

DISCUSSION PAPER

Bill 21, *Modernized Municipal Governments Act*

- **Non-residential property sub-classification and Split Tax Rates**, page 3 of 8
 - **Assessment Review Board Training**, page 4 of 8
 - **Designated Industrial Properties/Provincial Assessor**, page 5 of 8
 - **5:1 Ratio**, page 8 of 8

This document has been prepared for dissemination to stakeholders and partners of the Alberta Assessors' Association.

The Association's guiding principles are as follows:

Guiding Principle #1

Increases an assessor's accountability by promoting public understanding and awareness.

Guiding Principle #2

Improves fairness and equity of the assessment.

Guiding Principle #3

Maintains and improves the stability of assessment.

Guiding Principle #4

Separates valuation and tax policy.

Guiding Principle #5

Promotes efficient assessment administration.

The four discussion areas are governance or taxation-related and considered outside the scope of the Association's core business. However, each in their way affect or are affected by the assessment process.

Because of this cross-jurisdictional influence, the Association is requesting that its partners who are expert in the political process be provided this additional information as consideration when addressing the proposed Bill 21, *Modernized Municipal Government Act*.

Non-residential property sub-classification and Split Tax Rates

The Alberta Assessors' Association has long held, as a foundational principle, that the assessment process should be separate and distinct from tax policies, a fact which was pointed out by a number of respondents in an online survey of the membership addressing sector-specific changes proposed in Bill 21, *Modernized Municipal Government Act*.

However, the Association did not ask the members whether they agreed or disagreed with the amendments, instead, the question was intended to elicit comment on possible sub-classes to be included in the Regulations, assuming such have not yet been written or defined. While the prevailing opinion is that this should not occur:

Sub classes are not necessary in a market value based system. Regardless of current property use the MV standard applies. A residential tax rate and a non-residential tax rate is enough. Economic competitiveness will be best served by simplicity and clarity of property taxes for the land owner.

A list of alternative sub-classes, submitted by members as part of an online survey, is attached as Attachment 1 and is suggestive of the possible administrative confusion that could occur with an exhaustive list.

The Association offers the following as comment on possible sub-classes:

- That there be few sub-classes that are well-defined and easy to administer
- That designated industrial properties be a sub-class, should this proposed amendment come to fruition
- That the assignment or use of sub-classes be discretionary (up to a municipal council)

Assessment Review Board Training

The Alberta Assessors' Association appreciates that the proposed amendments address Assessment Review Board qualifications. The Association proposed more far-reaching changes to the assessment review process for industrial assessments in Appendix E of the "Report to the Stakeholder Advisory Committee" (Attachment 2) on the centralization of industrial assessment. Respecting training, however, the following is offered:

The Association recommends the Certificate in Tribunal Administrative Justice program provided by the Foundation of Administrative Justice (or equivalent). This training is approximately 70 hours and consists of the following: (i) two days of training in basic principles of procedural fairness, (ii) two days of training on evidence, (iii) two days training on interpreting legislation, (iv) two days training on decision making, (v) two days training on decision writing, and (vi) two days training on running an effective hearing.

The Association feels this program and training provides sufficient qualification for potential ARB members.

Designated Industrial Properties/Provincial Assessor

The Assessment community and industry representatives have asked for clarification on many detailed issues from the Assessment Services Branch for years. Both parties have been stymied by the lack of result to concerns repeatedly raised.

Bill 21, the *Modernized Municipal Government Act (MMGA)* has created policy to implement Centralization of Industrial Assessment through the creation of the Designated Industrial Property which will be assessed by the Provincial Assessor.

This initiative was based on:

- Industry having concerns regarding assessment consistency.
- Consensus and support for Centralization among stakeholders

The Alberta Assessors' Association submitted a report to the Assessment Service Branch Stakeholder Advisory Committee on March 1, 2016 (Attachment 3) which clearly laid out its objections to the amendments that have now been proposed. The report offered alternatives to the issues which purportedly provided the impetus for this change, specifically the lack of consistency of process among assessing jurisdictions; the lack of training for assessors to properly identify assessable property and apply the appropriate methodology; the overwhelming costs of appealing questionable assessments; and, the support of all stakeholders.

