Agenda - Council - March 23, 2005

Report - Executive Policy Committee - March 9, 2005

Item No. 2 Two Year Assessment Cycle
File AA

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On March 9, 2005, the Executive Policy Committee concurred in the administrative recommendation and submits the following to Council:

1. That the City of Winnipeg request the Province of Manitoba to implement a two-year assessment cycle.

2. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

Agenda - Council - March 23, 2005

Report - Executive Policy Committee - March 9, 2005

DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On March 9, 2005, the Executive Policy Committee concurred in the administrative recommendation and submitted the matter to Council.

Administrative Report

RE: Two-Year Assessment Cycle

FOR SUBMISSION TO: Executive Policy Committee

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

REPORT DATE: June 30, 2004

RECOMMENDATION: That the City of Winnipeg approach the Province of Manitoba with a formal request that a two-year assessment cycle be implemented.

REPORT SUMMARY:

Key Issues:

The Property Assessment Department is supportive of a move to a shortened assessment cycle. This can be achieved with the adoption of the key legislative changes and other operational changes outlined in this report.

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. The current four year assessment cycle can be reduced down to a two year cycle. This can be achieved for the 2008 general assessment roll assuming that a decision to proceed is made by December 31, 2004. The lag time (difference between the reassessment year and the reference year) can be reduced from the current maximum of a six year lag, down to a two year lag.

However, this transition must be carefully managed in order to control the high level of risk associated with this transition. In moving to a shortened assessment cycle, the two business processes that require the most resources to complete –appeal defense and data analysis / value generation – must be performed at the same time. Neither can withstand a significant diminution of staff resources and due attention. Failure to pay adequate attention to either of the major functions of appeal defense or data analysis and value generation will increase fiscal risk and most likely undo, at least on a temporary basis, any positives that stakeholders would garner from a shortened assessment cycle.

Thus, while supporting a two-year assessment cycle, the Property Assessment Department is recommending a number of changes to the manner in which the assessment system functions. The *Municipal Assessment Act* primarily governs the assessment system in the Province of

Manitoba, and the system involves many stakeholders. The Property Assessment department is able to put in place measures and systems to support a two-year cycle, but decisions and actions at other legislative levels are also required. The majority of the changes recommended have been analyzed and have been recommended by other outside review groups. These changes move the assessment system in the Province of Manitoba closer to the standard assessment systems that are currently operating in many other assessment jurisdictions in Canada.

The Department believes that the changes recommended in this report are in line with the fundamental principles of fairness, openness, understandability, and defensibility, and are in the best interests of all stakeholders in the assessment system. These recommended changes will streamline the assessment process and allow the Department to enhance effectiveness, while at the same time containing costs. It is important to note that these recommended changes in legislation, policies, and procedures work cooperatively together as a complete package in order to support a move to a two-year assessment cycle. A shortened cycle could not be achieved by simply implementing selected components of the plan.

With the implementation of the overall plan presented in this report, the Department believes that a successful transition to a two-year assessment cycle can be achieved, and this shortened cycle can be sustained in the long run for the benefit of all stakeholders.

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 forward with a two-year assessment cycle, the implementation of this shortened cycle 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 forward with a two-year assessment cycle, the implementation of this shortened cycle 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:

There has been considerable interest expressed at both the political and administrative levels to reduce the current four-year assessment cycle. Two recent reports – City of Winnipeg Audit Report, Assessment Task Force Final Report – have both recommended a move to a shorter assessment cycle. This report will provide a detailed analysis of the issues relating to a move to a two-year assessment cycle, and the report will lay out a recommended overall plan to achieve this goal.

HISTORY:

- The City of Winnipeg Audit Department completed a comprehensive audit in November 2001. The first recommendation of that audit was that:

    - "The Property Assessment Department should be evaluating its readiness to conduct annual general assessments and establish a long term plan to increase the frequency from the current four-year cycle. The City should then initiate the process of requesting the Province of Manitoba to amend existing legislation to permit more frequent general assessments."

- In December 2001, Executive Policy Committee established the Assessment Task Force, chaired by Councillor O'Shaughnessy. In September 2002, the Assessment Task Force submitted its final report to Executive Policy Committee (EPC). The report made many recommendations with respect to the overall functioning of the assessment and appeals systems. The report recommended:

    - "Shortening the assessment cycle to one or two years"
    - "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 undertaken to determine the feasibility of a one-year cycle"
    - "The Reference Year be closer in 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."

- On September 24, 2002, EPC referred the report to the Administration for review.

DISCUSSION:

1) An improved system

The Property Assessment Department is supportive of a move to a shortened assessment cycle. This can be achieved with the adoption of the key legislative and other operational changes outlined in this report. 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 shortened assessment cycle is now the norm in Canada. Appendix A lists the assessment cycles in various jurisdictions across Canada.

The Department has adopted a set of fundamental principles to guide the delivery of assessment services to the citizens of Winnipeg. These are known as the FOUD principles :

- Fair
- Open
- Understandable
- Defensible

The Department believes that a shorter assessment cycle, coupled with move to reduce the lag time between the reference year and the assessment year would enhance the Department's ability to support the FOUD principles.

