

Institute of Municipal Assessors 54th Annual Conference

Assessment & Taxation: **The Good, The Bad & The Ugly**

Kathy Gillis, President Elect, had the opportunity to attend the IMA's conference held June 13 – 15, 2010 in Toronto. Her summary of the conference is as follows:

THE GOOD

**An update from the Municipal Property Assessment Corporation (MPAC)
Debbie Zimmerman, Chair**

MPAC has faced a great deal of change as the organization has worked to assess Ontario's 4.7 million properties. Guided by a commitment to delivering on its Vision of Property Assessment Excellence, Outstanding Service and Trust, MPAC has focused on improvements to accuracy and service. Customer satisfaction measurements report 97% satisfied and MPAC media coverage has been 90% positive since 2008. Recently, MPAC decided to participate in the National Quality Institute's (NQI's) Progress Excellence Program. In 2009 they received level one of a four part program that will take approximately 7 years to complete. Also, in 2009 MPAC was recognized as one of Greater Toronto's Top Employers.

**Post Recession Economic Issues and their Impact on Real Estate Values
Mike McCracken – Economist, Chair & CEO – Informetrica Limited
Larry Hummel, M.I.M.A – Vice President, Property Values, MPAC**

Predictions – Mike McCracken

- Interest Rates will average 6% over next 5 years
- Inflation Rate dipped to 0 in 2010 but will rise slightly and average 2% over next 20 years.
- Real GDP will rise to 4% over next couple of years and then level off at 2% for the next 20 years.
- Employment rate will remain at 6 – 8% over next 20 years
- Shadow effect of sub-prime mortgage fallout (increase down payment %, shorter amortization period).
- Immigration policy leads to slower household growth
- Fighting inflation raise real interest rates
- Reducing deficits increases pressure on property taxes and reduces public services
- Reductions in intergovernmental transfers
- Slower demand for housing
- More modest house price increases in line with overall inflation

Post Recession – Larry Hummel

- Provincial Summary of Sales rebounding to 2007 volumes
- Residential Homes Sales
 - February 2009 2.2% below January 2008
 - April 2010 8.8% above January 2008
- Economic circumstances in 2010 are much more similar to the economic circumstances in 2007 and the first half of 2008, than during the recession of Q3 2008 through Q2 2009

Larry ended his presentation with a quotation from the Royal Institute of Chartered Surveyors (RICS):

RICS Valuation Standards 6th Edition
Guidance Notes 5:

*“**Market Instability:** An unforeseen macroeconomic or political crisis can have a sudden and dramatic effect on markets. This could manifest itself by either panic buying or selling or simply disinclination to trade until it is clear how prices in the market will be affected in the longer term. If the valuation date coincides with the immediate aftermath of such an event, the data on which any valuation is based maybe confused, incomplete or inconsistent, with an inevitable effect on the certainty that can be attached to it.”*

THE BAD

Assessment and Taxation: It’s a Jungle Out There!

Keynote Speaker – Mayor Hazel McCallion – Mayor, City of Mississauga

About the Mayor - Hazel McCallion was first elected Mayor of Mississauga in November, 1978, and is the longest serving Mayor in the City's history. **She is currently 89 years old and feels that she would like to fulfill one more term – retiring at the age of 93.**

Mayor McCallion, at 89 years old was an outstanding speaker and her comments were

- politicians are not well educated – at least not when it comes to assessment and taxation.
- provincial legislation changes are unexplainable.
- no problems with assessment, the problems lie with taxation
- someday the 3 levels of government will sit down and sort out what their responsibilities are.

Her closing comments were - **nothing against assessors, but the only resolution to the mess that we are in is to eliminate property tax!**

THE UGLY

Municipal Taxation: It's No Longer Only About the Assessment

Connie Mesih, City of Mississauga

Christi Norris, City of Kawartha Lakes

Melissa Van Berkum, Affiliate Conway Davis Gryski

Reassessment in 1998 led to significant legislative amendments to the Municipal Act 2001

- Act changed 35 times since 97 times
- Regulations changed 56 times
- Tax ratios, “ranges of fairness” etc. were introduced to “equalize” the tax burdens among property owners throughout the Province
- Limitations on taxes for commercial, industrial and multi-residential properties were introduced – “caps” and “clawbacks”
- Legislation was introduced to provide a similar limitation on property taxes for new construction, substantial additions and changes in class
- MPAC provides the list of comparables and municipalities calculate the average level of taxation of the comparables and apply it to the “eligible property”
- Treatment of the phase-ins can take place years after the change event
- In 2005, municipalities were authorized to adjust the cap on eligible properties, which included the authority to cap the taxes at no less than 70% for 2005, 80% for 2006 and 90% for 2007, with full value achieved by 2008
- In 2007, Province introduced mandatory phase-ins of assessment increases for the 2008 CVA
- provides that the phase-in requirement applies to all property classes
- 4 year phase-in period
- Delays in resolving assessment appeals has the potential for multiple years to be recalculated with cost implications to municipalities.
- **Municipalities are hiring Assessors to liaise with MPAC and accountants to implement the phase-ins.**
- **It's a mess**