The Association's recommendations were distributed to the Minister, the Deputy Minister and all members of the Assessment Services Branch Stakeholder Advisory Committee. The proposed amendments neither acknowledge nor implement any of the recommendations in the "Report to the Stakeholder Advisory Committee" on the centralization of industrial assessment. Additionally, the process and methodology for choosing and preparing assessments on the proposed "designated industrial properties" (DIP) has been referred to as yet undrafted regulations. Various estimates on the number of properties that will be "scooped up" by the Provincial Assessor as DIP have been reported. The Association finds these estimates to be disingenuous considering that the regulations are undrafted and no models have been tested. As well, such estimates of DIP suggest that a type of property or value of property was considered, but not communicated, when the legislation was drafted. Further, that such consideration was advanced without candid disclosure among all stakeholders.

In its report, the Association considered the most cost effective way to solve the problems identified, while achieving the objectives found in the MGA of local autonomy and the encouragement of regionalized service deliver. The goals expressed by all stakeholders were evaluated against the Association's recommendations to determine whether the goals would be realized.

The Association recommends that municipalities maintain responsibility for preparing the assessments of all property within the municipality (with the exception of linear property), along with the following legislative changes:

- The creation of an Assessment Commissioner with a mandate to provide ongoing training for assessors and industry representatives;
- The creation of an Advisory Board to the Commissioner;
- The creation of an Industrial Composite Assessment Review Board (or ICARB);
- Amendments to the *Municipal Government Act*, *Construction Cost Reporting Guide ("CCRG")*, and *Machinery and Equipment Minister's Guidelines* to clarify definitions, clarify terminology, update anticipated age lives, update the assessment year modifier, and update depreciation tables; and,

- Amend the *Machinery and Equipment Minister's Guidelines* to implement the well site standardization study completed in 2012. This will promote consistency, cost efficiencies, and allow local assessors to focus their expertise on property assessed using the CCRG.

The Association does not support the centralization of industrial assessments within Alberta Municipal Affairs.

Following a more comprehensive review of the impacts on rural municipalities and feedback from member municipalities, the AAMDC withdrew its support for Centralization of Industrial Assessment. Many municipalities have expressed clear opposition to this policy change.

Questions remain, as follows:

- Have Industrial customers (other than Major Industry) been contacted on this matter?
- Have other non-Residential Ratepayers been consulted.
- No changes have been made to the definition of "property," "structure" or "improvement" either to include DIP and, in fact, the amendments use the two interchangeably.
 - Is DIP a subset of property or is it a stand-alone property type?
- Municipalities are currently charged for the preparation of Linear Assessments. What will be the practice when linear properties become DIP?
- Not without some dissent, many Industrial customers have come to appreciate stability and predictability in their property assessments and taxes, this proposal will create the opposite situation.
 - Or how will the province assure there will be no change to their tax liability?
- Again, not without dissent, many Industrial customers have come to appreciate the efficient manner in which industrial assessments are prepared by the local municipal assessor,
 - When will Industrial customers be advised of the additional costs they will have to bear if or when they are considered DIP?
 - If a DIP taxpayer does not pay the new requisition, will it be subject to tax recovery actions or will the municipality (other ratepayers) have to absorb the cost?
- Is it the intent that land and buildings on DIP, currently assessed at market value, also be subject to an M&E regulated valuation standard (77% level, regulated Land values, exempt from Education Tax)?
 - Will municipalities be compensated for this potential policy change?
 - How is this equitable with similar Industrial properties, not considered DIP?
 - Land and buildings at MV
 - Subject to Education Tax
- Linear property and Railway are now DIP
 - Will these now be exempt from Education Tax as well?
 - Where will the loss in education tax be recovered from these?
- Section 370 (b.1) allows the Minister to set 'tax rates' for Machinery & Equipment and Non-residential sub-classes.
 - Is it the intent that the Minister will set municipal tax rates for these categories of property? (Uniform provincial tax rate for DIP)
 - Or is this meant to capture the requisition rate for cost-recovery for the provincial DIP bureaucracy?

