



The Corporation of the Town of Milton

Report To: Council

From: Glen Cowan, Chief Financial Officer / Treasurer

Date: May 3, 2021

Report No: CORS-027-21

Subject: 2020 Property Assessment Appeals and Assessment Base Management Activity Update

Recommendation: THAT report CORS-027-21, 2020 Property Assessment Appeals and Assessment Base Management Activity Update, be received for information.

EXECUTIVE SUMMARY

The purpose of this report is to provide Council with an update on assessment appeal activities and to highlight staff efforts in accordance with Corporate Policy 111 (Financial Management – Taxation and Assessment Base Management). Also included in this report is an update on the current COVID-19 impacts on the assessment appeal process.

REPORT

Background

Assessment Base Management (ABM) is a continual process that encompasses a wide range of assessment and taxation activities that are designed to ensure that assessment values are fair and accurate, and to prevent possible erosion to the assessment base. This process is complimentary to the taxpayer's right to seek relief and helps to ensure that reductions or increases to assessment created through the appeal process are equitable.

In December of each year, the Municipal Property Assessment Corporation (MPAC) provides the Assessment Roll to each municipality for the following taxation year. An audit of the Roll is carried out by staff to identify errors and omissions such as:

- current value assessments that are too high or too low;
- incorrect business and tax classification (i.e. commercial vs industrial)
- change in use due to rezoning
- change in use due to cease farming
- land or building omitted from the Roll
- demolished buildings not removed from the Roll
- building improvements such as new additions not yet assessed



Background

- change in tax status (i.e. exempt to taxable)

In addition to the audit outlined above, assessment staff also analyze and review development applications, building permit lists, and sales of local properties. The findings are submitted to MPAC along with any requested changes or updates.

Each reassessment cycle, staff also conduct an Assessment to Sales Ratio (ASR) analysis of the real estate transactions that have taken place close to the valuation date (i.e. January 1, 2016 for the 2017 to 2021 taxation period). The transactions are compared to the CVA created by MPAC for that cycle. The ratio study helps to determine if the current value assessment is within the range of reasonableness. The ASR is derived by dividing the assessed value of the property by the selling price.

Discussion

Town Initiated Appeals

Pursuant to S.33, 34, 40, 39.1 and 40.1 of the *Assessment Act*, R.S.O. 1990 c. A.31, as amended, Council may complain in writing to the Assessment Review Board, that it or another person was, in respect of real property:

- assessed too high or too low;
- was classified incorrectly;
- was wrongly placed on or omitted from the assessment roll; and/or
- was wrongly placed on or omitted from the roll in respect to school support.

The regularly scheduled deadline to appeal to the Assessment Review Board is March 31st of the current taxation year. In accordance with Corporate Policy 111 and the authorities provided in By-law 049-19, staff file appeals (if applicable) in advance of the deadline and subsequently report to Council.