As directed by the *Municipal Assessment Act* (Continuing Consolidated Statutes of Manitoba M 226), general assessments are done on a four-year cycle (section 9(2)), and the reference year is the year following the year of the previous general assessment (section 1(1)). At the reassessment year (year one of the cycle), the reference year lags the assessment year by three years. By the last year of the assessment cycle (the fourth year), the reference year lags behind the assessment year by six years. Table 1 shows the assessment year and the corresponding reference years under the current legislation.

Table 1 (R indicates the first year of the cycle)

Assessment Year	Reference Year	Lag (Years)
1998 R	1995	3
1999	1995	4
2000	1995	5
2001	1995	6
2002 R	1999	3
2003	1999	4
2004	1999	5
2005	1999	6

Assessment Year	Reference Year	Lag (Years)
2006 R	2003	3
2007	2003	4
2008	2003	5
2009	2003	6

The Assessment Task Force Final Report correctly notes "the average taxpayer does not have the resources to know if their assessments are accurate when dealing with historic information such as this". The current four-year cycle and the long duration between the reference year and the assessment year make it very difficult to promote the FOUD principles. To address these issues and improve the assessment system overall, changes must be made to both the length of cycle and lag between reference and assessment year.

2) Two-year Cycle – The Proposal

The department believes that a two-year assessment cycle can be a reality commencing with the 2008 general assessment roll. This roll will use January 1, 2005 as the reference date, and this roll will be issued in mid 2007. From this point forward, a two-year cycle will be sustained.

The next general assessment will then take place for 2010, with the roll to be delivered in mid 2009. The reference date for this cycle will be advanced to be January 1, 2008. The following general assessment will take place for 2012. The roll will be delivered in the fall of 2011, and will use January 1, 2011 as the reference date. This shortens the lag between the assessment year and the reference date to one year (first year of the assessment cycle).

The following table shows the expected assessment periods, reference years, and time lag. (R indicates the first year of the cycle)

CURRENT		
Assessment Year	Reference Year	Lag (Years)
2002 R	1999	3
2003	1999	4
2004	1999	5
2005	1999	6
2006 R	2003	3
2007	2003	4
2008	2003	5
2009	2003	6
2010 R	2007	3
2011	2007	4
2012	2007	5
2013	2007	6
2014 R	2011	2
2015	2011	3
2016	2011	4
2017	2011	6

PROPOSED		
Assessment Year	Reference Date	Lag (Years)
2006 R	2003	3
2007	2003	4
2008 R	Jan 1, 2005	3
2009	Jan 1, 2005	4
2010 R	Jan 1, 2008	2
2011	Jan 1, 2008	3
2012 R	Jan 1, 2011	1
2013	Jan 1, 2011	2
2014 R	Jan 1, 2013	1
2015	Jan 1, 2013	2
2016 R	Jan 1, 2015	1
2017	Jan 1, 2015	2

Appendix B includes a summary of a proposed timeline highlighting the major work components and dates associated with the 2006, 2008, and the 2010 general assessments.

3) Changes needed in many strategic and operational areas

The relationships of the various components of the assessment system are represented in diagram 1. The City of Winnipeg Property Assessment Department has a unique relationship with the balance of the Civic Administration and Council. The City Assessor has a clearly defined mandate that corresponds to the Provincial Assessment Authority, and must follow provincial legislation in the implementation of the assessment function. Diagram 2 indicates the complex interrelationship among the many key components of the assessment system.

The assessment function is carried out under the umbrella of a host of legislated and procedural guidelines. The manner in which property assessment is undertaken is influenced by the provincial government (Municipal Assessment Act), courts and tribunals, industry standards and practices, civic policy, internal departmental policy and process, and by stakeholder relationships. Thus, a significant change such as shortening of the assessment cycle cannot be achieved by a single action, taken by any single entity.

Issues can be grouped into the following categories:

- Legislative. Changes required to the *Municipal Assessment Act (MAA),* or other pieces of Provincial Legislation. These will require the support of, and actions by the Province of Manitoba. It is critical that these changes be adopted, as without fundamental change in the legislative framework governing assessment, a shortened assessment cycle would result in a flawed assessment system.

- Civic Policy. This is changes to existing civic policy or the development of new civic policy. This will require the support of, and actions by the City of Winnipeg Council, the Chief Administrative Officer, and other senior civic administrators.

- Tribunals. To a large degree, these entities, and their influence over the assessment function are driven by the provincial legislation. These entities rule on specific assessment cases using the current legislation, legal precedent, and internal policies and procedures. Changes in legislation to support a shortened assessment cycle will provide the majority of direction for the tribunals; however, some changes will be needed in the internal policies and procedures the tribunals. These changes will require the support and action by these entities.

