Agenda – Executive Policy Committee - April 19, 2006

REPORTS

Item No. 6 **Assessment Task Force Final Report, Administrative Response File AA**

ADMINISTRATIVE RECOMMENDATION:

That the report be received as information.

DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On September 24, 2002, the Executive Policy Committee received as information the Final Report of the Assessment Task Force dated September 2002, and referred the report to the Administration for review and comment back.

Report

RE: Assessment Task Force Final Report
Administrative Response

FOR SUBMISSION TO: Executive Policy Committee

ORIGINAL REPORT SIGNED BY: R. P. Gannon, Chief Financial Officer

REPORT DATE: June 30, 2004

RECOMMENDATION: That this report be received as information.

REPORT SUMMARY:

Key Issues:

The Executive Policy Committee established the Assessment Task Force, chaired by Councillor O'Shaughnessy, to examine current assessment processes with a view of bringing forth recommendations for improvement.

The Assessment Task Force undertook a comprehensive review of many components of the assessment system within Winnipeg, and also reviewed comparable assessment models in other jurisdictions. The *Assessment Task Force Final Report* contained 37 specific recommendations in the following areas:

- Assessment - Legislative Framework, Transparency, Administration Cost / Quality / Service, Equity;
- Appeals - Board of Revision, Transparency, Municipal Board;
- Taxation.

The Assessment Task Force made recommendations in the following three major areas;

- Shortening the assessment cycle;
- Considering the establishment of an independent province wide assessment authority for Manitoba;
- Improving the assessment appeals process.

The administration concurs with these three fundamental recommendations. Each of these recommendations is dealt with in more detail in separate reports.

The Assessment Task Force made other related recommendations. For the most part, the administration concurs with these recommendations, and in some cases policies and procedures are already in place to support the recommendations of the Assessment Task Force.

Implications of the Recommendation(s):

General Implications

☐ None
√ For the organization overall and/or for other departments
√ For the community and/or organizations external to the City of Winnipeg
☐ Involves a multi-year contract

Comment: While the recommendation of this report does not, by itself, have general implications, should there be direction provided to move ahead and implement some or all of the specific recommendations responded to within this report, the implementation of these recommendations will have general implications.

Policy implications

☐ No
√ Yes

Comment: While the recommendation of this report does not, by itself, have policy implications, should there be direction provided to move ahead and implement some or all of the specific recommendations responded to within this report, the implementation of these recommendations will have policy implications.

Environmental implications:

√ No
☐ Yes
Comment:

Human Resource implications:

☐ No
√ Yes

Comment: While the recommendation of this report does not, by itself, have human resource implications, should there be direction provided to move ahead and implement some or all of the specific recommendations responded to within this report, the implementation

of these recommendations will have human resource implications. The details and strategies around such human resource implications will be contained in further detailed implementation plans.

Financial Implications

☐ Within approved current and/or capital budget

√ Current and/or capital budget adjustment required

Comment: While the recommendation of this report does not, by itself, have financial implications, should there be direction provided to move ahead and implement some or all of the specific recommendations responded to within this report, the implementation of these recommendations will have financial implications. The specifics of the financial implications will be contained in further detailed implementation plans.

REASON FOR THE REPORT:

On September 24, 2002 Executive Policy Committee referred the final report from the Assessment Task Force to the administration for review and comment back to the Executive Policy Committee.

HISTORY:

- December 5, 2001, Executive Policy Committee established the Assessment Task Force, Chaired by Councillor O'Shaughnessy
- September 16, 2002, Councillor O'Shaughnessy submitted the *Assessment Task Force Final Report* to the Executive Policy Committee for consideration.
- September 24, 2002, EPC referred the report to the administration for review and comment back to the Executive Policy Committee.

DISCUSSION:

At its meeting of December 5, 2001, the Executive Policy Committee established the Assessment Task Force to examine current assessment processes with a view of bringing forth recommendations for improvement. Appendix A contains the Executive Policy Committee motion creating the committee.

The final report of the Assessment Task Force was submitted to the Executive Policy Committee on September 16, 2002.

For ease of review, the following discussion repeats the recommendations from the executive summary contained within the *Assessment Task Force Final Report*. The response from the administration immediately follows each recommendation.

