source: MPAC, August 2013.

** Source MPAC, December 2013

**PROPERTY TYPES AND ASSESSED VALUES
(All property types assessed by MPAC)***

Type of Property	No. of Properties	Total Assessed Values 2012 (\$ billion)
Commercial	148,014	258,469,491,493
Farm Properties	208,958	85,357,776,210
Industrial	76,721	93,557,396,076
Managed Forests / Conservation	12,767	2,870,880,500
Multi-Residential	16,083	79,679,531,614
Pipeline	1,505	9,028,390,700
Residential	4,418,507	1,542,547,677,161
Special / Exempt	44,261	106,668,748,446
Total Properties	4,926,816	2,178,179,892,200

**Source: MPAC Annual Report 2012.*

CENTRALIZED PROPERTIES**(Property types assessed through MPAC's Office of the Chief Assessor)*****PLEASE NOTE: MPAC'S DEFINITION OF SPECIAL PURPOSE BUSINESS PROPERTIES IS PORTFOLIO BASED AND DIFFERS FROM THE SPBP PAR DEFINITION.**

Centralized Property Type	No. of Properties	No. of Assessors by Property Type	Total Assessed Values (\$ billion)
<ul style="list-style-type: none"> Heavy Industrial (breweries, automotive, food processing, pharmaceuticals, newspapers, etc.) 	159	8	\$5,826,494,000
<ul style="list-style-type: none"> Hospitality (hotels, billboards, racetracks, etc.) (GTA, West, East and North) 	7,568	25	\$23,265,754,494
<ul style="list-style-type: none"> Income: Office (office buildings with CVA assessment of \$50 million+) 	323	6	\$37,825,321,000
<ul style="list-style-type: none"> Income: Retail (shopping centres, large power centres) 	345	6	\$26,785,398,000
<ul style="list-style-type: none"> Linear (pipelines, railways, power dams, international bridges, wind solar, etc.) 	9,296	8	\$16,140,598,103
<ul style="list-style-type: none"> Multi-Residential (apartment buildings) 	1,194	7	\$15,607,512,000
<ul style="list-style-type: none"> Resources (pulp and paper mills, foundries, smelters, mining, forestry, steel, petro-chemical) 	457	8	\$2,659,246,400
<ul style="list-style-type: none"> Special Purpose (airports, universities, landfills, military bases, public transit, etc.) 	1,888	7	\$23,189,101,175
Total Centralized Properties	21,230	76	\$151,299,425,172

**Source: MPAC, December 2013.*

**MPAC ASSESSOR DESIGNATIONS
TOTAL STAFF***

Organization	Designation Type and Specialization	Completed	Enrolled / Progress
Institute of Municipal Assessors (IMA) (Richmond Hill, Ontario)	MIMA (Accredited Member) – wide range of property types	99 (an additional 19 staff have MIMA and more designations)	60
Institute of Municipal Assessors (IMA)	AIMA (Associate Member) – general	228 (an additional 9 staff have a another designation)	105
Appraisal Institute of Canada (AIC)	AACI (Accredited AIC) – wide range of property types	3 (an additional 10 staff have other designations)	27
Royal Institute of Chartered Surveyors (RICS) (London, UK)	Associate, Professional Member, Fellow – wide range of property types	1 (an additional 3 staff have other designations)	1
International Association of Assessing Officers (IAAO) (Kansas City, USA)	Certified Assessment Evaluator (CAE) – wide range of property types	0	9
Total Designations Completed / In Progress by MPAC Assessors		331	202

The number of assessors who are currently credentialed or progressing toward a designation, 533, represents 59% of all assessors at MPAC.

**Source: MPAC, December 2013.*

ASSESSOR DESIGNATIONS IN CENTRALIZED PROPERTIES DEPARTMENT (COMPLETED)*

Single Designation		Multiple Designations	
Number of Staff	Designation Type	Number of Staff	Membership / Designation Types
21	MIMA	3	MIMA and AACI
23	AIMA	1	AIMA and AACI
1	AACI		
Total Complete: 49			

ASSESSOR DESIGNATIONS IN CENTRALIZED PROPERTIES DEPARTMENT (IN PROGRESS)*

Number of Staff	Designation Type
6	MIMA (includes one staff who already holds an AACI)
7	AIMA
6	AACI
Total in Progress: 19	

The number of assessors within Centralized Properties who are credentialed or progressing toward a designation, 68, represents almost 90% of CP assessors. Fifty percent have their MIMA and/or AACI designation.

*Source: MPAC, December 2013.

