

MGA Review Discussion Paper

Railway Property Assessment

This technical document is part of a series of draft discussion papers created by Municipal Affairs staff and stakeholders to prepare for the Municipal Government Act Review. It does not reflect existing or potential Government of Alberta policy directions. This document is the result of a careful review of what is currently included in the Municipal Government Act (MGA) and regulations, definitions of terms and processes, changes requested by stakeholders over the last 18 years, some highlights from other jurisdictions, and identification of potential topics for discussion during the MGA Review. This information will be used to prepare consultation materials as the MGA Review proceeds.

These discussion papers have been reviewed and approved by the MGA Stakeholder Advisory Committee, comprised of representatives from major stakeholder organizations: Alberta Association of Municipal and Counties, Alberta Association of Urban Municipalities, Alberta Rural Municipal Administrators Association, Alberta Chambers of Commerce, City of Calgary, City of Edmonton, and Local Government Association of Alberta.

The Government of Alberta is asking all Albertans to directly contribute to the MGA Review during online consultation in late 2013 and consultation sessions throughout Alberta in early 2014. This technical document is not intended for gathering stakeholder feedback, but to generate thought and discussion to prepare for the upcoming consultation. Public engagement materials will be available in early 2014. To learn more about how you can join the discussion on how we can build better communities, please visit mqareview.alberta.ca/get-involved.

Preamble

The *Municipal Government Act (MGA)* provides the legislative framework to guide the operations of municipalities in Alberta. The current *MGA* empowers municipalities with the authority and flexibility to provide services in the best interests of the community. The *MGA* Review will proceed along three major themes: *governance and administration*; *assessment and taxation*; and *planning and development*.

This paper is one of 12 discussion papers exploring aspects related to the *assessment and taxation* theme. Property tax valuation systems should be designed to maximize equity among property taxpayers and visibility or openness, while minimizing administrative complexity and confusion¹. Alberta's property assessment and taxation framework must be considered with the following principles in mind:

- Clarity
- Fairness
- Efficiency
- Predictability
- Stability
- Transparency

This paper focuses on market value assessment and administration as outlined in the *MGA* and its attendant regulations. Below is a list of the 12 papers that relate to the *assessment and taxation* theme.

- Market Value Assessment and Administration
- Linear Property Assessment
- Machinery and Equipment Assessment
- Farm Property Assessment
- Railway Property Assessment
- Airport Property Assessment
- Supplementary and Progressive Assessment
- Equalized Assessment
- Taxation
- Exemptions and Other Special Tax Treatment
- Assessment Complaints and Appeals
- Municipal Revenue Sources

¹ International Association of Assessing Officers (IAAO). *Standard on Property Tax Policy*. Kansas City: IAAO, 2010.

Railway Property Assessment

The *MGA* sets out two methods, or standards, for the assessment of property in Alberta: the market value based standard (a methodology based on the market value of a property) and the regulated procedure based standard (a methodology that uses assessment rates and procedures as prescribed under regulation to calculate the assessed value of a property). Most railway property in Alberta is assessed using the regulated procedure based standard.²

For railway, these regulated rates and procedures are determined by the base cost per kilometre of track, an annual factor (called an “assessment year modifier”) that is applied to bring the base cost of the track to current year values, and an annual tonnage factor based on traffic. If necessary, adjustments are made to the assessment for depreciation. In Alberta, municipalities are responsible for the preparation of most property assessments, including the assessments of railways.

Although the regulated approach is used to assess most railway property in Alberta (namely, railways that run within railway rights-of-way), some railway property is assessed on the basis of its market value, as outlined in the following table:

Table 1: Assessment of Railway

Type of Railway	How is it assessed?
Railway property located within a railway right-of-way ³ (this includes rail land, rail lines, rail telecommunications ⁴ , and bridges and does not include rail stations and unused rail lines).	Assessed by the municipal assessor using prescribed procedures contained in the Alberta Railway Property Minister’s Guidelines.
Railway property not within a railway right-of-way (track within an industrial complex)	Assessed by the municipal assessor using a market value method of property assessment.

² Other regulated property assessment categories (i.e., linear, farmland, and machinery and equipment property assessment) are addressed in separate *MGA Review* discussion papers.

³ A right-of-way is a right to make a way over a piece of land, usually to and from another piece of land. A right-of-way is a type of easement granted or reserved over the land for transportation purposes, such as for a footway, carriageway, trail, driveway, rail line or highway.

⁴ Rail telecommunications are systems intended for, or used in, the transmission, emission or reception of telecommunications used in the operation of trains.

Discussion Points

Below are some discussion topics and questions identified through a review of requested amendments, cross jurisdictional research and issues raised by stakeholders.

1. Assessing Railway Property

Background

As noted, rail lines that are located within railway rights-of-way are currently assessed using a regulated, prescribed procedure contained in the Alberta Railway Property Minister's Guidelines. However, railway property that is located within an industrial facility and outside a right-of-way is currently assessed using a market value standard. This difference in assessment procedures for a single property type has led to differences in assessments for these properties.

For example, the regulated approach is used to assess a rail line that moves goods and passengers for long distances across the province (these rail lines typically run within rights-of-way that extend for many kilometres). On the other hand, the market value approach is used to assess a length of railway that branches off the right-of-way and into an industrial site for loading or off-loading of raw supplies or products. As a result, the assessed values of two rail lines of equal length could vary significantly.

Cross-jurisdictional Research

- In Manitoba, railway properties within a right-of-way are assessed similarly to the approach used in Alberta and based on tonnage, length of track and the land that comprises the property. For railway property outside of a railway right-of-way, Manitoba has set rates per kilometre of track.
- In Québec, railway property is not assessed and therefore not taxed.
- In British Columbia, railroad property not within a railway right of way is assessed at market value unless it is critical for the operation of the railway. An example of railway property outside of the right of way that would be considered to be "critical to the operation of the railway" would be in the case of land owned by the railroad that is needed to control landslides in some of BC's mountain passes.

Stakeholder and Legislative Amendment Requests

- Various stakeholders (municipal and industry) have expressed concerns relating to the inconsistencies of railway property assessment practices in Alberta. Stakeholders contend that these inequities are having an impact on their competitiveness.
- Industry stakeholders have indicated that the rationale is unclear as to why railway inside the right of way is assessed using the regulated rate procedure while railway outside the right of way is assessed at market value.
- Industry and municipal stakeholders have also suggested that railway property should be included within the definition of linear property as these properties cross municipal boundaries and can impact revenues across municipal boundaries. Industry stakeholders have commented that this would also allow for them to report assessment information to one entity rather than several hundred municipalities.

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Discussion Questions



1. Is the current railway property assessment process fair and equitable for municipalities and property owners? Why or why not?
 - a. Is a regulated procedure based model a reasonable method to assess railway property? Why or why not?
 - b. What aspects of the regulated procedure based model could be improved?
 - c. Are the current depreciation methodologies for railway properties still relevant? Why or why not?
 - d. Should the regulated procedure based model for railway properties apply to all railway properties in the Province (i.e., rail lines running within and outside of railway rights-of-way)? Why or why not?
2. Should railway properties be included as linear property and assessed by the Designated Linear Assessor (i.e. assessed by the provincial government rather than by municipalities)? Why or why not?

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