(A) Assessment

A.1 Legislative Framework

In its investigation the *Task Force* has observed that assessors in the City of Winnipeg have to work within a unique legislative framework that is not found outside the Province of Manitoba. This unique legislation leads to unnecessary complexities and, the Task Force believes, unnecessary costs that need not exist within the system. The *Task Force* therefore recommends that the following changes be implemented to rectify the situation:

1) The definition of value for assessment purposes be changed to more closely resemble that outlined in the Alberta legislation in order to make the system fairer for all taxpayers and to reduce the costs of administering the overall assessment system including the costs incurred by taxpayers using the appeal process.

The administration agrees with this recommendation.

The only realistic method for placing values in the assessment roll is to use mass appraisal techniques. Currently, although the definition of "value" in the Municipal Assessment Act is not specific, the courts interpret it as requiring a site-specific analysis in the defense of assessment appeals and do not accept valuations based on mass appraisal. A change in legislation with a specific definition of market value would require the courts and boards to embrace the principles associated with the mass appraisal of property for the defense of assessment appeals. This would permit the City Assessor to defend assessments in the same manner as the assessments were created. This would result in more efficiency in the appeal process. It would also eliminate the discrepancy which arises between those properties the assessments of which have been revised by the boards and those which have not.

This recommendation is further covered in the separate report on a two-year assessment cycle.

2) City assessors be given the same rights of access to property as their counterparts in other areas of Canada, such as Ontario, Alberta, British Columbia and the rest of Manitoba.

Assessment legislation in Manitoba has now been amended to provide this.

3) The City Assessor be empowered to change individual assessments between General Assessments, under circumstances where both the Assessor and the property owner agree that there is a mistake as to fact, in order to have more accurate and equitable assessments as a whole and to eliminate unnecessary appeals.

The current legislation includes this power. However, the administration is of the view that this power should be expanded to deal with other types of changes and not only mistakes of fact, so as to provide the City Assessor and taxpayers with sufficient flexibility to arrive at expeditious and inexpensive results where there is agreement between the parties.

This recommendation is further covered in the separate report on a two-year assessment cycle.

4) *The Municipal Board Act* be amended to encourage the Municipal Board to award significant costs to a winning party. Greater deterrents are required to motivate assessors to correctly assess, and to motivate property owners to avoid frivolous appeals.

The Municipal Board already has the power to award costs to a winning party.

5) The City Assessor be allowed to amend the realty roll as the result of a preview or reconsideration period involving agreement between the assessor and property owner after the roll has been closed.

The administration agrees with this recommendation.

This would create greater efficiency and be more responsive to taxpayers' comments by permitting roll amendments as a result of a preview process without the need for formal appeals and the adversarial process that inevitably results.

This recommendation is further covered in the separate report on a two-year assessment cycle.

6) A reasonable legislative date for the submission of income and expense information to the Assessor in a legislated format be established.

The administration agrees with this recommendation.

The key issue is consistency and predictability in the supply of income and expense information, both for the City Assessor as well as for taxpayers. This amendment would eliminate confusion on the part of taxpayers and clarify a date by which data must be received by the City Assessor. The date would be known well in advance, permitting taxpayers plenty of time in which to prepare their data.

This recommendation is further covered in the separate report on the two-year assessment cycle.

A.2 Transparency Issue

One of the key components of a good property assessment process is transparency or ease of understanding for the taxpayers. It is necessary for legislative change to occur before an acceptable level of transparency can be accomplished. The *Task Force* therefore recommends the following legislative changes:

1) Shortening the assessment cycle to one or two years.

The administration concurs with this recommendation.

This recommendation is discussed in detail in the separate report on a two-year assessment cycle. The Department believes that a shorter assessment cycle is in the best interest of all of the stakeholders in the assessment system, including the taxpayers, the City of Winnipeg, and the Property Assessment Department. A short assessment cycle is now the norm in Canada. The separate report on a two-year assessment cycle provides a detailed analysis of the issues relating to a move to a two-year assessment cycle, and the report lays out a recommended overall plan to achieve this goal.

2) The reduction in the cycle be phased in starting with the General Assessment being returned in 2005. Following that a two-year cycle would result in a 2007 General Assessment. At that time a cost-benefit analysis would be conducted to determine the feasibility of a one-year cycle.