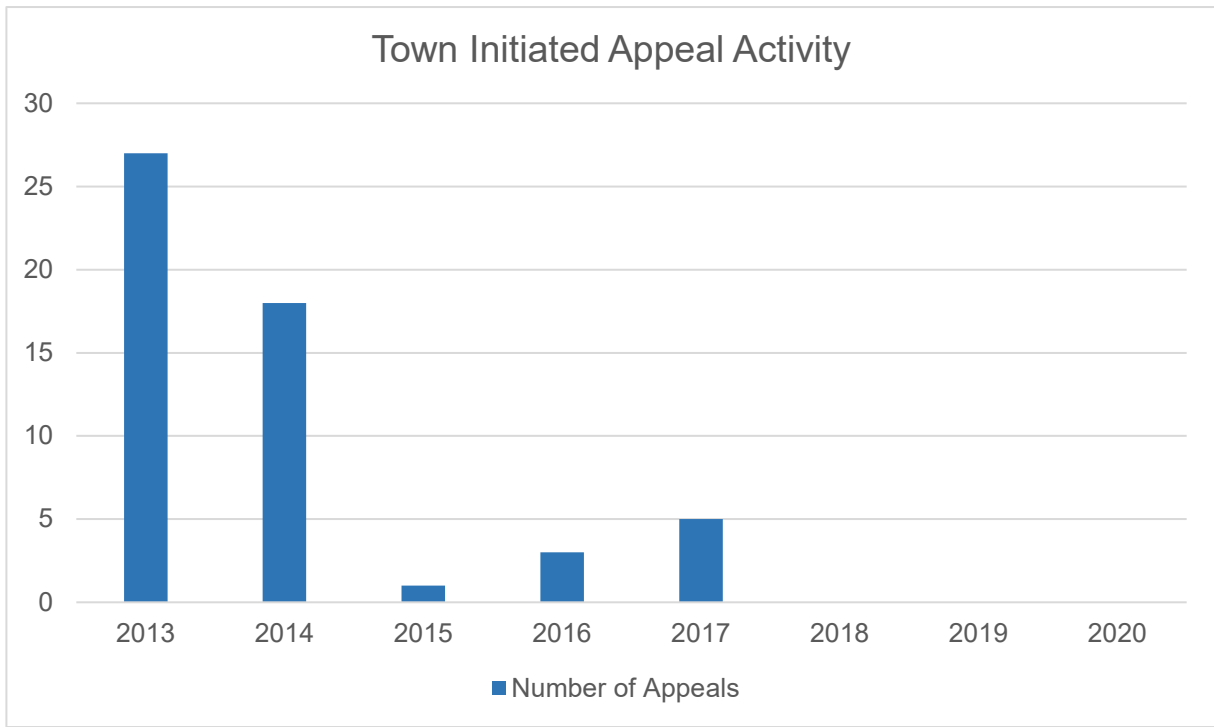
The reviews conducted for the 2020 taxation year did not warrant any proactive Town initiated appeals, as such none were submitted in advance of March 31st. This is attributed to the revised functionality of Municipal Connect 2.0, the communicative software between MPAC and the municipality. It allows for property specific issues to be submitted and addressed in a timely manner, forgoing the need to launch a formal appeal. The need has also been lower in recent years as the values in the roll are from the latter years of the four-year phase-in (and have therefore had previous opportunity for review and action where appropriate).



Discussion

Assessment staff will continue to monitor supplementary/omitted activity along with Requests for Reconsideration (RfR), as received, and file appeals if required.

The following table summarizes the Town-initiated appeal activity. Appeals were more prevalent in the years 2013 and 2014 as process improvements have since been made with MPAC in respect to property assessment review as mentioned above.