MPAC's Corporate Status

- MPAC is a not-for-profit corporation established by provincial statute, the Municipal Property Assessment Corporation Act, 1997 (*"the MPAC Act"*).
- OPAC began operating on January 1, 1999 when the responsibility for assessment service delivery was transferred from the Province to municipalities as part of the Local Services Realignment.
 - MPAC was created to deliver assessment services on behalf of all municipalities in Ontario.
- MPAC is not a provincial Crown agency.
 - The corporation is composed of its members, and all municipalities in the Province of Ontario are members of the corporation.
 - The affairs of the corporation are managed by its Board of Directors.

MPAC Funding, Budget and Assessment Facts

- MPAC's approved 2012 Budget was \$198.8 Million, the approved 2013 budget was \$204.5 Million and the 2014 approved budget is \$205 Million.
 - Of this, 16%, or \$37.7 million, is spent on appeals.
- MPAC is funded by all municipalities in Ontario. They pay an annual levy based on a combination of three factors as set out in the *MPAC Act*: the proportion of the total assessment the municipality bears to the total assessment of all Ontario properties; the proportion of the total number of properties, as set out in assessment rolls, that a municipality bears to the total number of properties in Ontario, including unincorporated territories; and the amount that MPAC requires for operations.
- In 2012, MPAC announced its strategic plan had the potential to save \$20 million over four years (2013 to 2016).
- MPAC is responsible for assessing and classifying Ontario's nearly five million properties with a total value of \$2.17 trillion.
- In 2012, MPAC conducted a province-wide Assessment Update and mailed Property Assessment Notices for nearly five million properties.

MPAC's Board Structure:

- MPAC's Board has 15 members. It includes:
 - eight municipal representatives (a combination of elected officials and employees of municipalities),
 - five taxpayer representatives,
 - and two provincial representatives.
- These representatives are appointed by the Minister of Finance. The Board's Chair is chosen from among the municipal representative members who are elected municipal officials.
- The current vacancies include one municipal representative, three taxpayer representatives, and one provincial representative.

Appendix F: Parallels between SPBPARR Recommendations and MPAC Strategic Plan

List of Directions, Outcomes and Statements in MPAC's 2013-2016 Strategic Plan

Strategic Directions (4)

1. Building credibility and awareness.
2. Expanding collaborative and supportive relationships to drive common purpose.
3. Continuing to build an engaged professional workforce.
4. Developing a high performance organization.

Strategic Outcomes (8) and Strategic Initiatives (18)

1. **Strategic Outcome: Improved public understanding and trust in MPAC's role.**

Strategic Initiatives:

- MPAC is a valued brand recognized for property information, valuation and services.
- Employees will represent a professional brand through visual identity at the door.

2. **Strategic Outcome: Transformation of stakeholder relationships into true partnerships.**

Strategic Initiatives:

- Deliver the 2016 preliminary values for properties to municipalities and taxpayers by the end of 2015.
- All permit inspections are triggered through third party notification of commencement of use.
- 100% of severances and new residential construction inventory updates accomplished through third party data supply.
- By 2016, MPAC will respond to and resolve all outstanding appeals within the four-year assessment cycle.

3. **Strategic Outcome: Shared understanding and commitment to quality and consistency.**

Strategic Initiatives:

- By 2016, 100% of available assessment growth is captured within 12 months of commencement of use.
- 100% of land transfer statements (LTTS/A) will include MPAC's required sales and occupancy information.

4. **Strategic Outcome: Progressive revenue generation and cost-effective service delivery.**

Strategic Initiatives:

- Implement an activity-based service delivery model to improve operations and drive performance.
- Achieve at least \$10 million in profits for value-added products.

5. **Strategic Outcome: Innovative, universal, reliable technology to access information.**

Strategic Initiatives:

- Top 10 taxpayer interactions with MPAC will be available through a self-service platform for each property type.
- 100% of field work activities will be completed by employees with an appropriate tool-kit.
- Top 10 MPAC / Stakeholder business processes will be enabled through integrated B2B services.

6. Strategic Outcome: Fair, healthy and respectful work environment.

Strategic Initiative:

- At least 3 out of 10 employees will have an alternate work arrangement that improves service delivery, drives down cost and improves work-life balance.

7. Strategic Outcome: Integrated planning and execution enabled by flexible allocation of funds and staff.

Strategic Initiatives:

- 100% of property inventory at risk will be complete and confirmed.
- Define and reposition the People Registry line of business.