Diagram 1

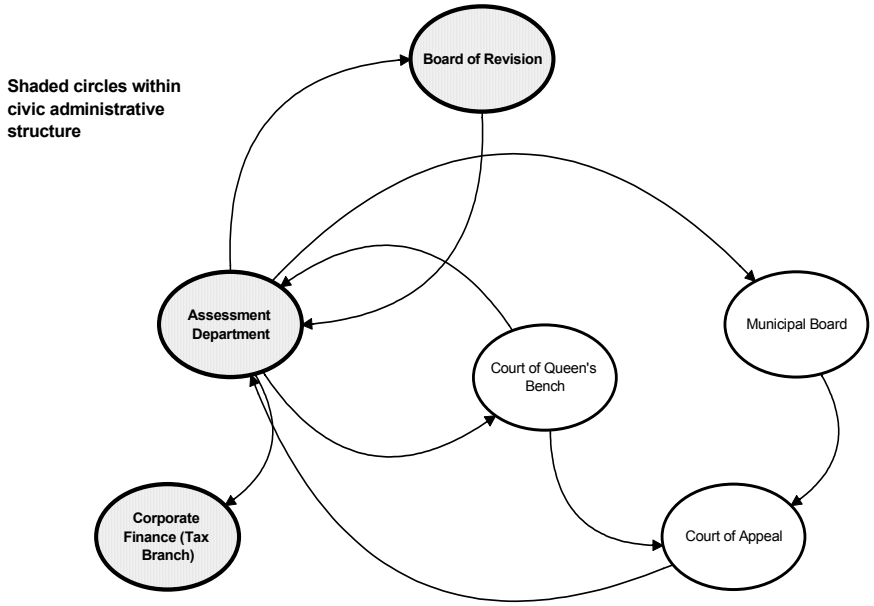
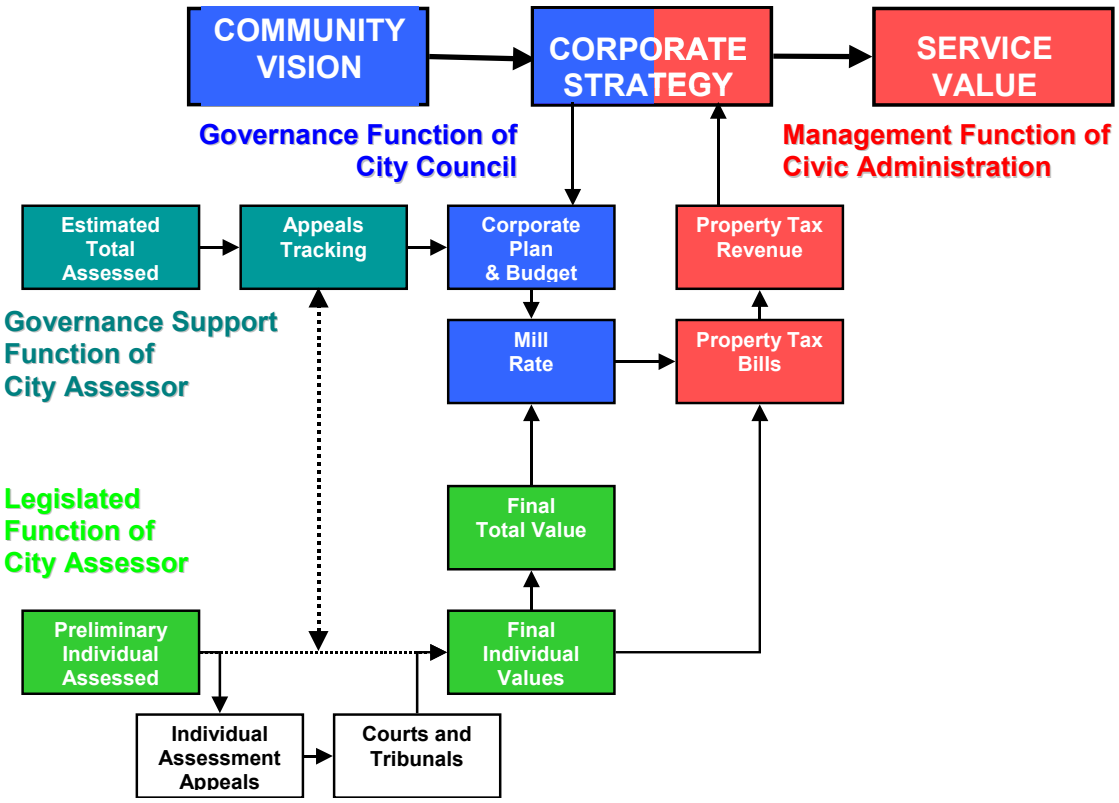


Diagram 2



- Industry standards and practices. Appraisal and assessment theory and industry best practices provide overall direction in the fundamentals of performing the assessment function. However, as in many disciplines there are options or choices to be made in how a jurisdiction performs certain elements of the function of assessment. A move to a shorter assessment cycle will require the Department to adopt some industry practices that better fit the demands and constraints of a shorter assessment cycle.

- Internal Property Assessment departmental policies and procedures. These are changes needed to the existing methods of operation within the Department. These changes will require the support of and actions by management and staff of the Property Assessment Department. Changes in departmental policies and procedures will constitute the second largest change required to support a shortened assessment cycle.

- Stakeholder relationships. The assessment system interacts with many stakeholder groups from commercial property owners, professional associations, residential owner groups, school divisions, to individual property owners. These stakeholders have a tremendous role to play and any consideration of a fundamental modification of the assessment system, which provides for the equitable distribution of taxation for all property owners, will require the support of the broader stakeholder community.

Thus, it can be seen that a move to a shorter assessment cycle can only be achieved with the involvement and support of many areas, mostly those outside of the actual Property Assessment Department itself.