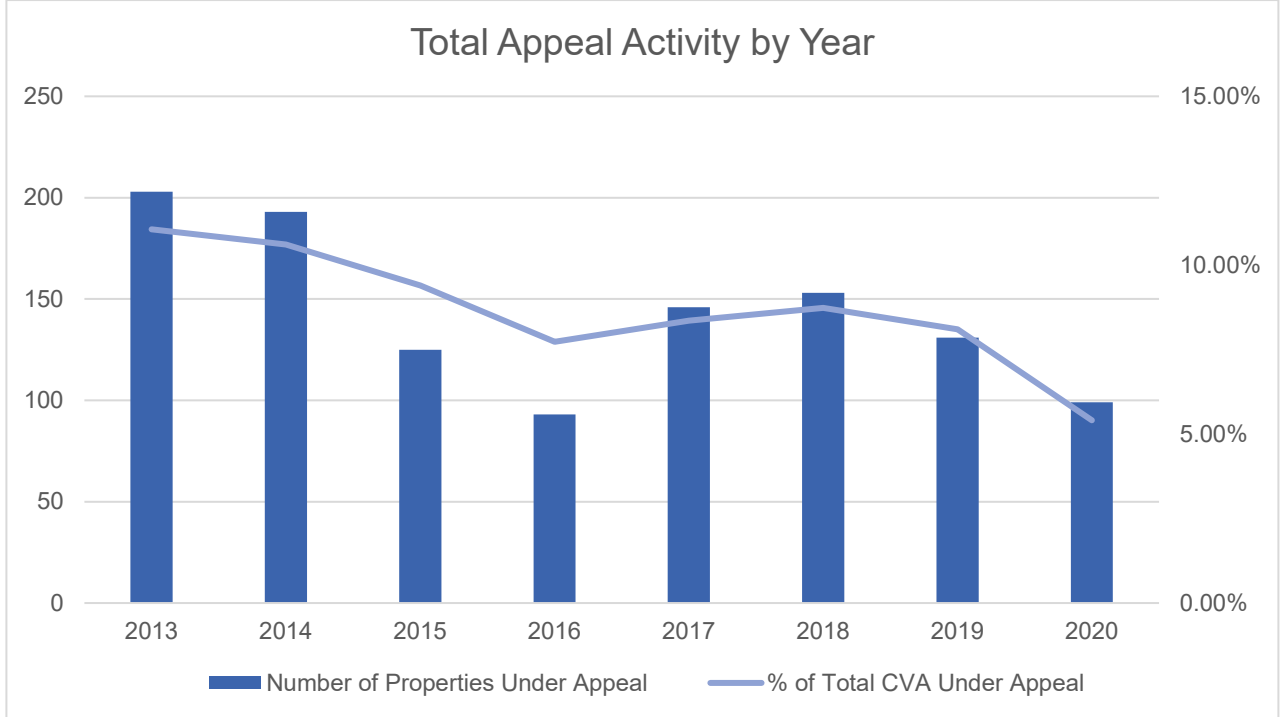


Assessment Base Management Activity Update

In addition to supporting Town-initiated appeals, Town staff are actively engaged in supporting the Town’s position in appeal processes that are initiated by other parties including the property owners. The following table presents a history of appeal activity based on information made available by MPAC. It identifies 99 properties with active appeals during the 2020 tax year. The total value of those properties equates to 5.41% of the full Current Assessment Value (CVA) for all properties in the Town.