- How will the preparation of these assessments be audited?
- Who will be the Provincial Assessor and will inspections be a requirement of the DIP assessment function?
- Will there be an 'opt-out' option for those municipalities that do not have the resources or face challenges in this area?

Stakeholders (including the Association) have identified a number of problems that should be addressed and these have been acknowledged by all parties. Specifically, such concerns are

- The need for impartiality between policy-making and the implementation of said policy, essentially, the separation of the legislative branches from the assessment and taxation processes, and further, the separation of assessment and taxation; and,
- Assessment processes performed by a body/bodies be accountable to the different levels of oversight

Industry stakeholders have indicated an arm's length or independent third party is preferred for the assessment of designated industrial properties. The intent of this is for an independence of process free for potential political interference. The proposed amendments offer neither independence nor arm's length assurance. In fact, the proposed amendments have removed the Assessor as a designated officer. A "designated officer" required by legislation is afforded some independence of municipal or political influence. Presumably, the designated officer status was removed to allow for more than one assessor in municipalities with identified designated industrial properties (a municipal assessor and a Provincial Assessor). The effect, however, like so many other seemingly inconsequential changes may have unintended or unforeseen consequences.

It is the Association's view that the problems identified by stakeholders are best resolved by changes to the legislation and regulations, not by creating a centralized authority to prepare assessments. At minimum, a standardized and regulated process would meet the concerns of industry and afford more clarity to the process. This, along with a more robust oversight, or audit, process would in all likelihood have the same result with less upset than what is proposed.

5:1 Ratio

Currently a municipality may set up to three primary tax rates based on the four assessment classes described in MGA s.297 (the Machinery and Equipment, or M&E, rate is the same as non-residential). The residential rate may be sub-classed in any way a council wishes. The non-residential rate may only be sub-classed as vacant or improved. There are no caps or maximums, and the education tax levy is applied to all classes except M&E in addition to the municipal tax rate.

Bill 21, Modernized Municipal Government Act (MMGA) Proposed Amendments

The MMGA proposes to limit the non-residential tax rate to five (5) times the residential rate. Historically speaking, the regulated rates provided by Municipal Affairs have not kept pace with the changes in value realized by market value properties.

The non-residential rate may be sub-classed into additional categories other than vacant and improved as yet to be determined by “undrafted” regulation. While this may serve a municipality’s ability to attract and retain investment, the caps or ratios applied to the potential sub-classes may also have the potential to adversely affect a municipality’s ability provide municipal services to its citizens.

The analysis in one municipality demonstrates the variance between regulated rates, that are modified by the Province on a periodic basis, and the actual market value changes over a 30 year period:

Farmland	-13%
Railway	+1%
M&E	+30 to 35% some variance due to age of M&E in 1985
Wells	+69% (for those which have remained at Schedule D factor of 1)
Pipeline	+75% (for those which have remained at Schedule D factor of 1)
Residential	+200 to +260% (depends on market location, depreciation)
Non-Res (MV)	+220 to +300% (depends on market location, depreciation)

In other words for every \$1,000 in Municipal taxes paid in 1985, a ratepayer in each of the current classes is paying the following in 2015:

Farmland	\$870
Railway	\$1,010
M&E	\$1,300 to \$1,350
Wells	\$1,690
Pipeline	\$1,750
Residential	\$3,000 to \$3,600 (Market Value)
Non-Res	\$3,200 to \$4,000 (Market Value)

This has the effect of shifting the tax burden **to** market value properties and **away from** regulated properties.

