

Special Purpose Business Property Assessment Review Update August 11, 2015

This is the third bulletin on the implementation of the Special Purpose Business Property Assessment Review (SPBPAP) recommendations. The SPBPAP report included specific recommendations related to the assessment of special purpose business properties, as well as overarching recommendations for strengthening the overall property assessment system.

As noted in previous bulletins, the Ministry of Finance established a Reference Committee with municipalities and stakeholders in spring 2014, to guide the implementation of these recommendations. The Province continues to work in partnership with the Municipal Property Assessment Corporation (MPAC), municipalities, and stakeholders, to implement the report's recommendations to improve the property assessment system in time for the next province-wide reassessment in 2016.

A key recommendation from the SPBPAP report is the establishment of a new advance disclosure process, which will enable business taxpayers and impacted municipalities to contribute to the determination of assessed values in advance of the preparation of the assessment roll.

The report also recommended that the Province should work with MPAC, municipalities and stakeholders to clarify roles and responsibilities in the assessment system, enhance data accuracy, improve the assessment appeal system, and promote best practices for managing financial risk associated with assessment appeals.

The implementation of the different categories of recommendations is detailed below.

Advance disclosure and assessment methodology

The recommendations on assessment methodology and advance disclosure are among the most transformative contained in the SPBPAP report. The objective of these recommendations is to increase the transparency, accuracy, and predictability of the property assessment system, while promoting a more collaborative approach amongst all participants in the system by introducing a voluntary advance disclosure process.

Consultations

Consultations on the implementation plan for these recommendations concluded in March 2015. The Ministry worked in collaboration with Reference Committee members

and taxpayer representatives to develop the final implementation plan, including the Minister's formal direction to MPAC regarding these transformative recommendations.

Minister's Direction

On April 18, 2015, the Minister of Finance issued formal direction to MPAC under the authority of section 10 of the *Municipal Property Assessment Corporation Act, 1997*. The Minister's direction establishes policies, procedures and standards for MPAC to enhance the valuation process for select property types (paper mills, pulp mills, sawmills, value-added wood products manufacturing plants, steel manufacturing plants, automotive assembly plants, and automotive parts manufacturing plants) in advance of the 2016 province-wide reassessment. The direction, which was published in [The Ontario Gazette](#) requires MPAC to:

- Develop detailed technical **methodology guides** that will serve as a useful tool for MPAC's assessors and explain valuation procedures to stakeholders; and
- Establish a new **advance disclosure process**, which will enable impacted municipalities and business taxpayers to contribute to the determination of assessed values in advance of the preparation of the assessment roll.

The Minister's direction also noted that MPAC should publish an **information and data sharing policy**, which applies to all industrial, commercial and multi-residential properties. This policy is intended to help all participants in the assessment process understand what information MPAC requires from which parties and for what purposes.

MPAC's annual reports will include a statement concerning the Corporation's compliance with the policies, procedures and standards established by the Minister.

Assessment Methodology Change Disclosure Protocol

In addition to the initiatives referred to in the Minister's direction, the Ministry and MPAC have also adopted a new assessment methodology change disclosure protocol that will establish a consultative approach to any major changes in assessment methodology being contemplated for future reassessments. This protocol will ensure that any potential changes are thoroughly considered, analyzed, and consulted on prior to implementation.

Implementation

Consistent with the Minister's direction, after conducting consultations, MPAC published the information and data sharing policy, methodology guides, and a protocol describing the new advance disclosure process in April 2015. These documents are available on MPAC's website:

<https://www.mpac.ca/HowAssessmentWorks/Disclosure2016AssessmentUpdate>

The advance disclosure process will be completed by summer 2016. As part of this process, MPAC has begun consulting on market valuation reports (MVRs) for the property types listed in the Minister's direction. These reports will specify the data and information collected by MPAC, explain the analysis that MPAC undertook to determine the market conditions affecting assessed values, and explain how MPAC calculated the components of the assessed values. MPAC is planning to consult on the MVRs using a staged approach – draft preliminary reports have been shared with affected property owners and municipalities, providing an opportunity for written comments and discussions with stakeholders in one-on-one meetings. Additional draft market analytics will be released later in the summer for further comment. Complete and revised MVRs will be shared with stakeholders in advance of MVR Forums to be held in fall 2015, and the final reports will be published in January 2016.