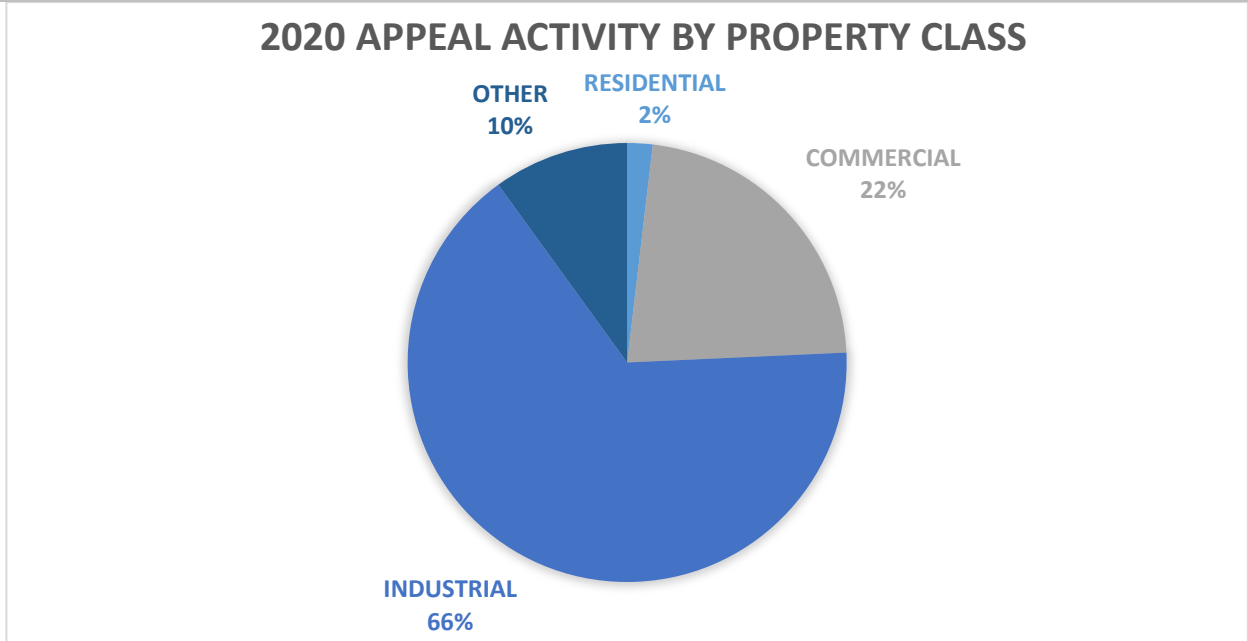


Discussion



The appeal activity in 2020 continued to be largely related to the industrial and commercial properties as shown in the table below. These two categories accounted for 88% of the \$1,484,282,000 CVA under assessment appeal.

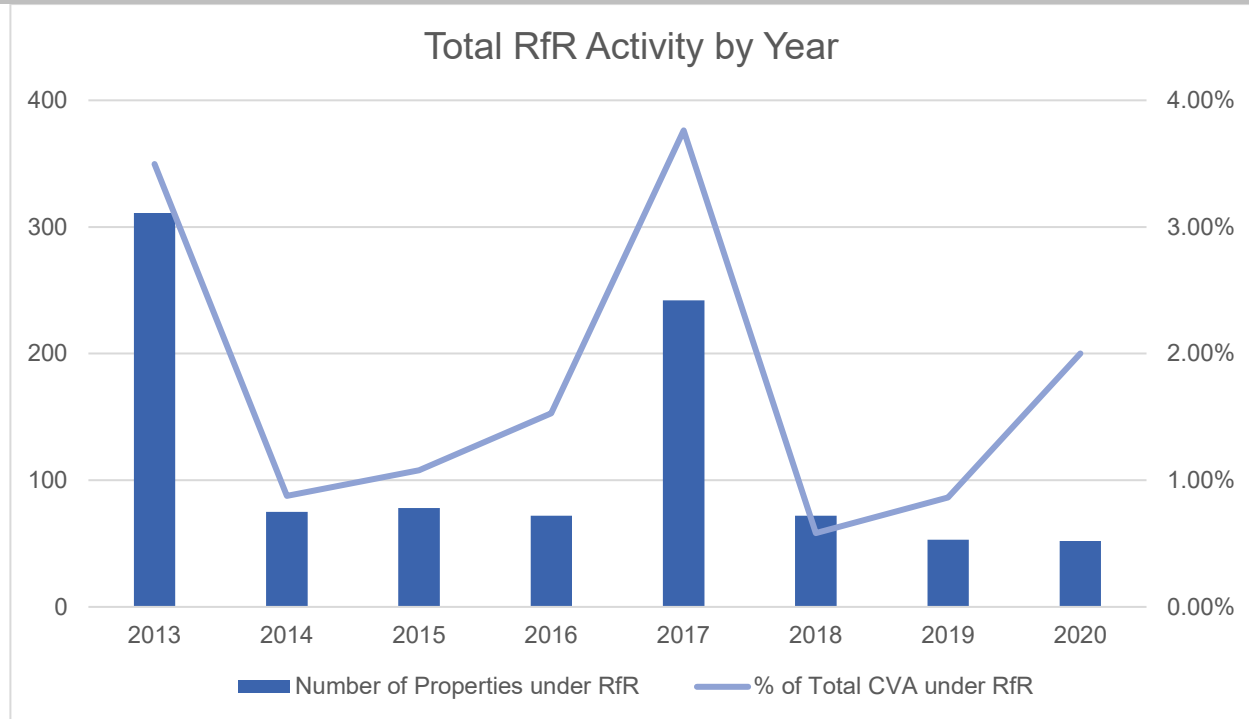
Discussion



In addition to appeals, Town staff also have the opportunity to review and respond to Requests for Reconsideration (RfR) processes. Residential, farm, managed forest, and conservation land properties are required to proceed through an RfR prior to filing an appeal to the ARB, and therefore comprise a larger share of RfR activity relative to the appeal activity noted above. The following table provides a continuity of RfR processes within the Town of Milton.

