

MGA Review Discussion Paper

Market Value Assessment and Administration

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.

Market Value Assessment and Administration



The MGA and the Matters Relating to Assessment and Taxation Regulation set out two methods, or standards, for the assessment of property in Alberta: the market value based standard and the regulated procedure based standard. Some properties (linear, farm land, railway and machinery and equipment) are regulated and are difficult to assess using a market value based assessment standard because:

- They seldom trade in the marketplace. When they do trade, the sale price usually includes non-assessable items that are difficult to separate from the sale price.
- They cross municipalities and municipal boundaries.
- They are of a unique nature.²

This paper explores market value assessment, and the assessment administration process. The market value based standard is used to determine the assessed values for the majority of real property in Alberta. When the MGA refers to 'market value,' it means the price a property might reasonably be expected to sell for if sold by a willing seller to a willing buyer in an open market.

Market value is successfully used by most jurisdictions in North America. Market value assessment is performed using a process called mass appraisal. Mass appraisal techniques allow assessors to accurately value a large number of properties in a short period of time. In this process, assessors gather information on sale prices in the marketplace. Assessments are calculated by analyzing the range of sale prices of groups of similar properties at a specific point in time. Sales of similar properties are compared to determine typical market values of those specific types of properties. Values are considered to be as of July 1 but based on the property's physical condition as of December 31. This process is repeated until all properties in the municipality have been assessed. Municipal tax rates are then applied to each property assessment for the collection of taxes. Market value assessments are audited by the Province for accuracy and consistency.

Throughout this process, there are several administrative procedures that municipalities and municipal administration follow to ensure accuracy, quality and communication of the prepared assessments. This includes collecting information from property owners, sending assessment notices, and providing information to property owners on how their assessments were prepared.

² Alberta Municipal Affairs. *Guide to Property Assessment and Taxation in Alberta*. Edmonton: Queen's Printer, 2010.

Discussion Questions



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

1. Market Value Assessment

Background

Market value assessment allows for the comparison of recent sales and assessments of similar properties. It also lays the foundation for the equitable distribution of taxes among property owners, by taxing properties on the basis of what they are worth (on July 1), recognizing that the value of a property reflects its characteristics (on December 31) and location and amenities. The market value approach is affected by the ups and downs of the economy, which may cause annual assessment increases (or decreases) that do not necessarily reflect the landowner's ability to pay taxes. Also, the market value approach does not accurately value special purpose properties (e.g. air traffic control towers) or contaminated properties (e.g. old industrial factories).

Although property assessments in a municipality may rise or fall in any given year, this may not necessarily translate into a corresponding rise or fall in the taxes payable on those properties. The purpose of the assessment process is to determine how the municipality's total tax requirement is to be shared among property owners. In general terms, if assessments were to increase in a relatively proportionate way among all property owners in the municipality, then each property's share of the total tax bill would remain more or less unchanged, provided that the municipality's total tax bill remained relatively unchanged.

Cross-jurisdictional Research

- All provinces in Canada and many jurisdictions in the United States use a market value assessment standard for the valuation of certain classes of properties, such as residential and non-residential properties.

Stakeholder and Legislative Amendment Requests

- Some municipal stakeholders have requested that the assessment cycle be changed from the current annual cycle to a bi-annual cycle as they believe it will help save administrative costs.
- Some stakeholders have requested that the market value standard be applied to all properties in Alberta for more equitable distribution of taxes; some types of property, such as regulated property (machinery and equipment, farmland, linear and railways property) are not assessed using market value.
- Municipal associations have requested a review of physical condition and valuation dates to determine if they need to be moved to the same date.
- Some stakeholders have requested legislative protections under the market value assessment process to protect against real estate market fluctuations caused by economic swings.

2. Administration – Roles and Responsibilities

Background

The *MGA* outlines several roles and responsibilities that are necessary in the assessment and tax system. They include:

1. Minister – responsible for the development, implementation and enforcement of assessment and taxation policy. This includes an audit function for reviewing the accuracy of municipal assessments.
2. Designated Linear Assessor – appointed by the Minister and responsible for the preparation of linear assessment.
3. Municipal Assessor – responsible for the preparation of all assessment except for linear property.