The administration is fully supportive of a two-year assessment cycle, and the separate report on a two-year assessment cycle fully discusses this recommendation.

3) The Reference Year be in closer proximity to the Assessment Year. It is recommended that, by the time of the 2007 General Assessment mentioned above, the Reference Date be January 1, 2006.

The administration is fully supportive of reduction in the lag between the reference year and the assessment year, and the separate report on a two-year assessment cycle fully discusses this recommendation.

By the last year of the current assessment cycle (the fourth year), the reference year lags behind the assessment year by six years. This lag between the reference year and the assessment is far too long, and a reduced lag (more current values) makes property values more relevant and meaningful.

4) The City of Winnipeg Act be revised to incorporate a change in the methodology used to determine business assessment. Rather than establishing an annual rental value, the revised legislation should utilize a percentage of value occupied as contained in the Realty Assessment Roll. This would result in the Realty and Business Assessment Rolls completed as part of a single process, including appeals.

The administration concurs with this recommendation.

This recommendation is discussed in detail in the separate report on a two-year assessment cycle. This change will eliminate the current duplication of valuation effort and provide a more transparent and simpler system for business owners.

5) The Appeal authority consider lack of compliance in providing required information as a determining factor in awarding costs, as outlined in recommendation A.1.4.

The Municipal Board already has the power to award costs to a winning party. Its power includes substantial discretion to consider factors such as lack of compliance in making awards of costs. Further, other penalties for lack of compliance are provided for in the Municipal Assessment Act.

6) Property taxes be calculated on assessed values and percentages, based on categories, eliminating class portioning and mill rates.

The administration concurs with this recommendation.

From the taxpayers' perspective, the current methodology used to calculate the amount of taxes levied for municipal and education purposes is confusing. This confusion is a result of the complex set of rules to determine property classes, the corresponding portion percentage, the portioned assessed value calculation and the mill rates applicable for each of the three taxation levies. The majority of this complexity can be dealt with by simply utilizing a set of tax rates applied to the market value assessment.

7) The following process and time frame regarding finalization of the Property Assessment Roll in the City of Winnipeg be implemented:

• The City would prepare the Roll and issue notices as of May 31 or earlier as available.

• The Preview Process would be extended to all commercial properties as well. (Notably, the City has achieved a great deal of success utilizing a Preview Process for residential properties.)

• The Preview Process would occur from June 1 to August 31. Where the Preview Process fails to find a common ground, appeals could be filed during this period.

• Appeals may be filed anytime after notices have been received.

• The Board of Revision hearing would then take place over a three-month period, from September 1 to November 30.

• During the month of December, final amendments to the Realty Assessment Roll would occur, and on December 31 the Roll would close.

The administration supports the intent of these specific recommendations. A full review of the timeframes involved with the preparation, review, notification, and ultimate delivery of the assessment rolls is contained within the separate report on a two-year assessment cycle.

The administration specifically concurs with the recommendation to extend the preview program to commercial properties and the use of a prescribed time limit for the Board of Revision to hear appeals.

A.3 Administration - Cost/Quality/Service

Cost - The *Task Force's* investigations have determined that the costs of administering the assessment system in the City of Winnipeg are significantly higher than in all other jurisdictions within Canada.

1) The task force recommends that the outside consultant consider the establishment of an independent province-wide assessment authority for Manitoba, ending unnecessary duplication in a province with such a small population.

The administration is fully supportive of the establishment of a single province-wide assessment authority. A separate report on a single assessment authority for the delivery of assessment services in Manitoba has been prepared. This report will be delivered under separate cover.

2) The *Task Force* recommends that a complete review of the procedures and methodologies of the department be conducted by an outside consultant in order to identify best practices throughout the industry.

The administration believes that a complete review by an external consultant of the procedures and methodologies should be undertaken following the merging of the two assessment authorities into a single province-wide assessment authority.

As the two organizations are combined, there are many opportunities to implement the best processes (adopting the process of one organization or the other), or to adopt other industry wide best practices. An external review would be very helpful in examining the available options, and would allow the merged organization to benefit from the best available information and practices in building the new organization.