4) Province-wide impact

It must be recognized that any change to the assessment cycle must be uniform across the entire Province of Manitoba. This is clear given that the assessment function is directed in most part by the *Municipal Assessment Act*. However, the approach taken by this report is to only analyze this issue from the perspective of the City of Winnipeg Property Assessment Department, and to specifically note the events, actions, and changes that are required as they relate to the properties within the City of Winnipeg. This report does not analyze the impact of a reduced assessment cycle on the balance of the province, nor does the report analyze the actions needed or the readiness of the Office of the Provincial Municipal Assessor to support a two-year assessment cycle.

5) Crossover Period – A time of significant risk

In any assessment cycle, the two time periods that require the most resources are the period leading up to the delivery of the general assessment roll (value generation), and the period right after the delivery of the roll (appeal defense). In the period leading up to the general assessment, a huge amount of effort is expended on final data collection, completion of various market analyses, mass value generation, stakeholder interaction, and value fine-tuning. This is truly a demanding time that requires the concentrated effort of the entire department. Over the last many years the Property Assessment department has put significant effort in improving the manner by which properties are assessed with a focus on improving the initial quality of the assessment roll. A very large effort is also extended to developing positive and constructive stakeholder interactions (e.g. the Residential Open House program).

In the period following the release of the general assessment roll, the property owners have the right to challenge their assessments, and file appeals. In any assessment system, appeals are normal, and a healthy course of events, which serve the interests of both the property owner and the Department. The highest numbers of appeals are normally filed in the first year of the assessment cycle. The Department must properly attend to these appeals in a thorough and expeditious manner in order to minimize financial risk to the City of Winnipeg. Appropriate numbers of staff must be allocated to this function. The Department has a broad responsibility to properly research and prepare diligently for these appeals and defend the valuation based on sound market analysis.

The most critical period of a move to a shortened assessment cycle - the period in which the most effort must be focused, and correspondingly, the time period with the most risk - will be the crossover period where these two business processes overlap. It is paramount that an adequate level of staff be allocated to assessment appeals in order to minimize risk; yet adequate levels of staff will also be required to be devoted to undertake the diligent collection and analysis of data in order to create sound, supportable values for the upcoming assessment cycle. Once the transition has been made, the collision of the two timelines is removed, and the new timeline can be sustained over time. However, the time of transformation from a four-year cycle to a two-year cycle carries significant risk. If insufficient attention is paid to the appeals flowing from the four-year cycle, financial risk to the City of Winnipeg will mount. Conversely, if insufficient attention is paid to the preparatory work for the first year of the two-year cycle, chances are that the quality of the roll will suffer. This will then generate even more appeals, affecting both the City of Winnipeg and all taxpayers, and the system could be locked in a serious downward spiral, undoing many of the positive improvements made over the past years.

This report pays considerable attention to this key issue, as a balance must be struck. Many recommendations regarding changes in legislation and in policy and process are made to effectively manage the considerable level of risk.

The Department believes that a shorter assessment cycle is in the best interest of all, but as shown, it will take changes in many strategic and operational levers, and will require the cooperation of all stakeholders to effectively make the transition while controlling risk.

6) Analysis methodology

The assessment system is very complex, involves many stakeholders, and despite the belief that a shorter assessment cycle is beneficial, considerable risk is involved in making this transition. In analyzing this issue, there are many combinations of legislative changes, internal policy and procedure changes, and sequencing of events that could be used to shorten the assessment cycle. The methodology used to assess the many components of the issue for the purpose of creating this report consisted of:

- List possible changes that would be required to move to a shorter cycle - changes in legislation, internal policy and procedures, methodology, etc.
- Out of the many possible actions available, build a package of actions that taken together in an orchestrated manner would chart a reasonable "game plan" to effectively move to a shortened assessment cycle.

The Department also analyzed options including engaging outside firms to undertake selected large components of work associated with either the defense of values or the analysis and generation of values. This is an expansion of the process already in place within the department where outside appraisal organizations are engaged to deal with special valuation and/or valuation defense projects. This has proven to be a very effective bridging option and has been used in the past reassessment cycle. This allowed the Department to effectively manage the workload and to provide a knowledge transfer to internal staff. However, the Department is being challenged on its ability to engage outside contractors. While it is felt that using increased levels of outside appraisal / assessment contractors can help to moderate the staff resource constraints, these actions will not address nor solve the fundamental issues related to a shortened assessment cycle. To truly have an effective two-year assessment cycle, core changes are required in the assessment system.

The criteria used to assist in selecting among the various options included:

- Support of the FOUD principles. How would the changes test against these principles?
- Acceptability. As noted, changes are required on many fronts to support a move to a shortened assessment cycle. Support must be broadly based.
- Ability to create a realistic package of changes that relate well to each other. In many cases, building an overall plan is akin to pushing on a balloon. A possible change in one area that makes a move to shorter cycle straightforward, may negatively affect some other operational element or adversely affect one of the stakeholder groups.

- Risk minimization. A poorly devised plan that would deliver a shorter assessment cycle without carefully managing the risk involved would undo many improvements and could be worse than a functioning four-year cycle.

7) Issues involved with reduction of the assessment cycle

This section discusses the issues involved with a move to a two-year assessment cycle. Specific recommendations for changes in legislation are made in some areas. In some cases there are many options to address the issue, ranging from new processes in stakeholder involvement, to formal changes in legislation. In addition, other areas deal with matters where the Property Assessment Department itself must implement new policies. Issues are also noted where the Department needs to provide continued focus in certain areas. Theses areas are not necessarily precedents unique to the implementation of a two-year cycle, but they are required in order manage the risk and to promote a successful transition to a two-year cycle.

