

# Municipal Government Act Review

## What We Heard: A Summary of Consultation Input

---

Assessment and Taxation Technical Session  
Held in Lethbridge on February 26, 2014

Released on June 17, 2014

Developed by KPMG for Alberta Municipal Affairs



## Contents

Introduction .....	1
Purpose .....	1
The Municipal Government Act Review .....	1
Session Overview .....	2
Regional Consultation Methodology .....	3
General Comments about the MGA .....	5
Governance and Administration .....	6
Municipal Accountability, Liability and Risk Management .....	6
Assessment and Taxation .....	6
Taxation and Municipal Finances .....	6
Exemptions from Assessment and Taxation .....	7
Market Value, Equalized and Supplementary Assessment .....	8
Industrial and Agricultural Property Assessment .....	9
Assessment Administration .....	11
Public Participation and Assessment Appeals .....	12
Appendix A: Session Agenda .....	14

## Introduction

### Purpose

This document provides a summary of what was heard during a consultation session for the *Municipal Government Act* (MGA) review. The summary below includes the comments and opinions of the participants of the Assessment and Taxation Technical Session held in Lethbridge.

These contributions have not been reviewed or edited for accuracy. Comments recorded here reflect the opinions of individuals offered in person and recorded by session facilitators; they do not represent the opinion of the Government of Alberta.

The input summarized below will be considered by Alberta Municipal Affairs as part of the review of the legislation. Municipal Affairs would like to thank the participants of this session, as well as all Albertans participating in the review of the MGA. Any inquiries related to this summary or to the consultation process should be directed by email to the MGA Review Team at [mga.review@gov.ab.ca](mailto:mga.review@gov.ab.ca).

### The Municipal Government Act Review

The MGA is designed to help build strong, prosperous and sustainable communities throughout Alberta. Alberta Municipal Affairs is reviewing and refreshing the MGA to address evolving circumstances and priorities in Alberta's many communities, and to ensure the MGA continues to meet its objective. A successful MGA review process will continue to position Alberta as the leading Canadian jurisdiction in terms of municipal legislation, having incorporated sound thinking, input and research into a clear Act that meets the needs of the Province and municipalities. In order to achieve this vision, an inclusive and comprehensive engagement process was developed to ensure stakeholders across the province have opportunities to provide input to the review.

As part of the MGA review, regional consultations were held in eleven locations around the province to give Albertans an opportunity to provide input face-to-face. In each location, different types of sessions were held, including Technical Sessions, a Business and Industry Session, a Municipal Administrators Session, an Elected Officials Session, and a Public Open House.

These engagements were conducted in February 2014 to April 2014 in 11 locations throughout the province. Each location was held over 3 days in the following locations::

- Brooks
- Calgary
- Edmonton
- Edson
- Fort McMurray
- Grande Prairie
- Lethbridge
- Medicine Hat
- Peace River
- Red Deer
- Vermilion

Sessions were promoted via news releases, direct email invitations, social media, and by the Minister of Municipal Affairs at stakeholder conventions. Information on regional session locations, dates and registration were on the MGA Review website.

Input to the MGA Review has also been provided through other channels, including the MGA Review website ([mgareview.alberta.ca](http://mgareview.alberta.ca)), the MGA Review Consultation Workbook, and official submissions.

## Session Overview

<b>Session</b>	Assessment and Taxation Technical Session
<b>Location</b>	Lethbridge Lodge, Lethbridge
<b>Date</b>	February 26, 2014
<b>Number of Participants</b>	23

- This session was open to anyone who wished to attend. Participants were asked to register in advance in order to receive background materials before the session.

## Regional Consultation Methodology

### ***How sessions were organized***

Regional consultations were structured around one or more of the three themes of the MGA Review:

- Governance and Administration
- Assessment and Taxation
- Planning and Development

Participants were provided with agendas in advance, which identified a list of potential topics for discussion. These topics were taken directly from the MGA Review Consultation Workbook. Several of the topics for discussion appear under more than one of the three themes of the review because they are relevant to more than one theme (e.g. public participation). The agenda is attached as Appendix A.

At this session, participants provided input through facilitated table discussions. The goal of the facilitated conversations was to give the opportunity to all participants to discuss the issues that mattered most to them. Given the large size and scope of the MGA, participants at each table were asked to focus their discussion on those topics that they felt were most important to provide input on, using the list provided in advance. In addition, this session included time for “open discussion” during which participants could provide any additional input that they felt was important to the review. Table facilitators and note takers included staff from Municipal Affairs, KPMG and ADR Education.