Quality - Investigations show that the public's dissatisfaction with the quality of assessments is unacceptably high. This is borne out by the high number of appeals by Winnipeggers.

1) The *Task Force* recommends that qualifications be raised for new hires and all promotions to include appropriate university degrees.

The administration concurs with this recommendation, and has already implemented such requirements. On January 29, 2004, three new class specifications were introduced replacing the four previous valuation related positions. All three levels of positions within the valuation area (Field Assistant, Valuation Officer, and Assessor) now contain post secondary education as a base requirement.

2) The *Task Force* recommends that all existing assessors be required to complete their Appraisal Degree (University of British Columbia). Current qualifications for an assessor require only a Grade Twelve education, or equivalent, and a valid Driver's License.

The administration concurs with the reasons behind this recommendation. Many of the current departmental staff have already voluntarily undertaken advanced university level education in real property assessment. In the past five years over 35 valuation staff have voluntarily completed such education. While encouraging this to continue, the departmental focus will be on raising the educational standards for new hires.

The department has now formalized the need for advanced education directly in the job descriptions for valuation staff. On January 29, 2004, three new class specifications were introduced replacing the four previous valuation related positions. The entry level valuation position (Field Assistant) now contains post secondary education as a base requirement.

In addition, the new intermediate level valuation position (Valuation Officer) now requires a technical college diploma or university degree plus the industry specific Certificate in Real Property Assessment. The top level valuation position (Assessor) now requires the completion of the specific university Diploma in Urban Land Economics.

Service - The Task Force received many representations during its deliberations. Common threads included the confrontational attitude and lack of informational response from assessors. A recent Municipal Board decision placed a value of $7.5 million on a property originally assessed at $14.8 million. Media reports quoted an assessment official as calling the result a victory for the Department.

1) The *Task Force* recommends that new customer service and public relations standards be implemented within the Department, and that all staff be given training in these areas.

The administration concurs with this recommendation.

Differing opinions to value are a normal part of the valuation process and this puts stress on customer service and public relations. Staff have undergone training in the area of customer service. The department recognizes the need for continued focus on these elements.

2) The Task Force recommends that the Department undertake a review of its internal electronic security system with a view of appearing more open to the public, while maintaining minimum standards necessary for the security of information.

The administration concurs with this recommendation.

The image that the Property Assessment department portrays is an important part of the relationship with its clients. An outward image that is more welcoming does support a positive image. The department will examine the system to balance this outward image of openness with the requirement for appropriate levels of security of information.

3) All present and future Assessment Department staff be required to undergo public relations and ethics training.

The administration continues to focus on skill building and further developing the core competencies of all department staff. These areas will be covered as part of the basic training for all staff. In addition, professional accreditation is a job requirement for the mid and senior level valuation positions. Education, professionalism, and integrity are key pillars for professional accreditation.

A.4 Equity in Assessment and Taxation

The *Task Force* is of the opinion that since property assessments are utilized to apportion the costs of municipal government amongst the beneficiaries of those services, equity in assessment methodology and tax treatment is critical. Upon reviewing the evaluation of various utilities and linear properties used for the transportation of goods or people, it is apparent that the same tests of market value are not equitably applied. In addition, the *Task Force* has become aware of properties either not assessed or either completely or partially not taxed, due to legislative restrictions imposed by other levels of government. In situations such as these, the balance of the citizens of Winnipeg are subsidizing these entities.

The *Task Force* therefore recommends that:

1) All properties be assessed.

This matter is one of public policy, appropriately addressed by City Council.

2) Only the level of government affected should have the authority to exempt properties from taxation. This will ensure that all properties in the City are treated fairly and ensure tax equity between all tax classes.

This matter is one of public policy, appropriately addressed by City Council.

3) *The Centennial Projects Tax Status Act* be repealed.

City Council has an approved policy which requests that no further properties be added to the list provided in this provincial statute. (Council – January 23, 1991) Any changes to this policy would be at the discretion of Council.

4) Appropriate amendments be made to *The Municipal Assessment Act* and *The City of Winnipeg Act* to provide for the fair and equitable taxation and assessment of utility companies.

City Council has approved a policy to this effect, and has requested that a change be made to the legislation by the Province of Manitoba. (Council – November 17, 1999)

5) MTS and other telecommunication companies pay taxes on the market value of their distribution infrastructure, as occurs in other provinces across Canada.