Municipalities should consider any regulation more appropriate that better distributes the tax burden across all classes. Since Bill 21, the *Modernized Municipal Government Act* proposes the regulation of additional properties, then it is imperative that the regulated rates applied to regulated properties be monitored, reviewed and updated on a regular schedule.

If the goal of the 5:1 to tax ratio is to treat non-residential properties in a more equitable fashion compared to residential property owners this could better be accomplished by updating and maintaining the regulated rates prescribed for use in the assessment of regulated properties. This method would also promote transparency and accountability for the both the assessment of the properties and the taxes levied by the municipal Council and the Province.

ATTACHMENT 1

Sub-Classes Suggested by the Assessment Community

- industrial
- House conversions-built for residential, converted into office for business purpose. As these are somewhat unique, a separate tax rate may be appropriate.
- Transportation orientated development Growth Management purposes Office buildings Shopping Centers Professional Sport Facility Large industrial Commercial Industrial Parking lots Centralized Industrial Assessment
- Heavy Industrial High Density Commercial Railroads and ROW Commercial/Industrial Institutional
- Sub class should be at a high level. Too much sub-classing will lead to confusion amongst ratepayer and municipal officials. Sub-classes should be restricted to Industrial (designated should the MGA pass in the proposed state), improved commercial and vacant commercial.
- Office, hotel/motel, warehouse retail/shopping centres, recreation, condominiums
- according to zoning, high density, medium density, etc.
- Office buildings Shopping Centers Professional Sport Facility Large industrial Commercial Industrial Parking lots
- non-residential with existing residential use
- manufacturing/production malls/strip malls accommodation - hotels/motels tourism venues - theme parks, campgrounds
- Vacant commercial vs Improved commercial/ Linear should be discussed.
- Linear sub-class M&E Sub-class
- Retail, Office, Small industrial, Large Industrial
- Oil/Gas, manufacturing and processing, and maybe something for gravel pits separated.
- Should be a limited number. Two classes - Light industrial and Heavy industrial. Too many classes may make it difficult to administer.
- Office buildings Shopping Centers Professional Sport Facility Large industrial Commercial Industrial Parking lots
- Define the criteria for creating sub classes in Non-Res say Heavy Industrial, Light Industrial, Commercial
- Ancillary Building, eg, private Airport hangers, not really res. no commercial use.
- bix box retail and restaurants
- Specific use of improvement, such as non-profit, charitable organizations or community services projects.

- Business and Other Light Industrial Heavy Industrial Definitions similar to BC Assessment?
- High or low density zoning
- Vacant Houses, Non-residents, Leased Property,
- heavy/light industrial, commercial, institutional, recreational, etc.
- Vacant non res for certain. Vacant res as well though. Vacant lots used as holding properties detract from neighborhoods.
- Office buildings Shopping Centers Professional Sport Facility Large industrial Commercial Industrial Parking lots
- churches daycares any split classes
- Heavy Industrial/Heavy Commercial. Higher tax rate for those intensive operations who pollute via water/air/contamination of land. Include intensive users of water and wastewater facilities. Regulations could have standards set by Environment Canada guidelines. XX litres produced, XX gases released meet the definition of heavy industrial.
- Light Industrial/Commercial: Those not meeting heavy industrial definition.
- "Incentive" Industrial/Commercial: Ability for municipalities to provide lower tax rates as incentives for attracting new property owners. The municipality may be limited by time (ie five year maximum) or amount (limit how low the tax rate can be).
- Residential, Non-Residential, Designated Industrial Properties
- Uses that utilize, in an aggressive manner services such as roads, policing or other services not directly relative to Property Tax rates (high volume of Heavy Loads on municipal roads)
- Recreational property - (aircraft hangers and light aircraft traffic) most likely TIER 3 and smaller airports with traffic monitored by NAV Canada. Campgrounds - that are used seasonally and controlled by government intervention with bookings, rates other safety standards.
- Split between Big Box Store properties and small commercial properties for instance. Split between large multi-residential properties from small. 5 to 8 vs 9+
- Industrial -Commercial
- Small, single proprietorships, Family with/without employees of 5 persons, Small with 6 - 10 persons, Larger than 10 persons
- Designated Industrial Property - As Defined in the Act
- Industrial Retail Office Land only
- Oil & Gas, Timber, Recreational Airports, Recreational
- Non-Res, M & E, linear, Railway
- Development Land Lands whose highest and best use is for urban development even if zoned agricultural.