It is important to recognize that the volume of appeals, whether Section 40 or RfR, fluctuate greatly throughout the assessment phase in cycle, with the majority occurring within the first year of the four-year reassessment cycle (ex. 2013 and 2017). The latest reassessment update will reflect values based on a January 1, 2016 valuation date and will provide the basis of property taxes for the 2017 to 2021 taxation years.

Discussion



The Town's assessment base management staff have also undertaken a variety of other initiatives during 2020 to further protect the integrity of the Town's assessment base and better position the Town going forward. Those achievements include:

- Providing responses to all owner-initiated assessment appeals, and participating in multiple mandatory settlement meetings, further negating unwarranted assessment losses
- A building permit audit of renovations, additions, and demolitions approaching the three-year omitted assessment window where the municipality may levy additional property taxes for the current year and, if applicable, for all or part of the two previous taxation years.
- Conducting a review of MPAC's year end changes to confirm accuracy and value prior to roll return
- A targeted review of Agricultural building permits
- Analyzing properties assessed under \$500,000 and containing a minimum of 5 acres of land
- Ongoing communication with Ontario Municipal Tax and Revenue Association (OMTRA), including the appointment of a member of Town staff as a Board Director



2021 Outlook & COVID-19 Impacts

As announced in the *March 2021 Provincial Economic and Fiscal Update*, the Ontario government is further postponing the property tax reassessment that was scheduled to be conducted in 2020 for the 2021 taxation year. Outcomes from the ongoing property assessment and taxation review will be communicated in the fall of 2021.

The property assessments for the 2021 tax year will continue to be based on the fully phased-in January 1, 2016 current values, outside of any physical changes completed on the property.

The Municipal Property Assessment Corporation (MPAC) has not made any adjustments to the standard Request for Reconsideration (RfR) deadline for the 2021 taxation year, as compared to the 6-month extension granted in 2020. MPAC maintains that any influence the COVID-19 pandemic may have on property values was not in effect surrounding the January 1, 2016 base year. For that reason, RfRs that exclusively cite COVID-19 will not result in a value change for the 2021 property tax year.

In addition, the Assessment Review Board (ARB) did not make any concessions to the filing deadline of assessment appeals for the 2021 tax year, which remains on March 31st, 2021. The Board continues to process appeal settlements, host telephone conferences, and schedule new appeals. Any outstanding appeals will be deemed and added to the existing schedule of events based on the originating appeal. All new 2021 appeals will be assigned a schedule of events.

Financial Impact

There is no fee for the Town in responding to owner-initiated appeals and/or Requests for Reconsideration (RfR), as the Town is considered a respondent in the appeal process. Historically, the Town's assessment staff involvement in the appeal process has proven beneficial to the prevention of erosion to the assessment base and the application of equitable assessments, resulting in a fair distribution of the cost of the Town's services.

The results of the aforementioned review processes are adjustments to property tax collection for the Town. The following table presents both the annual write-offs and supplementary tax revenues for Milton (Town share only) during the last four years.

Town Share	2017	2018	2019	2020
Supplementary Revenue	\$1,848,928	\$1,664,510	\$1,591,233	\$2,437,320
Write-offs	(\$1,528,647)	(\$262,510)	(\$553,038)	(\$1,400,050)



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As shown, the annual amounts can fluctuate based on the quantity and nature of the properties added, improved or amended (including through appeal activity), as well as the number of taxation years to the supplementary notices and appeal decisions applies.

Respectfully submitted,

Glen Cowan
Chief Financial Officer / Treasurer

For questions, please contact: Steven Radenic Phone: Ext. 2161

Attachments

CAO Approval
Andrew M. Siltala
Chief Administrative Officer