City Council has approved a policy to this effect, and has requested that a change be made to the legislation by the Province of Manitoba. (Council – November 17, 1999)

6) Railway infrastructure be taxed at fair market value, and all private sector business interests be placed on a level playing field for realty taxation. The legislation that presently exists requires updating to reflect the fair market value of roadway property owned by the railways.

This matter is one of public policy, appropriately addressed by City Council.

(B) Appeals

B.1 Board of Revision

In its deliberations, the Task Force concluded that the Board of Revision provided an integral access point to taxpayers. The Task Force commends the Board of Revision for its orderly processes and recognizes its Chair for the standards and training that have been implemented.

The *Task Force* recommends that:

1) Provincial legislation be amended to allow the utilization of one person panels to hear single-family residential appeals.

The administration concurs with this recommendation.

The implementation of one-person panels for single-family residential appeals would reduce the overall cost of the process, without diminishing its effectiveness. It would result in a more client friendly atmosphere with more informal, less intimidating hearings.

This recommendation is further discussed in the separate report on the City of Winnipeg Board of Revision's operation. This report will include an analysis of boards used in other jurisdictions, as well as financial and operational implications of a change in panel size. Recommended changes are made with respect to these issues.

2) The Board of Revision formally divide its members into two specialized areas - residential and commercial.

The administration is in agreement with this recommendation and has already implemented it for the Board of Revision. Separate commercial and residential panels have been put into place, with residential panels designated to hear all appeals related to single family dwellings and duplexes, and commercial panels hearing commercial appeals and other more complex appeals.

The commercial panels have received specialized training in regards to their roles and responsibilities and the manner in which commercial hearings differ from residential hearings.

As part of this process, other specialized training has also been established including chairmanship training for board members who chair meetings. As well, a mentorship program is being used to provide for succession of panel Chairs, and for the movement of board members from residential to commercial panels.

3) High value assessment appeals be prioritized at the front end of the assessment appeal process.

The administration is in agreement with this recommendation and has taken steps in this regard.

4) The existing training program developed by the Chair be continued and the City provide a budget level to accommodate fair compensation and training for Board Members.

The administration is currently preparing a report in regards to board member compensation, based on a study of other jurisdictions, which will be forthcoming shortly, and will make recommendations in this area as well as other changes in procedure for the Board of Revision.

5) The Chair of the Board of Revision evaluate members on an annual basis.

The administration concurs with this recommendation.

The Chairman of Board of Revision currently tracks the performance of board members on an annual basis, looking at average percentage decrease awarded by the panel. This information is used by the Chairman to balance the various members sitting on panels. The Board of Revision also collects performance information on board members through the usage of regular surveys with residential clients, to determine levels of customer satisfaction and to identify areas requiring improvement. As well, the Board of Revision is communicating with commercial clients to gain insight on the level of performance in that area. New initiatives such as the implementation of one-person panels will allow for enhanced performance evaluation of its members.

B.2 Transparency

The *Task Force* has observed that, unlike other similar appeal panels, the Board of Revision does not provide reasons for its decisions. This has resulted in many appeals being carried forward, at considerable cost, to the Municipal Board level.

The *Task Force* recommends that:

1) The Board of Revision provide reasons for its decisions either verbally at the hearing or in writing prior to the end of the Board of Revision appeal period.

The City Clerks department is currently preparing a report in regards to the provision of reasons, which will include a strategy for how to proceed in this area.

2) Provincial legislation be amended to require written submissions by all parties, at least 14 days prior to a scheduled commercial appeal hearing, and that this information be exchanged between the parties.

Provincial legislation does not have to be amended to accomplish this objective. The Municipal Assessment Act clearly states that the Board of Revision may determine its own rules of practice and procedure to govern the conduct of the business of the Board. A City of Winnipeg Council approved policy would be required to establish such a rule for the exchange of information at the Board of Revision.

B.3 Municipal Board

The *Task Force* recommends that:

1) The Municipal Board be restructured to provide a division which would operate solely as an Assessment Appeal Board.

The administration concurs with this recommendation.