- Farm, Institution, Recreation, Other (Catch all for Office, Retail, Industrial, etc.)
- Office, Warehouse, Storage, Store,
- M&E, Power Generation, Wells & Pipelines, Telecommunications, Industrial/Commercial Sites, Neighbourhood Commercial
- Small Business Owner / Owner Occupied Commercial Business ventures operating in Rural Alberta. Home Base Business such as Bed & Breakfast establishment, welding shops to local trucking business.. Another one may include owner operated golf courses. owner operated ski hills, owner operated shooting ranges as examples.
- M&E Industrial Commercial Shopping centres Hotel Motel
- Hotels (Accommodation),
- Classes based on distance from city center (i.e. urban or suburban).
- Commercial Industrial Linear
- private/public owners
- Machinery and Equipment, Lodging, Office, Non-residential condominium, recreation
- Heavy Industrial, Light Industrial, Business Park come to mind. I feel it is really just a split of the industrial side. I doubt we would feel like splitting the commercial side up.
- Non-residential condominium plans where the municipality is not required to maintain or service the service roads etc.
- M&E Industrial Commercial Malls & Shopping centres Hotel/Motel
- M&E, Linear, Commercial, Industrial
- Industrial: product production Commercial: product sales
- Commercial Industrial Office Vacant Land M&E Oil Field
- The sub-classes should not be a must. It should be optional. Some sub-classes considered should be LI, LO, commercial, industrial.
- Heavy Industrial, general commercial
- Vacant Non Residential Non Residential < or > certain assessed value
- Assessors should not assess based on taxation policy. Ad Valorem people.
- Small business, power centers, industrial, commercial
- Retail, Office, Warehouse, Office/Warehouse, Office/Retail,
- Commercial, Industrial, Standalone Business
- Regulated and Linear property should have their own sub-classes.

- Industrial vs Commercial(Office/Retail)
- Obvious sub classes could include designated industrial property, small business, franchise business, etc.
- Non-Residential Improved - Food Services (Bakery, Restaurant, Lounge or any establishment required to comply with Alberta Health Regulations). Non-Residential Improved - Retail Stores (an establishment which brings in finished goods for resale). Non-Residential Improved - Manufacturing (plants that manufacture goods) Non-Residential Vacant - a vacant parcel of land Non-Residential Vacant with NO structures (a parcel of land that as minimal improvements such as fencing and pavement ie: parking lot)
- M&E and Linear as opposed to market value
- I think there should be "low" non-residential use to include storage land sites and buildings that are not used in high capacities and through puts
- M&E Oilfield M&E other Non-Res Oilfield Non-Res Other
- industrial High density Commercial Low density Commercial
- Industrial - Heavy and Light