### ***Capturing input and reporting***

Input from session participants was captured on flipcharts by facilitators during the discussion. It was explained to participants that:

- Comments were being recorded on flipcharts so that they could be captured and considered by Municipal Affairs as part of the review of the MGA.
- Comments would not be attributed to individuals or organizations.
- Other avenues were also available to provide written input to the review.

The summary below documents the input heard from participants and recorded on flipcharts. These comments have been transcribed and organized according to the list of topics for discussion; they have not been screened for accuracy and do not reflect consensus of participants. As a result, comments and opinions listed may be contradictory. Comments that apply to issues outside of the scope of the review (e.g., suggested changes to other legislation) have been removed.

It is important to emphasize that this summary reflects the input heard from participants, and does not necessarily reflect the position of the Government of Alberta.

**How the Summary of Responses is Organized**

*Input from session participants is organized according to the three themes for the review:*

- *Governance and Administration*
- *Assessment and Taxation*
- *Planning and Development*

*Within these themes, comments are organized according to the applicable topics for discussion, using the list provided to participants in advance. In some sessions, not all themes may have been discussed.*

# Summary of Input

## General Comments about the MGA

The following input was received and documented related to the MGA in general. Comments from participants included that:

- There needs to be a better link between legislation and regulations to make it clear when there is a need to reference one or the other.
- The MGA is working well in general, but it needs regular maintenance.
  - It would be helpful to include regular maintenance dates in the MGA.
  - Over time, people will find ways to exploit the new MGA.
  - Periodic reviews would allow the MGA to be adjusted and react to issues immediately. This would help the MGA to better represent current needs of municipalities.
- Accredited assessors should participate in the review and revision of legislation and regulations.
- Municipal Affairs staff should be knowledgeable and give interpretations of the MGA on request.
  - There needs to be a clear explanation of what the MGA and associated regulations intend. Municipalities need Municipal Affairs to be authoritative and consistent in providing this rationale.

## **Governance and Administration**

During the discussions surrounding assessment and taxation some discussion occurred on governance and administration. The following input was received and documented related to governance and administration.

### **Municipal Accountability, Liability and Risk Management**

#### ***Provincial powers***

Comments from participants included that:

- The MGA should allow for a provincial audit of municipalities.

## **Assessment and Taxation**

The following input was received and documented related to assessment and taxation.

### **Taxation and Municipal Finances**

#### ***Taxation***

Comments from participants included that:

- The MGA needs to ensure taxation rules are consistently followed by municipalities.
- A split between residential and non-residential tax should remain relatively constant.
  - Split mill rates would be helpful for large non-residential properties, but would harm smaller businesses.
- Users, not land owners, should be taxed for certain non-residential uses of property, such as cellular towers.
- The tax system should be about providing services, not the taxpayers' ability to pay.
- There needs to be a way to collect taxes on bankrupted properties.
- Well drilling equipment tax should be a multi-directional calculation, but it currently only deals with horizontal fees. This tax should recognize and compensate for the impact on local municipality infrastructure.
  - Non-operational wells still occupy land space and should be assessed at market value.
  - Power plants should be added to well drilling equipment tax consideration.

#### ***Municipal revenue sources***

Comments from participants included that:

- The scope of revenue sources available to municipalities is not broad enough.
  - The MGA should allow for more flexibility beyond fees and levies to raise funds.

- The MGA should look to other jurisdictions to see what's working beyond fees and levies to fund development. For example, it should enable municipal bonds.
- There should be an option to charge local fees for selling useful data.
- The MGA should move away from property taxes and towards income taxes.

### ***Fees and levies***

Comments from participants included that:

- Fees and levies should contribute towards dedicated improvements. They should not be treated like general revenue.
- The Province needs to create an inspector position to review off-site levies. This would be less litigious and less costly than the current courts system.
  - This would improve consistency in the interpretation of the *Principles and Criteria for Off-site Levies Regulation* across the province and vastly increase efficiency.
- Business revitalization zones require assessors to do a lot of work for little municipal compensation, while frustrating taxpayers.
  - It is not fair to apply a business revitalization zone levy using square footage, as some businesses require more room but make less profit.
  - Business revitalization zones should be able to use a split rate.
  - Business revitalization zone rates are not up to date. They are based on average rent costs from the 1970s.