In addition to the methodology guides for the properties identified in the Minister's direction, MPAC has prepared methodology guides and undertaken an advance disclosure process for additional special purpose business property types (chemical manufacturing plants, oil refineries, food processing plants, mining properties, and pharmaceutical manufacturing plants). MPAC has indicated that the process for these additional properties is intended to mirror that for the special purpose properties noted in the Minister's direction.

2015 Ontario Budget

To support full participation in advance disclosure, the 2015 Ontario Budget proposed a legislative amendment to strengthen the protections for commercial proprietary information received by MPAC for assessment purposes. Current protections for income and expense information have been broadened to include proprietary information of a commercial nature that is prescribed by the Minister – a change which is intended to assist MPAC in establishing accurate assessments by fostering compliance with MPAC's information requests to business property owners.

The proposed legislative amendment came into force on June 4, 2015. The draft regulation prescribing proprietary information of a commercial nature will be posted this fall for public comments on the [Regulatory Registry website](#).

Other overarching recommendations

Data accuracy and integrity

As noted in the previous bulletin issued on February 6, 2015, an independent performance evaluation of MPAC was completed which identified a need for a strong data quality management framework, reflecting an approach to quality that is cohesive and proactive rather than responsive.

MPAC has implemented several initiatives to improve data accuracy and integrity through streamlined process control procedures, integrated business processes and centralization of data.

The Ministry and the Reference Committee reviewed MPAC's data integrity initiatives and are generally satisfied with the steps MPAC has taken to date to address the needs of municipalities and stakeholders. Furthermore, as a result of consultations, MPAC is preparing to provide a new product with detailed assessment changes including the reasons and nature of assessment value changes to municipalities, which will increase transparency and municipalities' confidence in the accuracy of the data.

Appeals

The objectives of the appeal recommendations in the SPBPAR report are to clarify, streamline and improve efficiencies in the appeal process, and to promote early engagement of parties and the timely sharing of information among them.

Initiatives underway include promotion of mediation and active adjudication by the Assessment Review Board (ARB), a commitment by ARB and MPAC to resolve the majority of appeals within the four-year reassessment cycle, and MPAC adopting a more proactive approach to support earlier resolution of appeals.

Municipal assessment at risk strategies

The municipal assessment at risk recommendations in the SPBPAR report are focussed on assisting municipalities in identifying, understanding and planning for the financial implications of assessment appeals and Requests for Reconsideration (RfRs). Working in partnership with the Ministry of Municipal Affairs and Housing and municipal organizations, tools and resources to track and manage assessment at risk have been demonstrated and promoted among municipalities, and best practices of financial mitigation strategies have been identified and shared.

In May 2015, the Municipal Finance Officers Association (MFOA) delivered a two-part webinar on assessment at risk. The webinar was free for all municipalities and provided useful information on existing tools and resources available to them. The webinar materials are available to the public on the MFOA website; [click here for part 1](#) and [here for part 2](#).

Property-Specific Recommendations

Work is also underway to implement the recommendations relating to the assessment of specific special purpose business properties:

- As recommended in the SPBPAR report, regulations were filed regarding the assessment of **billboards, grain elevators and wind turbine towers** in December 2014.
- With respect to **landfills**, the Ministry of Finance is continuing to work with stakeholders to arrive at a valuation approach in time for the 2016 reassessment. Through this consultative process, the Ministry's objective has been to arrive at a methodology to value landfills that is accurate, fair, transparent, and consistent with the principles of current value assessment.
- MPAC is currently working on separate guidelines for the assessment of **industrial properties located in designated employment areas**. More information will be available in the fall on [MPAC's website](#) regarding the consultative process for preparing these guidelines.

Next Steps

The Ministry of Finance will continue to work with MPAC, the ARB, municipalities, taxpayers and professional organizations to implement the recommended improvements to Ontario's property assessment system. With the successful completion of their work plans, the Reference Committee sub-groups on advance disclosure and assessment methodology and assessment at risk strategies have wrapped up.

The Ministry intends to monitor MPAC's compliance with the Minister's direction and to evaluate the impacts of the advance disclosure process following the 2016 reassessment. The Ministry will work with MPAC, municipalities and taxpayer representatives to track progress and measure the impacts of the implementation of the SPBPAR recommendations.

If you have any questions or comments about this process, please contact:

Assessment Policy and Legislation Branch, Provincial Local Finance Division, Ministry of Finance at: SPBPAR@ontario.ca

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Visit [the Municipal Property Assessment Corporation](#)

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FOR INQUIRIES CONTACT:

Provincial Local Finance Division, Ministry of Finance

SPBPAR@ontario.ca

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