ATTACHMENT 2

APPENDIX “E” – Mandate of the Commissioner, Advisory Board and ICARB

Role of the Commissioner

- The Commissioner should be an accredited assessor with experience in regulated assessment, or at a minimum meet the *Qualifications of Assessor Regulation*.
- The Commissioner would be appointed by the Minister of Justice.
- The Commissioner’s mandate would be to develop assessor training sessions with the AAA. The training to be offered through the Association and be available to all Association members (both accredited assessors and associate members). Industry representatives who are not accredited assessors can join the Association as an associate member.
- The Commissioner would work with the Regulated Policy Unit of Municipal Affairs to ensure transparency in the development of regulated rates, updating the Minister’s Guidelines (age lives, Schedule C tables, etc), developing agreed upon reporting cost reporting formats (s. 295 requests), developing reasonable reporting formats for s. 299 requests, and implementing the 2012 well site standardization study stakeholder report.
- The Commissioner would work with the Audit Unit to identify areas for new training and then develop the training with AAA.
- The Commissioner would receive input from the Advisory Board
- The Commissioner would provide training to the ICARB members on regulated assessment, the CCRG, construction planning, project estimating, etc.
- The Commissioner’s mandate described above will help to ensure assessment policy and legislation is applied consistently across the province

Assessment Commissioner Advisory Board – 7 Members

- 4 members would be appointed by municipalities and the AAA (2 by AAMD&C, 1 by AUMA and 1 by AAA)
- 2 members would be appointed by industry
- The Chair would be appointed by the Minister of Justice

- The Chair ensures regular stakeholder consultation, and provides feedback to Commissioner
- This proposal ensures the Commissioner is independent of Municipal Affairs and is independent of municipalities and industry. The Chair on behalf of the Board would bring changes forward for Commissioner's consideration.

INDUSTRIAL COMPOSITE ASSESSMENT REVIEW BOARD ("ICARB')

- Board members would be appointed by the Minister of Justice from a pool of candidates recommended by AAMD&C and AUMA. The Board would consist of approximately 9 - 12 members to represent municipal appointments, effectively a regional composite assessment review board.
- The Presiding Officer of an ICARB panel would be from the Municipal Government Board ("MGB").
- The Board Members (and proposed Presiding Officers from the MGB) would be required to take a training program. The Association recommends the Certificate in Tribunal Administrative Justice program provided by the Foundation of Administrative Justice (or equivalent). This training is approximately 70 hours and consists of the following: (i) two days of training in basic principles of procedural fairness, (ii) two days of training on evidence, (iii) two days training on interpreting legislation, (iv) two days training on decision making, (v) two days training on decision writing, and (vi) two days training on running an effective hearing.
- Provide the Board members with an equivalent amount of training on regulated assessment, including site visits to the various types of industrial properties, the use of various construction planning documents, project estimating, and measuring productivity.
- Provide the ICARB with active case management powers (for example, compelling a better description of the issues under complaint, allowing for Preliminary Hearings to hear applications for document production or a site inspection).
- The ICARB would have jurisdiction to order document production or a site visit whether or not a complaint has been filed.
- Provide the ICARB with the power to conduct Evaluative Alternate Dispute Resolution. Under this process an ICARB member (who would not sit as a panel member if there was a hearing) reviews the evidence & argument then meets with parties to advise how the ICARB member sees the case. The purpose is to encourage parties to resolve issues themselves after receiving input from an ICARB member.

ATTACHMENT 3

CREATION OF A CENTRAL AGENCY TO PREPARE INDUSTRIAL ASSESSMENTS

ALBERTA ASSESSOR'S ASSOCIATION – REPORT TO THE STAKEHOLDER ADVISORY COMMITTEE IN PREPARATION FOR THE MARCH ____, 2016 MEETING

BACKGROUND: The Stakeholders were asked to address the questions in the December 16, 2015 Discussion Document (a copy of which is attached). Those questions related to changing the *Municipal Government Act* (“MGA”), by creating a centralized assessment agency responsible for the preparation of the assessments of industrial property located in all municipalities.

The Discussion Document states that this issue was a consensus item among stakeholders.