## **Exemptions from Assessment and Taxation**

### ***Exemptions and other special tax treatment***

Comments from participants included that:

- Any exemption from market value assessments distorts true market value.
- Tax breaks and exemptions should be implemented during taxation, rather than on the assessment side.
- The municipality should determine exemptions and tax breaks, not provincial legislation.
- There needs to be a more exhaustive list defining what is exempt.
  - Currently there are hidden tax breaks for certain properties, which need to be more transparent.
  - There should be regulated rates that are regularly updated.
  - All exemptions should be in the same place in the MGA.
- *Community Organization Property Tax Exemption Regulation* needs to be reviewed. The current “one-size-fits-all model” is not working.
  - The entire *Community Organization Property Tax Exemption Regulation* should be thrown out.
  - It is difficult to interpret the *Community Organization Property Tax Exemption Regulation* fairly and consistently.

- It is positive that MGA allows municipalities the right to exempt any non-profit organization, even if the regulation is unclear.
  - The definition of “non-profit” is too broad in the regulation and needs to be clarified.
  - Exemptions are not clear in cases where non-profit organizations hold a sublease.
  - Section 6 (Non-profit Organization) of the *Community Organization Property Tax Exemption Regulation* should end after section 6(b)(ii).
- It is difficult to determine which parts of a non-profit organization are exempt.
  - If a municipality gives money to a community group to run a program, the community group must apply for an exemption.
  - The solution could be to establish different rules for different sizes or types of municipalities.
- Councils should be able to establish school foundation exemptions in a straightforward way.
- Similar groups should have similar exemptions under the MGA.
- In Section 362.1(n) (Exemptions for Government, Churches and Other Bodies) of the MGA, exemptions for organizations “held by and used in connection with” non-profit organizations are not properly defined.
- Machinery and equipment shouldn’t be tax exempt, as deregulation means they are making profit.
- If the Province is trying to stimulate economic development via machinery and equipment depreciation, this should be handled through income tax instead.
- Linear property shouldn’t automatically be exempted.
- The MGA could have an exemption for farmers based on income, although this may impact the financial stability of the municipality.
- It is not fair to exempt the runways of airports. Everything should be assessed at market value. All airports should be treated the same, whether they are regional or private.

## Market Value, Equalized and Supplementary Assessment

### ***Market value assessment and administration***

Comments from participants included that:

- In rural areas, property values are not a measure of the owner’s ability to pay.
- Market value assessments reflect quality of life.
  - As market value decreases, property taxes decrease.
- We shouldn’t deviate from market value. Other provinces generally don’t deviate.
- Market value should be assessed on a regional basis.
  - Assessment should continue to reflect regional prices.

### ***Equalized assessment***

Comments from participants included that:

- Regulated properties are not truly equalized.
  - They should be equalized based on current costs.
- Municipalities should either be compensated for collecting education property taxes or not charged for preparing linear physical characteristics.
- There should be compensation from the Province for collecting, assessing and administering the education property tax.
- Sometimes municipalities are responsible for the education property taxes of the exempt properties.
- Some municipalities that use supplementary assessments pay more education tax than municipalities without supplementary assessment.

### ***Progressive and supplementary assessment***

Comments from participants included that:

- Progressive assessment should be used for machinery and equipment, linear property and when zoning is changed.
- Linear property should have supplementary assessments applied.
- It is frustrating when property owners delay completion of house construction so the property will be assessed at lower rate.
  - Incentives to complete house construction and add beautification elements should be included in the MGA.
  - Council would like to see a penalty imposed for unfinished property.

## **Industrial and Agricultural Property Assessment**

### ***Linear property assessment***

Comments from participants included that:

- The linear property condition date should be December 31.
- Decommissioned and abandoned linear property that hasn't been cleaned up should be assessed. This would create an incentive to clean up sites properly.
  - If unused properties can still be used, they should be assessed.
  - Until property is reclaimed, it should be mapped, assessed and monitored.
- The regulated linear rates should be reviewed.
- Updating the regulated assessments to reflect current costs and technology would reduce non-residential tax rates.
- There needs to be a way to verify linear property information.
  - One option is to standardize information methods across all municipalities.
  - The Province needs to regulate this in a "top-down" fashion.
- The MGA Review should consider the *British Columbia Assessment Act Regulation* as a good example of relevant legislation.