8. Strategic Outcome: Professional, accredited and sustainable workforce that attracts, develops and retains top talent.

Strategic Initiatives:

- By 2016, all Property Valuation Analysts, Property Valuation Specialists and all MPAC Managers will hold an accreditation.
- Defined succession plans and recruitment strategies are implemented for the top 10 property valuation roles at risk in the corporation.

CORRELATION BETWEEN REVIEW RECOMMENDATIONS (33) and STRATEGIC OUTCOMES and INITIATIVES IN MPAC’S 2013-2016 STRATEGIC PLAN (Correlation is defined as a Strategic Initiative and its attached Strategic Outcome that aligns at least partially with one or more SPBPAP Recommendations.)

SPBPAP Recommendation 2. The Province should direct MPAC to develop and refine in collaboration with taxpayers and municipalities:

- (a) key performance indicators (KPIs), and
- (b) tools to annually measure, evaluate, and disclose achievement of KPIs (public performance report).

SPBPAP Recommendation 3. The Province should direct MPAC to work with municipalities to develop a standard form, two-way service level agreement (SLA) that makes transparent and accessible the accountability frameworks, service parameters, support needs, key performance indicators (KPIs), and enforcement mechanisms.

MPAC has indicated its desire to work with municipalities to partner in the collection of third-party data, and to formalize service-level agreements with municipalities over 2014. MPAC has also indicated plans to move toward a public performance report. Service-level agreements relate to these two Strategic Initiatives:

MPAC Strategic Initiative: All permit inspections are triggered through third party notification of commencement of use.

MPAC Strategic Outcome: Transformation of stakeholder relationships into true partnerships

MPAC Strategic Initiative: 100% of severances and new residential construction inventory updates accomplished through third party data supply.

MPAC Strategic Outcome: Transformation of stakeholder relationships into true partnerships.

In addition to the two MPAC Strategic Initiatives above, SPBPAP Recommendations 1 and 2 also broadly relate to these MPAC Strategic Outcomes:

- Improved public understanding and trust in MPAC’s role.
- Shared understanding and commitment to quality and consistency

SPBPAP Recommendation 5. The Province should direct and work with MPAC to review and make appropriate modifications to improve MPAC’s succession planning and staffing model.

MPAC Strategic Initiative: Defined succession plans and recruitment strategies are implemented for the top 10 property valuation roles at risk in the corporation.

MPAC Strategic Outcome: Professional, accredited and sustainable workforce that attracts, develops and retains top talent.

SPBPAR Recommendation 9. The Province should work with MPAC to identify and adopt appropriate accreditation standards of assessors based on assigned role and the types of property being assessed.

MPAC Strategic Initiative: By 2016, all Property Valuation Analysts, Property Valuation Specialists and all MPAC managers will hold a required accreditation.

MPAC Strategic Outcome: Professional, accredited and sustainable workforce that attracts, develops and retains top talent.

In addition to the above Victory Statement, SPBPAR Recommendation 9 also broadly relates to this Strategic Outcome:

- Improved public understanding and trust in MPAC's role.

SPBPAR Recommendation 18. MPAC should work with stakeholders to improve appeal tracking and reporting mechanisms to alert municipalities to immediate and potential assessment risks to municipalities and relevant property types. This tracking mechanism should include an inventory of appeals and their status.

MPAC notes it is implementing a new work management system to manage its appeals portfolio, and has centralized triage and management of all appeals. Its work on clearing the ARB backlog is reflected in these two Strategic Initiatives.

SPBPAR Recommendation 22. The Province should work with the ARB to identify mechanisms to improve all parties' compliance with ARB disclosure requirements.

MPAC Strategic Initiative: By 2016, MPAC will respond to and resolve all outstanding appeals within the four-year assessment cycle.

MPAC Strategic Outcome: Transformation of stakeholder relationships into true partnerships.

SPBPAR Recommendation 23. The Province should work with MPAC and the ARB to develop a process to expedite appeals with the greatest impact on the municipal assessment base and improve efficiencies.

MPAC Strategic Initiative: 100% of property inventory at risk will be complete and confirmed.

MPAC Strategic Outcome: Integrated planning and execution enabled by flexible allocation of funds and staff.

SPBPAR Recommendation 26. The Province and MPAC should work with municipal organizations to develop tools to support municipalities so they can better understand assessment at risk, historical analysis of risk and to prioritize municipal involvement in appeals accordingly.

In addition to the above Strategic Initiatives, these SPBPAR Recommendations also broadly relate to these Strategic Outcomes:

- Improved public understanding and trust in MPAC's role.
- Transformation of stakeholder relationships into true partnerships