EXECUTIVE SUMMARY: In coming to its recommendation below, the Association weighed:

- (i) whether there was consensus among stakeholders;
- (ii) the MGA objective to recognize local autonomy, and the goal of municipalities to maintain that autonomy;
- (iii) the goals of all stakeholders, including industry, especially the desire for greater consistency in the preparation of industrial assessments, and the desire for additional training;
- (iv) the problems identified in the December 16, 2015 Discussion Document;
- (v) the Code of Conduct which binds Association members;
- (vi) the most cost effective and timely option to maintain the local investment in resources needed to prepare assessments, while achieving the goals and addressing the problems identified;
- (vii) the municipalities’ need to obtain timely and responsive information from the assessment department for annual and long term budgeting; and
- (viii) the requirement of some municipalities to retain assessors with knowledge of industrial assessments to annually audit the assessment prepared by a central agency, and from time to time file a complaint against their own assessment.

RECOMMENDATION OF THE ALBERTA ASSESSOR'S ASSOCIATION

The Association recommends that municipalities maintain responsibility for preparing the assessments of all property within the municipality (with the exception of linear property), along with the following legislative changes:

- The creation of an Assessment Commissioner with a mandate to provide ongoing training for assessors and industry representatives [**please see Appendix E**];
- The creation of an Advisory Board to the Commissioner [**please see Appendix E**];
- The creation of an Industrial Composite Assessment Review Board (or ICARB), [**please see Appendix E**];
- Amendments to the *Municipal Government Act*, *Construction Cost Reporting Guide ("CCRG")*, and *Machinery and Equipment Minister's Guidelines* to clarify definitions, clarify terminology, update anticipated age lives, update the assessment year modifier, and update depreciation tables [**please see Appendix D**];
- Amend the *Machinery and Equipment Minister's Guidelines* to implement the well site standardization study completed in 2012. This will promote consistency, cost efficiencies, and allow local assessors to focus their expertise on property assessed using the CCRG [**please see Appendix D**].

ANALYSIS SUMMARY: In the course of preparing a response to this issue, a number of significant questions arose:

- (a) **Was there consensus among municipalities and municipal organizations that a new agency should be created to prepare industrial assessments?**

The Association understands that industry supports industrial assessment prepared by a central agency. However, the Association has not seen the same position advanced by a majority of municipalities, or the municipal organizations like AAMD&C or AUMA. Moving to a centralized assessment authority would require municipalities to retain assessors with this type of expertise to annually audit the assessment prepared by the central authority, and from time to time, file a complaint about their own assessment.

(b) What types of properties are included in the term “industrial property”?

The term ‘industrial property’ is not defined in the legislation, or in the Discussion Document. This term could include an entire spectrum of properties assessed by the local assessor, from a tank at a wellsite, to a gas plant, a high throughput grain elevator, a chemical plant and an upgrader [please see Appendix B]. We are proceeding on the assumption that all of these types of properties would be assessed by a centralized authority.

(c) Are the problems identified in the Discussion Document a priority for the majority of stakeholders?

Having regard for the objectives of the *Municipal Government Act* and stakeholder goals, the Association agrees that finding solutions for the problems identified would support the majority of legislative and stakeholder goals. [please see Appendix C]

(d) Would the creation of a centralized authority to prepare industrial assessments, solve the problems identified in the Discussion Document?

The Association is of the view that changing ‘WHO’ assesses industrial property by creating a centralized authority will not solve the problems identified, and would be costly. It would result in the loss of local knowledge about properties, the loss of local autonomy, and require municipalities to audit the preparation of assessments by a central authority.

The problems identified in the Discussion Document need to be solved by changes to legislation and the creation of an Assessment Commissioner with a mandate to provide ongoing training [please see Appendices D, E and F].

(e) What would be the most cost effective and timely manner to address the problems identified in the Discussion Document?

The problems would need to be solved through a combination of methods, including, changes to legislation, the creation of an Assessment Commissioner, and the creation of a dedicated Industrial Composite Assessment Review Board (“ICARB”). There is a perceived lack of consistency in the interpretation and application of the legislation

regarding the assessment of industrial property. The Association agrees that there are a large number of areas where the wording of the legislation would benefit from clarification. Clarification of the legislation, coupled with training on the legislation, would address the perceived lack of consistency.