- Assessment rates are outdated and based on historical factors not related to the current reality.
  - The base rates in the *2005 Alberta Construction Cost Reporting Guide* don't recognize current technology, and are generally outdated.
- The assessors' guide for commercial assessment (*2005 Alberta Construction Cost Reporting Guide*) needs to be updated, as there are huge inconsistencies in its application across the province.
- The *2005 Alberta Construction Cost Reporting Guide* is not being interpreted consistently.
  - The guide is in need of clearer definitions.
  - It should be updated to account for changes in technology.
  - Regular updates to the guide are needed to keep up with the rapid changes in technology.

### ***Machinery and equipment property assessment***

Comments from participants included that:

- Automatic depreciation of machinery and equipment doesn't make sense, as depreciation is not related to wear and tear. Instead, it should be related to market value for all regulated properties.
  - The current system downloads costs to municipalities, which isn't fair to other taxpayers.
  - The statutory level of value for machinery and equipment property is not equitable and needs to be raised to 100 per cent.
  - The MGA should discontinue the provision for 25 per cent immediate depreciation.
  - Market value assessment is preferable for machinery and equipment properties because it keeps up with changing values.
- Machinery and equipment should be eliminated as its own assessment class and incorporated into market value property assessment.
  - This would be less costly for municipalities.
  - British Columbia does this and it is working well.
  - There may be a loss of revenue in some smaller municipalities.
- There should be a minimum and maximum for machinery and equipment depreciation.

### ***Farm property assessment***

Comments from participants included that:

- The current system is inconsistent because farm property definitions need to be updated.
  - The exemptions definitions need to be updated because some properties are exempted when they shouldn't be.
  - Better definitions would help provide consistent guidance.

- Agricultural assessments should reflect revenue and productivity, and change over time using the consumer price index.
- The farmland assessment provisions of the MGA need to be improved.
  - Farm assessment is not related closely enough to market value.
    - This would help address the disparity between grain farmers and intensive livestock operations.
  - The farm assessment process needs to be transparent to taxpayers.
  - The MGA needs to get rid of the Rural Assessment Policy (RAP).
  - Agriculture assessment should reflect updated regulated rates.
- The cultivated land classification should be removed. Cultivation shouldn't change land value.
  - Topsoil is blowing away because some farmers are breaking land but not seeding to lessen assessment.
- Assessors spend weeks splitting farm exemptions for intensive operations and corporate ownerships.
  - Fractional ownership results in a complex or "messy" assessment.
- It should be clear who interprets agricultural assessments. These assessments should be administered by a provincial board, rather than an appeal to the courts.

## Assessment Administration

### ***Assessment administration***

Comments from participants included that:

- There should be an auditor role created with jurisdiction over all industrial assessment.
- There needs to be better communication and coordination between the Province and municipalities in the area of linear assessment.
- Municipal council should have the responsibility to set rates, not the assessors themselves. The current process used to collect information pushes the assessor to make assumptions.
- Smaller municipalities often have less industrial activity, and may not have the experience to assess these properties accurately.
- An arms-length, impartial assessment commissioner would help clarify roles and procedures for both property owners and municipalities. This position could also advocate for best practices and improved policies.
- Access to information is important to the assessment process.
  - Property owners also require access to assessment information.
  - Some assessors are deliberately obfuscating when it comes to access to information.
  - Under Section 305.4 (Correction of Roll) of the MGA, there is no right to appeal if access to information is not provided. This should be rectified.

- It is expensive and time consuming to deal with access to information. For example, too much time is consumed by attempting to contact owners for information.
  - One way to address this would be if the municipality could use a high default estimate until owners help provide information.
- A clear interpretation of policies and consistent procedures will reduce appeals.
- The planned transition in 1998 stating inspection of property is necessary and data is required that wasn't ever completed. As a result, recent court cases have limited the ability to inspect and receive data.
- An annual assessment audit should verify that physical characteristics are valid.
  - Administration costs would be prohibitive if it was required to assess every property.
- Municipal Affairs' Assessment Services audits designated linear assessors. However, these assessors should be independently reviewed.
- Land titles should remain the responsibility of a provincial agency.
- Municipal Affairs should have accredited assessors.