2) An appeals resolution process similar to that being used by the British Columbia Property Assessment Appeals Board be instituted by the Manitoba Municipal Board or its replacement to expedite the appeal process.

The administration concurs with this recommendation.

The Municipal Board has recently implemented a new case management process aimed at narrowing the areas of dispute within an appeal, and attempting to resolve matters prior to a formal appeal hearing.

(C) Taxation

In the area of taxation, the *Task Force* recommends that:

1) The cost of education not be funded through property taxation but from Provincial general revenue. Until the education funding model is changed, the Province and the School Divisions should be responsible for billing and collecting their own revenue from property taxes.

There are two components to this recommendation, the first being that the cost of education not be funded through property taxation but from Provincial general revenue. The Minister of Education has established a working group to specifically research and make recommendations on this matter. The City of Winnipeg is a member of this working group and their report will be submitted to the Minister by the end of the 2nd quarter of 2004.

The second part of this recommendation is that until the education-funding model is changed, that the Province and/or School Divisions be responsible for their own taxation billing and collection.

On February 26, 2003 Council referred to the Executive Policy Committee a proposal for the preparation of separate tax bills for Municipal and Provincial portions of the realty tax. On June 25, 2003 Council granted a 365 day extension of time in order to refer the matter to the administration with instructions that the proposal be amended and further developed for inclusion in negotiations with the Province of Manitoba on the second phase of the City of Winnipeg Charter to allow the City of Winnipeg the necessary authority to prepare two tax bills.

2) Where the Appellant is successful and the Appeal results in a refund, refunds should be paid by the same parties (i.e. the Province, the school boards, and the City) who were the recipients in proportion to their original share of the revenue.

The administration concurs with this recommendation.

This is part of a broad issue dealing with property assessment and taxation as they relate to education funding. This includes:

- *creation of a single assessment authority with full cost recovery from citizens;*
- *cost recovery for the data/system management, billing and accounts receivable administration of the tax billing and collection process as it relates to education taxes;*
- *legislative amendments to permit the City to remit education taxes collected, not the full amount of education taxes billed;*
- *revenue sharing from supplementary property taxes such that the City, Province and School Divisions receive their respective amounts; and*
- *assessment appeal refunds and bad debt amounts to be paid by each of the parties affected by the appeal decision, namely the City, Province and School Division.*

FINANCIAL IMPACT STATEMENT:

No financial impact statement has been prepared for this report.

While the recommendation of this report does not, by itself, have financial implications, should there be direction provided to move ahead and implement some or all of the specific recommendations responded to within this report, the implementation of these recommendations will have financial implications. The specific financial implications will be described, and a financial impact statement will be contained in further detailed implementation plans.

IN PREPARING THIS REPORT, THERE WAS CONSULTATION WITH, AND CONCURRENCE BY:

- Corporate Finance – Taxation & Revenue
- Corporate Services – Legal Services
- City Clerks – Board of Revision

THIS REPORT SUBMITTED BY:

Department: Property Assessment Department
Division: Administration
Prepared by: M. Brian Moore, M.I.M.A.
City Assessor / Director

APPENDIX A

At its meeting of December 5, 2001, the Executive Policy Committee adopted the following motion:

WHEREAS the Executive Policy Committee is desirous of examining current assessment processes in the City of Winnipeg with a view of bringing forth recommendations for improvement;

AND WHEREAS the Executive Policy Committee would like to strike an Assessment Task Force to examine the following:

- *Current year assessments - change in the re-assessment cycle and more current reference years*
- *Recruitment and education of Board of Revision members*
- *One stop process - assessment adjustment process*
- *Simplified criteria which is publishable and understandable communications vehicles*
- *The income sensitive approach to assessment*
- *Information technology applications;*

THEREFORE BE IT RESOLVED that an Assessment Task Force be struck by the Executive Policy Committee comprised of the following membership, namely:
Councillor M. O'Shaughnessy, Chairperson
Mr. Martin Hak
Mr. Sandy Shindleman
Mr. Lorne Weiss
Ms. Brigitte Fritz

And further, that Mr. Bob Gannon, Chief Financial Officer and Mr. Brian Moore, City Assessor be non-voting ex officio members of the committee to examine the above-noted assessment processes for report back to the Executive Policy Committee.