The CCRG and the *Machinery and Equipment Minister's Guidelines*, were initially written as guidelines - not regulations. Legislative drafting conventions have not been used, and this has led to uncertainty in the interpretation. Both of these regulations were written many years ago. They have not kept pace with modern construction methods, and were written prior to the scope of the large mega-projects. Consistency in the interpretation and application of the CCRG and the *Minister's Guidelines* would improve if these legislative changes were made.

The anticipated age lives and depreciation tables in the *Machinery and Equipment Minister's Guidelines* were initially developed for use in the 1984 Assessment Manual. As a result these tables are over 30 years old, and have not been updated. The Association believes that its members, the representatives of property owners, and assessment review board members, would benefit from ongoing training. **[please see Appendices D, E, and F]**

Stakeholders devoted considerable effort in 2012, along with industry and Municipal Affairs, to the development of standardized groupings of well site equipment. The aim was to have regulated rates developed for use in assessing these groupings. Implementing these changes would create efficiencies and promote consistency. The Association recommends that the standardized groupings be implemented to support local assessors and industry. The implementation of standardized grouping with regulated rates would improve consistency. We estimate that approximately 70 – 80 % of the industrial accounts on the assessment roll in most municipalities, would be affected by this standardization. Under the existing valuation standard, there is a high administrative burden on industry and assessors to maintain this inventory. Moving to standardized groupings of well site equipment would lessen this administrative burden on assessors and industry. If time and cost savings are achieved it would allow local assessors to focus their expertise on the preparation of assessments for property assessed using reported costs and the CCRG.

There is a perception sometimes expressed by industry representatives, that municipal assessors are pressured to make assessment decisions to achieve a tax outcome. The Association's members are bound by the Association's Code of Conduct and Professional Standards, and can be subject to a disciplinary action by the Association if there has been a breach of the Code of Conduct. The Code of

Conduct, the oversight by the Assessment Commissioner and the provincial audit unit, will ensure that assessments are prepared in accordance with the legislation.

CONCLUSION

The Association has considered its recommendation from the approach of finding solutions to the problems identified in the Discussion Document. We do not support the idea that moving to a centralized assessment authority will, on balance, solve the identified problems. Moving to a centralized authority will be costly and require a large investment in the creation of new computer systems, and resourcing the central authority with assessors and other experts. In the current economic times, this initiative does not seem a wise expenditure. There are other less costly, and more effective options, to address the problems identified.

Indeed moving to a central assessment authority would create new problems as municipalities would be required to closely scrutinize the assessments prepared by a central authority for correctness and equity. If the assessment is prepared by a central authority, then from time to time a municipality will file a complaint against their own assessment, or a municipality might seek to become an intervenor in a complaint filed by a property owner. The Discussion Document has not considered the role that the municipality would play if there was a central assessment authority preparing the industrial assessment for the municipality.

For some municipalities industrial properties form a large percentage of their assessment base. Municipalities rely heavily on the local assessor to prepare the assessment roll to meet both the timing requirements of the MGA, and the municipality's own timing requirements. For example, some municipalities send their assessment notices in early January, and others send a combined assessment and tax notice later in the spring. This flexibility would be much more difficult to accommodate with a central authority.

Municipalities rely on the local assessor to provide them with timely and responsive information to meet current municipal requirements for long term budgeting, and tax projections. The Association is concerned that these necessary reporting requirements have not been considered in the discussion of a centralized authority.

We look forward to developing a solution to the identified problems with the SAC.

We invite other stakeholders to contact the Association's representatives, through the Association's office, if they have any questions.

Alberta Assessor's Association – February 16, 2016

Lawrence Butchart – President, and John Lindsay - President Elect

Stakeholder Advisory Committee Representatives

Karen Burnand, Rural Director, and Brian Lutz, Urban Director