The intent of this section is to present an entire cohesive package of issues that must be addressed by the various levels of agencies and governments. For each issue, a recommended change or action will be presented, along with a brief discussion to provide some additional context for the issue. In addition, many of these proposed changes have been the subject of considerable examination, and have been recommended by outside groups such as the Assessment Task Force. This report will not repeat the detailed discussions contained in these other outside reports, but references to the outside reports will be made.

a) Change in valuation date

For the 2008 roll, the valuation date should be January 1, 2005. This requires a legislative change. For the 2010 reassessment (roll to be delivered in mid 2009), the reference date for this cycle will be advanced to be January 1, 2008. The following general assessment will take place for 2012 (roll to be delivered fall 2011) will use January 1, 2011 as the reference date.

The Assessment Task Force Final Report noted the need to reduce the time lag between the assessment roll date and the valuation date. Reducing this gap makes the values more relevant and meaningful. Provinces on an annual assessment cycle include British Columbia, Alberta, Ontario, Nova Scotia, New Brunswick, Prince Edward Island, Newfoundland, and Yukon.

b) *Fees for appeal filing*

A well functioning appeal process is critical to the operation of a healthy assessment system and is needed to protect the rights of all stakeholders. It has been noted in the Audit report that a balance is needed – providing protection on the one hand, but ensuring that the system is not overburdened. A review of assessment jurisdictions across Canada indicates a wide range of fee structures. In multi-tiered appeal systems, some jurisdictions have fees at both levels, while others only have fees at the higher appeal levels. The fees vary considerably. For those that have fees at both levels, the first level is typically under $30. Fees climb considerably at the second level, and there is a mixture of flat rate and graduated fees (by property value and / or type). Depending on the level of appeal to be addressed, changes may be required either within legislation or by the action of a municipality or tribunal.

c) Use mass valuation as the test of assessed values at the appeal tribunals instead of the current site-specific test.

The Assessment Task Force Final Report carefully examined issues regarding the determination and the defense of fair market value. Currently, values are generated for the roll using mass valuation methodologies, yet valuations are argued in the appeal process on a site-specific basis. In essence, this causes the department to undertake additional work in appeal defense, significantly increasing workload. While the current legislation does not specifically define the mechanisms to be used, as discussed in the Assessment Task Force Final Report, courts in Manitoba have demanded that site specific valuations be used for appeal purposes. Specific legislation would be required to alter the current adopted view. This would eliminate the inequity in approach that arises between those properties, the assessments of which have been revised by the boards, and those which have not.

In reviewing this issue with jurisdictions across Canada, the assessment legislation is fairly similar regarding the definition of market value, and little direction is provided on how that should be determined (with the exception of Alberta, where specific direction is given on mass valuation). However, it appears that tribunals in other jurisdictions do in fact place weight on mass valuation methods in conjunction with site specific arguments. This allows for the placement of the specific property under appeal within a context of the entire market on a mass valuation basis.

d) Common form for evidence presented at appeal hearings

Appeal boards currently must wade through a great variation in evidence introduced making it difficult and time consuming to focus in the important root issues. A prescribed or common form for evidence will allow the appeal boards to more expeditiously zero in on the key areas of dispute, resulting in a more timely resolution. This will greatly reduce the time needed to hear appeals, and provide a much improved set of consistent data for all parties.

A common theme contained in the Assessment Task Force Final Report was the need to improve efficiency within all areas of the assessment system. The core of this specific issue is efficiency of process. This issue can be addressed in many different ways. Currently, appeal tribunals have the ability to limit irrelevant evidence. Further refinement and direction by the appeal tribunals of the evidence to be considered may assist in this area. Cooperation among the stakeholders in reaching agreement in areas of common format for evidence would also greatly assist.

The Property Assessment Department has been working with property owners and agents to case manage appeal files. This has been successful in narrowing issues and has been helpful in reaching early conclusions to appeals prior to reaching the formal appeal hearing. In addition to the department organized case management process, the Municipal Board has recently introduced a case management process under the direction of the Board. The Property Assessment Department welcomes the Board's involvement in the case management process, and is hopeful that the goal of reaching resolution on appeal files with reduced effort will be achieved. However, the process is just starting, and there are still issues of process to be clarified. Though even in this case management process, there still is a need for commonality of evidence to allow parties to focus on the key issues and eliminate extraneous information that tends to bog down the process.

e) Allow the Property Assessment Department to make assessment roll corrections and changes.

It is expected that this will greatly reduce the time to deal with appeals. Currently, the only mechanism available to the Department to change an assessment once the roll is struck is to appeal the property. In cases where the Department does believes that due to new information presented, the roll value does not represent the best possible value, an appeal is the only option. This forces both the Department and the property owner into a formal and time consuming appeal process, when in fact, both may be in agreement with a new value. This would require a legislative change. The Assessment Task Force Final Report provides an additional discussion on the merits of the recommended process.

f) Types of appeals to be heard by the two appeal levels.