Cross-jurisdictional Research

- In British Columbia, Saskatchewan (except Regina and Saskatoon) and Ontario, all assessments are prepared by a Crown corporation separate from the policy making function of the government.

Stakeholder and Legislative Amendment Requests

- Municipal associations have requested that the province establish a position that would ensure that the preparation of linear assessments is held at arm's length from the policy setting function of the provincial government.
- Municipal associations have requested that the province establish positions of Assessment Commissioner and Chief Provincial Assessor for assessment administration and enforcement.
- Several municipal and industry stakeholders have requested that the assessment administration should be an arm's length organization separate from the policy setting function (e.g. an assessment commissioner or Chief Provincial Assessor).

3. Administration – Duty to provide information to assessor

Background

The *MGA* requires a person to provide to the assessor any information “necessary” for the assessor to prepare an assessment. A person who fails to provide the information requested may not make a complaint in the following year. The leading case on the duty to provide information is a 2008 Court of Appeal decision, *Boardwalk REIT v. Edmonton (City)*, 2008 ABCA 220 (“*Boardwalk*”), which involved the consequences to a property owner for allegedly not providing sufficient information to an assessor. The court held that the information requested by the assessor must be necessary (not merely useful) to perform the assessment of the property in question. The court further held that a property owner’s response need only be substantially complete (not entirely complete) and if the assessor believes more information is required than what was provided, the assessor must give an assessed person a meaningful opportunity to provide more information.

Stakeholder and Legislative Amendment Requests

- Municipal stakeholders have requested that information from assessed persons be available for the purposes of preparing mass appraisal assessments, not just for property-specific assessments (e.g. requesting rental and vacancy rates from property owners).
- Some stakeholders are concerned that providing information to assessors potentially compromises the confidentiality of businesses' income information.

4. Administration – Access to Assessment Information

Background

Under the MGA, assessed persons have the right to receive or see assessment-related information about their own property. A property owner is entitled to information used in the assessment of their property, including:

- all documents, records and other information in respect of the property that the assessor has in their possession or under their control, and
- key factors, components and variables of the valuation model used in preparing the assessment of the property.

An assessed person also has the right to receive a summary of information on the assessment of any other property in the municipality. While the assessed person may see some of the information that is available to the owner of the other property, they are not entitled to see all documents, records or information (as noted above) in respect of the other property. The information that may be requested includes:

- a description of the parcel of land and any improvements;
- the size of the parcel of land;
- the age and size or measurement of any improvements; and
- the key factors, components and variables of the valuation model applied in preparing the assessment of property.

Cross-jurisdictional Research

- In British Columbia, an assessor may provide all information contained in the assessment notice to any person who requests it; however, there may be a fee charged for accessing the roll, and a person requesting access may be required to declare the purpose of their desire to access the roll, and that the information obtained will not be used for prohibited purposes such as data mining or harassment.
- In Ontario, a variety of property assessment data is available to assessed persons, which includes property detail reports on their own properties, and information on other properties' physical characteristics, location, classification and assessed value. This information may be obtained through the Municipal Property Assessment Corporation.
- In Quebec, information on properties may be publicly available in some municipalities.

Stakeholder and Legislative Amendment Requests

- Municipal and taxpayer stakeholders have requested clarity around the level of detail that is required to be provided to assessed persons on the assessment for each type of property.

- Municipalities have requested more clarity on what level of detail can be shared. Stakeholders say that under the current legislation, it is difficult to determine what will not breach necessary confidentiality.
- Taxpayer stakeholders have expressed concerns over the fees being charged by municipalities for the preparation of access-to-assessment-information requests.
- Municipal stakeholders have requested more time than what the legislation currently allows to be able to compile assessment information on complex non-residential properties or on a high volume of residential properties.