## Public Participation and Assessment Appeals

### ***Assessment complaints and appeals***

Comments from participants included that:

- Better, clearer definitions and processes under the MGA would create fewer appeals, as more participants would understand the process.
- An alternative dispute resolution process would be preferred, as the current assessment appeals process is needlessly adversarial.
  - As evidenced in British Columbia's appeal board system, mediation works well.
  - Mediation would be most helpful for residential appeals, where there is often a lack of understanding of assessment among the parties.
  - Some assessors are able to resolve issues before notices are mailed.
  - Alternative dispute resolution methods would not help unless both sides were willing to use it.
  - It may not be worthwhile investing time and effort in alternative dispute resolution for such a small proportion of properties under appeal.
- The MGA is too open-ended about what information should be provided to owners about assessment as specified in sections 299 (Access to Assessment Record) and 300 (Access to Summary of Assessment) of the MGA.
  - More clarity in these sections would help increase consistency for what information has to be provided for appeals.
- In some municipalities, the amount of time spent on appeals can be quite onerous.
- The makeup of assessment review board members should be reviewed.
  - Board members should have term limits.
  - Council members should not be assessment review board members, as they are perceived to be biased.

- Minimum competencies should be required for members.
- Tribunal members need to be competent, trained and have regular training updates.
- Having only one level of government in the appeals system is working well.
- Multiple boards make for inconsistent decisions being made across the province, which is the main reason items are getting appealed to the courts.
  - Municipalities don't see the full picture when it comes to large corporate properties.
  - There should be regional or provincial assessment review boards.
  - All approvals should be made by federal and provincial bodies.
- Maximum appeal fees do not come close to recovering costs.
  - Frivolous and fictitious appeals are costly. There should be a financial incentive to limit wasteful appeals, such as increasing the fee.
  - The current assessment appeal process is cumbersome for large, complex appeals.
- Municipalities should be reimbursed when appeals lessen tax after the funds have already been given to the Province.
- Decisions made by other municipal appeal boards should be applied as precedents to similar municipal appeal decisions.
  - Composite assessment review boards should be provincially run and funded if there are to be province-wide precedents for appeals.
  - There should be continuity in decisions across jurisdictions.

### ***Municipal Government Board***

Comments from participants included that:

- There should be training for Municipal Government Board members to understand assessment.

## Appendix A: Session Agenda

### *MGA Review: Assessment and Taxation Technical Session*

Agenda Item	Timing
<b>1. Welcome and introductions</b>	1:00-1:10
<p><b>2. Potential topics for discussion:</b></p> <p>The following topics will be available for table discussion:</p> <p><u>Subject 1: Taxation and Municipal Finances</u></p> <ul style="list-style-type: none"> <li>• Taxation</li> <li>• Municipal revenue sources</li> <li>• Fees and levies</li> </ul> <p><u>Subject 2: Exemptions from Assessment and Taxation</u></p> <ul style="list-style-type: none"> <li>• Exemptions and other special tax treatment</li> </ul> <p><u>Subject 3: Market Value, Equalized and Supplementary Assessment</u></p> <ul style="list-style-type: none"> <li>• Market value assessment and administration</li> <li>• Equalized assessment</li> <li>• Progressive and supplementary assessment</li> </ul> <p><u>Subject 4: Industrial and Agricultural Property Assessment</u></p> <ul style="list-style-type: none"> <li>• Linear property assessment</li> <li>• Machinery and equipment property assessment</li> <li>• Transportation properties</li> <li>• Farm property assessment</li> </ul> <p><u>Subject 5: Assessment Administration</u></p> <ul style="list-style-type: none"> <li>• Assessment administration</li> </ul> <p><u>Subject 6: Public Participation and Assessment Appeals</u></p> <ul style="list-style-type: none"> <li>• Public participation</li> <li>• Assessment complaints and appeals</li> <li>• Municipal Government Board</li> </ul>	1:10-1:20
<b>3. Change tables (if needed)</b>	1:20-1:25
<p><b>4. Table facilitation</b></p> <ul style="list-style-type: none"> <li>▪ Up to three topics will be prioritized for discussion (~20 minutes each)</li> <li>▪ Discussion will focus on what is working well, desired changes, and potential impacts of changes to the legislation</li> </ul>	1:25-2:35
<p><b>5. Open discussion</b></p> <ul style="list-style-type: none"> <li>▪ Are there any other relevant topics participants want to address?</li> </ul>	2:35-2:55
<b>6. Wrap-up</b>	2:55-3:00