Both the Assessment Task Force Final Report and the Audit report note issues on how property appeals wind through the appeal process. Both reports also comment on the need to improve efficiency. There are many options that could be employed to address these issues yet still provide protection for all stakeholders within a transparent system. Further detailed weighing of the options is required. Such changes may require either legislative change, or operational changes within the respective tribunals.

One option is to have non-residential property appeals heard by the Municipal Board only. Commercial property appeals are typically more complex than residential

appeals, require considerable more research and data, are longer to hear, and the arguments presented are much more technical. Currently, a very high proportion of these appeals end up at the Municipal Board immediately after being heard by the Board of Revision. This change would eliminate the duplication of effort by both parties, and free up time at the Board of Revision.

A related option is to have the Board of Revision as the final appeal for residential properties. These types of appeals are well within the capabilities of the Board of Revision to deal with. Keeping residential appeals at this level will allow the Municipal Board to have more time to deal with the complex commercial property appeals.

In reviewing the legislation and practices across Canada, it appears that most jurisdictions have few restrictions, and where there are two levels of appeal, all property types can be heard by both levels (starting at the first level and working upward), but there are differences the ability to introduce new evidence at the second level (introduction of new evidence is limited in Ontario and Alberta).

g) Time limits for the hearing of appeals

This would involve instituting a time limit (6 to 10 weeks) for the Board of Revision to hear appeals. This would be achieved through a legislative change, and through changes to the practices and procedures of the Board of Revision. Such a change would reduce the financial risk to the municipality by hearing the Board of Revision appeals prior to the setting of the mill rate. The long duration currently consumes a large number of resources that could be better used for primary valuation functions.

A review of Canadian jurisdictions on this matter shows considerable variation. Time limits are imposed on the first level of appeals in British Columbia, and Alberta. In other two-level jurisdictions (New Brunswick, Nova Scotia), there are no time limits. Appendix C provides further information on appeal time limits across Canada.

The Assessment Task Force specifically recommended time limits for appeals at the Board of Revision.

h) Collection of market information (non-residential) – Set date and format.

A shortened assessment cycle depends on having accurate and current information available in a timely manner. Methods to report, process, and analyze data must be highly efficient. Likewise, in a shortened assessment cycle, mass value generation must be conducted expeditiously.

Return date: The timely collection and analysis of income and expense data for non-residential properties valued on the income approach is critical. Working within a system with a defined date for the filing of such information allows for predictability and stability for data collection. Property owners will know well in advance of the timeframe to provide data, thus allowing them to properly prepare the data.

Format: Using a format that is predicable and stable will reduce the property owner's effort required to complete the request form. A standard format also will reduce the Department's effort required to interpret and analyze the data provided. In a shortened cycle, this is very important.

The key issue is the need for a high level of understanding between property owners (providers of the data), and the Property Assessment department (analyzer of the data) to provide for an efficient system. This can be accomplished employing different mechanisms. It would be best that the stakeholder groups reach agreement on date and format, but this may not be achievable. A regulated form provides an additional level of formality. A regulated form can be achieved where the enabling provision is set in statute, but the form can be modified through an administrative process.

Over the past few years, the Property Assessment department has moved toward a more consistent mailing timeframe, and there have been fewer changes in format required. Also, the Department has plans to develop an e-file type of data collection mechanism. This is expected to streamline the data collection process, require less staff time, and improve accuracy.

Both the Audit Report and the Assessment Task Force Final Report made recommendations in this area. The recommendations contained in these reports called for a legislated date and for a legislated format. While the setting of a date and format in legislation is one option, this is the most prescribed, and least flexible. Other options as noted above can still address the core issues of increased predictability, increased efficiency of entry and analysis, while providing for some level of flexibility.

Information obtained from other assessment jurisdictions indicated that a variety of methods and procedures are currently being used in this area. Other assessment jurisdictions within Canada tend not to have a return date set in legislation (exception – Ontario, for tenant name information), but have provisions to limit appeal rights if no information is provided when requested by the assessor. This type of penalty is similar to the mechanism currently in place in Manitoba. Most jurisdictions have a standard form based on property type. Most of these forms are created by the assessment organization, and are not set in formal legislation, but jurisdictions such as Edmonton use an advisory process struck with stakeholders to ensure consistency of information. Jurisdictions have various processes in place to deal with incomplete or non-responsive information returns, but the ability to have a straightforward and efficient system to gather and process the key market data required for proper valuation appears to be a constant challenge for all assessment jurisdictions.

i) Link business assessment to realty assessment

Currently the basis for valuation for realty assessment is different than the basis for valuation used for business assessment. The Assessment Task Force Final report recommended that this complication and inefficiency be done away with, in favor of a simpler and more efficient system. Specifically, the Task Force recommended that "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 change will eliminate the current duplication of valuation effort and provides a more transparent and simpler system for business owners. This change could be done maintaining revenue neutrality for the City of Winnipeg, and avoiding unwanted shifts in assessment burden.

j) Enhance the open house / preview program for the 2008 roll

Provided that the Department has the legislative ability to amend the roll, a preview roll is not required, and any information obtained from property owners through ongoing proactive communication can be used to adjust the roll. Any roll adjustments that are required can be made without the need for the formal and time consuming appeal process. This would allow the Property Assessment department to devote additional focus on the shift to a shortened assessment cycle and toward continued improvement in the quality of the assessment roll. The Assessment Task Force Final Report specifically approved of the preview process used for residential properties in the 2002 general reassessment; however, the report recommended more focus be put on non-residential properties to improve transparency and accessibility.

k) Continued Focus on Data Elements

Accurate and up to date property characteristics are essential to any market value assessment system, but a shortened assessment cycle brings additional pressure to ensure usability of the data. Up-to-date and accurate property attribute data is critical to the valuation process. Data on altered properties is required to be current prior to commencing with detailed market analysis in preparation for general assessment roll.