5. Administration – Protection of Personal Information

Background

The MGA requires each municipality to show the name and mailing address of the assessed person on the assessment roll. Primarily, this information is for municipalities to notify the assessed persons of their property's assessment. However, advances in technology have led to the prevalent use of electronic assessment records and rolls. This may result in disclosure of an assessed person's name and address when someone else inspects the assessment roll, or when a municipality releases assessment information for other reasons as directed under the MGA (for example, in providing an assessment summary to another property owner, as previously discussed).

Cross-jurisdictional Research

- In British Columbia, an owner may apply to have his or her name removed from the assessment roll, if the assessor believes there to be a health or safety concern. Viewing assessment rolls for certain purposes, such as merely to gain information about residents, is prohibited. Anyone wishing to view assessment rolls may be required to complete a declaration stating the purpose for which they wish to view the roll.
- In Manitoba, the assessment roll contains the name and mailing address of the property owner.
- In Ontario, the Municipal Property Assessment Corporation cannot release the name and mailing address of property owners. However, the assessment roll for a municipality contains the names of property owners, and is available for public viewing during a municipality's office hours.

Stakeholder and Legislative Amendment Requests

- Some stakeholders have requested that the name and mailing address of property owners not be released with public viewing of the assessment roll or on summaries of assessments.
- The 2002 Select Special FOIP Act Review Committee recommended removing the names and address of assessed persons from the assessment roll.

6. Administration – Recording of assessed persons

Background

Under the MGA, the manner in which an assessed person is recorded on the assessment roll depends on the assessed property type. These properties are assessed to owners, leaseholders, licence holders, people with exclusive use of the property, and/or property operators. However, some properties have multiple owners or lease holders and this can create uncertainty if one or more owners cannot be contacted or does not pay their portion of the taxes.

Also, the MGA does not contain provisions for recording the assessed persons for certain types of improvements (wind turbines, telecommunication properties and weather stations). Consequently, the land owner, who leases their property to the owner of the improvement, receives the tax notice.

Stakeholder and Legislative Amendment Requests

- Municipal stakeholders have requested an amendment specific to telecommunications, wind turbines, and weather facility improvements to allow municipalities to assess and tax the operator or owner of these pieces of property.
- Municipal associations have requested clarity in legislation on municipal responsibility with respect to properties with fractional ownership.

7. Administration – Electronic Administration of Property Assessment and Taxation

Background

The MGA currently requires municipalities to keep paper copies of assessment and tax notices and also requires that assessment and tax notices be sent to assessed persons using regular mail. With the widespread use of internet and electronic mail, enabling electronic administration would be a more time and cost efficient. Many municipalities already provide assessment and tax information to property owners online. However, not all assessed persons have access to electronic means of communication.

Stakeholder and Legislative Amendment Requests

- Municipal associations have requested that legislation be amended to allow for the electronic administration of assessment and taxation, including electronic assessment and tax rolls as well as sending notices via email.

Discussion Questions



1. What is the most transparent and equitable valuation standard for the assessment of residential and commercial property? Why?
 - a. What revisions should be made to the market value assessment process in Alberta (e.g. physical condition date and valuation dates)?
 - b. What properties should be assessed using the market value standard? Why?
 - c. What changes, if any, should be made to address special purpose (e.g. air traffic control towers) and contaminated properties (e.g. old industrial factories)?
2. What changes, if any, should be made to the administration of the property assessment and taxation system?
 - a. What changes could be made to improve efficiency in the assessment and taxation system (e.g. annual assessment cycle)?
3. What information should the MGA require property owners to provide to municipalities for the purposes of preparing mass appraisal assessments (e.g., rental rates, vacancy rates etc.)?
4. What assessment information should the MGA require municipalities to share with the public?
 - a. What revisions to the definition of “sufficient information” should be made to help the property owner ensure that the assessor prepared an adequate assessment?
 - b. In what instances, if any, should municipalities be able to charge a fee for providing requested assessment information?
 - c. What is an appropriate timeframe for assessors to respond to requests for assessment information?
5. What privacy provisions should the MGA include to protect the name and mailing address of assessed persons on the assessment roll?
6. What new provisions, if any, should be considered to assist municipalities in recording assessed persons and dealing with fractional ownership?