The Property Assessment department has conducted many programs over the past four years to enhance the quality of the data. These programs have been standalone initiatives such as the residential inspection project, part of the ongoing permit processing / inspection process, or have been undertaken as part of an information technology implementation project such as the CAMA Commercial Component Enhancement (CCCE) project. New and enhanced systems are required in order to support the needs of the assessor in a shortened assessment cycle. The assessor must be able to have all of the relevant data and analysis tools available virtually "at his or her fingertips". Systems must be installed that automate and streamline the filing process for property owners.

The Audit report highlighted the importance of data to the valuation process. The Department concurs, and thus will continue to focus on resources and systems to ensure the quality, currency, and accuracy of the data elements in order to properly supply the valuation models.

l) Increase efficiency in data gathering

The Assessment Task Force Final Report in particular commented on the need to increase overall efficiency within the Property Assessment Department. The Department believes that the implementation of enhanced self data reporting mechanisms will help to improve efficiency. The Audit report also indicated a need to ensure the quality, currency, and accuracy

of the data elements in order to properly supply the valuation models, and to lessen administrative burden. Further investigation is required in this area to determine how self reporting could be implemented. It is expected that some legislative changes would be needed to firstly enable such a mechanism, and secondly to provide the required framework and enforcement provisions needed to make this mechanism workable for all stakeholders.

In addition to self reporting, the Property Assessment Department continues to bring forward improvements such as the use of hand held field data collection devices. This is expected to streamline the data collection process; requiring less staff time, while improving accuracy.

m) Staffing

While the Property Assessment staff are supported with technology and processes to speed up the valuation process and increase the quality of assessments, in the end, sufficient competent staff will still be required. Highly skilled and motivated staff are a must in order to make a successful migration to a shorter assessment cycle. All of these staffing issues are the responsibility of the Property Assessment Department.

The Assessment Task Force made specific recommendations on the education and training of departmental staff. The Department already has implemented many of these recommendations. A new series of job descriptions has been implemented that better aligns skills and abilities to functions needed in the modern assessment office. In addition, the Department is focused on completing the implementation of the Quality Management System. This system, which touches all levels, and all business processes within the department is designed to support ISO 9000:2000 specifications. It is expected that this will improve the overall quality and reliability of departmental processes, and enhance trust and credibility with stakeholder groups.

8) Going forward

The purpose of this report is to respond to the recommendations for a shortened assessment cycle. This report lays out various recommendations for changes needed at many operational and jurisdictional levels to support a two-year assessment cycle. Clearly these recommendations will require considerable dialogue and debate at many levels of the various stakeholders groups.

This report also outlines an overall plan of how the transition to a two-year cycle would unfold. Should there be an overall favorable response to the recommendations presented within this report and a commitment by the appropriate administrative and legislative levels, then a more detailed plan would need to be created. The Department stands ready to actively participate in the dialogue regarding a move to a two-year cycle, and if called upon, would further undertake more detailed analysis and planning in preparation for the full implementation of a two-year assessment cycle.

9) Conclusion

The Property Assessment concurs with the recommendations from both the City of Winnipeg Audit Report and the Assessment Task Force Final Report regarding a move to a shortened assessment cycle. However, this transition must be carefully managed and core changes must be made to the provincial assessment system in order manage the high level of risk associated with this transition. In moving to a shortened assessment cycle, the two time periods of highest activity, appeal defense, data analysis and value generation, overlap. Neither can withstand a significant diminution of staff resources and due attention. Failure to pay adequate attention to either of the major functions of appeal defense or data analysis and value generation will increase fiscal risk and most likely undo any positives that stakeholders would garner from a shortened assessment cycle.

Thus, while supporting a two-year assessment cycle, the Property Assessment Department is recommending a number of changes to the manner in which the assessment system functions. The *Municipal Assessment Act* primarily governs the assessment system in the Province of Manitoba, and the system involves many stakeholders. The Department is prepared to put in place the measures and systems to support a two-year cycle, but specific changes needed to implement a two-year cycle require decisions and actions at other legislative levels. The majority of the changes recommended have been thoroughly analyzed and recommended by other review groups (City of Winnipeg Audit Department, 2001; Assessment Task Force, 2002).

The Department believes that the changes recommended in this report are in line with the fundamental principles of fairness, openness, understandability, and defensibility, and are in the best interests of all stakeholders in the assessment system. These recommended changes will streamline the assessment process and allow the Department to enhance effectiveness, while at the same time containing costs. With the implementation of the overall plan presented in this report, the Department believes that a successful transition to a two-year assessment cycle can be achieved, and this shortened cycle can be sustained in the long run for the benefit of all stakeholders.

FINANCIAL IMPACT STATEMENT:

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.

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:

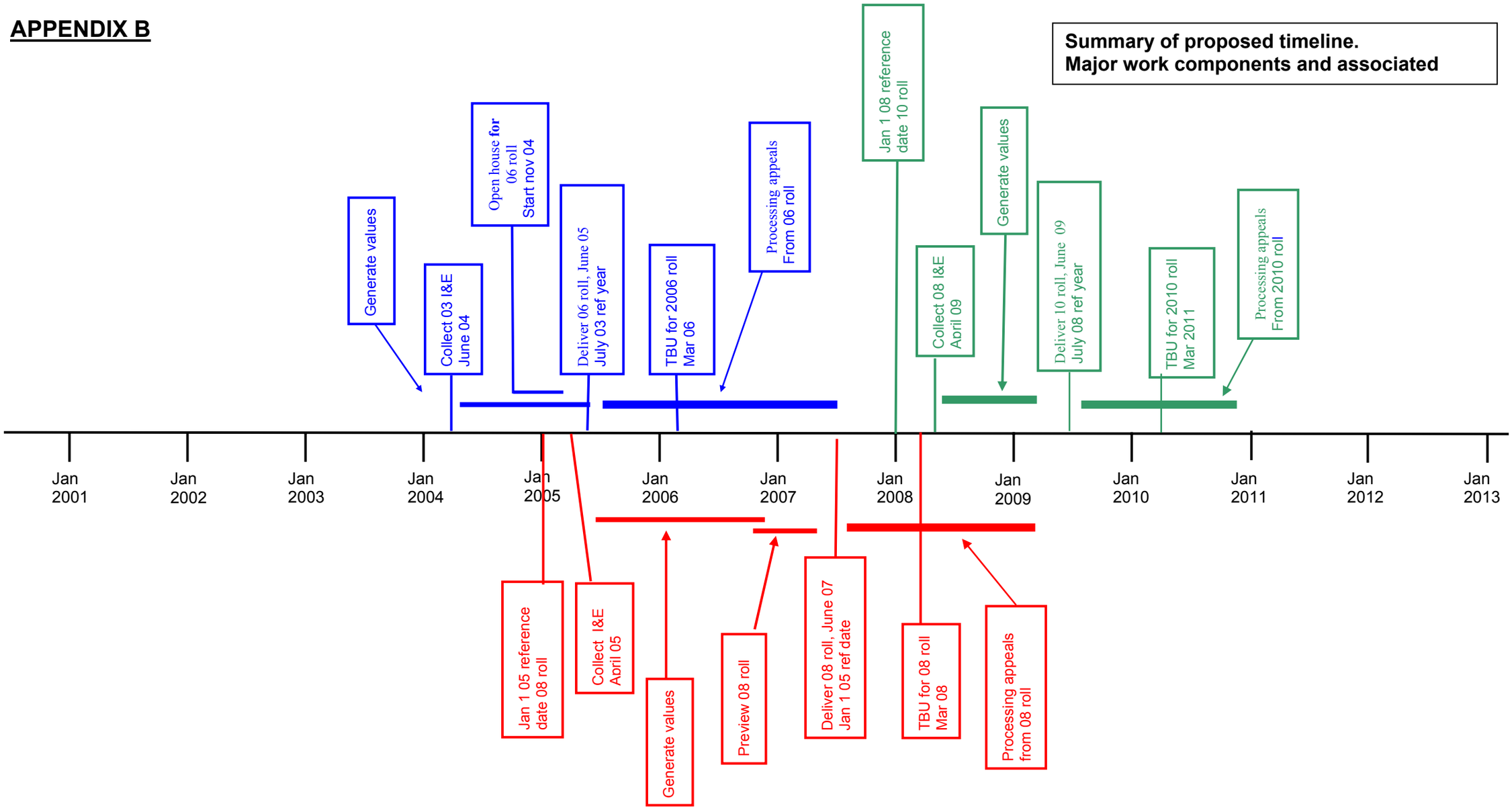
Department: Property Assessment Department
Division: Administration
Prepared by: M. Brian Moore, M.I.M.A.
City Assessor / Director

APPENDIX A

Province	Current Cycle
British Columbia	Annual
Yukon	Annual
Northwest Territories	Ten Years Yellowknife – four years
Alberta	Annual
Saskatchewan	Four Year
Manitoba	Four Year
Ontario	Annual Averaging process utilized
Quebec	Three Year
New Brunswick	Annual
Nova Scotia	Annual
Newfoundland	Annual
Prince Edward Island	Annual

APPENDIX B

Summary of proposed timeline.
Major work components and associated



Appendix C

Jurisdiction	Appeal Time Constraints
British Columbia	First level appeals are only heard between February 1 and March 15 of each year. During that time, all appeals are dealt with. Appeals to the second level must be filed by April 30. Second level appeals – parties attempt to hear within one year.
Alberta	First level appeals (ARB), the complaint must be filed within 30 days after assessment notice is sent. The ARB must make all decisions within 150 days after the assessment notices are sent out. Second level appeals (MGB), the complaint must be filed within 30 days after the decision of the ARB has been sent to the complainant. The MGB must make its decision within 150 days.
Newfoundland	Only one level of appeal. The first sitting of a commission shall be as soon as possible after July 1 and no later than November 15, each year.
Nova Scotia	No time limits.
Ontario	No time limits.
Saskatchewan	Legislation requires the Board of Revision to complete all appeals 180 days from the date of the assessment notice mailing.