

# Chatham-Kent Assessment Base Management Policy

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## Assessment Base Management Policy

### 1.0 Policy Statement and Purpose

A policy governing the development and management of an Assessment Base Management policy. This policy establishes the objectives for assessment base management, standard of care, as well as delineates the responsibilities for its management and administration.

### 2.0 Scope

Assessment Base Management is a key element of the Municipality's long-term financial strategy by protecting the Municipality's assessment base and subsequently its largest source of revenue. This is demonstrated by the following principles in maintaining fair and accurate assessments:

1. Promote greater equity, fairness and transparency of the assessment base;
2. Determine assessment and taxation activities that are designed to maximize the amount of revenue available for collection by the Municipality;
3. Protect the assessment base from unnecessary losses;
4. Provide a means of effectively combating the need to increase the tax rate and cut primary services when additional revenue is required;

As a result, this Policy's philosophy is to promote fiscal sustainability, particularly as identified in the above principles through the development and management of an assessment base management program.

### 3.0 Objectives of Assessment Base Management

The primary procedures of an assessment base management program include:

#### **1. Working with Municipal Property Assessment Corporation (MPAC)**

There are many property issues that can be dealt with by working in close cooperation with MPAC and avoiding the need for a time-consuming appeal process. In many cases MPAC can make corrections to the assessment roll through various mechanisms available to them (i.e. supplementary and omitted assessments). In order to make these corrections, staff will work with MPAC to identify such properties, communicate the reason for the Municipality's concern about the property, and review MPAC's response to the issue. This can be achieved in part by monitoring the building permit and license lists, providing MPAC with change of property use data, and by quality process measures on newly created parcels.

#### **2. Analysis of Returned Roll**

Staff will perform a detailed statistical review of the annual assessment roll, including analysis of year over year Current Value Assessment (CVA) changes, outliers and other

# Chatham-Kent Assessment Base Management Policy

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assessment anomalies. Properties that require corrections in assessment can be presented to MPAC for their review and consideration, to have the roll updated.

### **3. Analysis of Minutes of Settlement**

Minutes of settlement as a result of an appeal will be reviewed on an ongoing basis to determine whether further action is required. If the minutes of settlement arise from a Request for Reconsideration, they will be reviewed for appropriateness. If deemed incorrect, the Municipality may file an objection within 90 days of notification of settlement.

### **4. Defending the Municipality Through Reactive Appeals**

The Municipality has typically not played a significant role in situations where property owners have appealed their assessments. This has been simply due to a lack of staff resources, which is not an uncommon situation in many municipalities. It is generally left to MPAC to defend the assessment at the Assessment Review Board (ARB) hearing and in negotiations with property owners. All appeals will be reviewed to determine the appropriate level of involvement by the Municipality.

### **5. Defending the Municipality Through Proactive Appeals**

In rare circumstances where the Municipality needs to file an appeal to protect their interests, we will participate and engage property owners and MPAC to ensure the assessment of the identified property is correct and stabilized. Proactive appeals should be utilized as a last resort option in situations where the assessment of a property is not corrected to the Municipality's satisfaction. Launching appeals is a time-consuming process, and care must be taken in determining which properties should be appealed. The Municipality has typically not initiated assessment appeals.

### **6. Monitor Vacancy Rebate Applications**

Applicants will apply to the Municipality for which there are specific requirements set out for the vacancy rebate program. Applicants will need to provide the proper documentation to support the vacancy. The Municipality will verify that the documentation meets the standard for an acceptable application. Applications will then be sent to MPAC and once returned, the Municipality will work with MPAC to ensure the space subject to vacancy is apportioned correctly and that these changes are reflected on the updated roll as necessary.

### **7. Monitor Other Municipal Applications**

Applicants will apply to the Municipality and provide the proper documentation to support their specific application. The Municipality will forward these applications onto MPAC. Once returned, the Municipality will review and verify the adjustment to assessment and/or tax classification, ensuring adjustments are calculated and provided to the applicant on the appropriate and fair assessment. We will continue to work with MPAC to ensure these changes are reflected on the updated roll as necessary.

# Chatham-Kent Assessment Base Management Policy

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## 8. Detailed Annual Review of Municipally-Owned Properties

This includes reviewing all assessment notices for municipally-owned properties to ensure the appropriate assessment and tax class exists. The Municipality owns numerous taxable properties including social housing units, landfill sites and transfer stations. Other municipalities own properties that are subject to payments-in-lieu of taxes. In addition, reviewing the assessment of exempt properties is important as these assessments are included in the calculation of the Municipality's annual cost of MPAC services.

## 4.0 Responsibilities

The Chief Financial Officer has overall responsibility for the development and management of an assessment base management program.

Notwithstanding; responsibilities will be carried out by the reporting Director as follows:  
*Director, Financial Services and/or designate:*

- Develop specific procedures and workflows, to establish and maintain assessment equity within each property class, and to maximize the value of the taxable assessment base on an ongoing basis. This will be accomplished by:
  - Working with the Municipal Property Assessment Corporation (MPAC) to ensure the timely issuance of supplementary and omitted assessments as well as monitoring zoning changes and new registered plans of subdivision
  - Reviewing Requests for Reconsideration (RfR) Minutes of Settlement (MOS) as provided by MPAC to the Municipality
  - Reviewing Assessment Review Board (ARB) MOS as provided by MPAC to the Municipality
  - Working with MPAC on specific property issues or concerns
  - Participating in reactive appeals
  - Initiating proactive appeals for properties of significant impact, where an appeal is a measure of last resort in order to protect the interest of the Municipality
  - Monitoring Vacancy Rebate Applications ensuring the requirements and apportionments determined by MPAC are reasonable
  - Monitoring Municipal Tax Applications ensuring any adjustments and apportionments provided by MPAC are reasonable
  - Ensuring that all municipally-owned properties are assessed appropriately

## 5.0 Glossary of Terms

### **Assessed Value (Assessment)**

The value of a property (lands and buildings) for taxation purposes.

### **Assessment Act**

The law that governs the way a property is assessed in Ontario. It provides for several property classes (residential, multi-residential, commercial, industrial, farmland, managed forest and pipeline); as well as

# Chatham-Kent Assessment Base Management Policy

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exemptions for various types of property, including places of worship, certain municipally-owned properties, cemeteries and hospitals.

## **Assessment Base Management (ABM)**

Describes a “basket” of processes, practices and guiding principles that contribute to and form a municipality’s deliberate efforts to maintain, protect and enhance the quality of the assessment roll, the accuracy of individual assessments and ultimately, the equitable distribution of the tax burden.

## **Assessment Review Board (ARB)**

An independent adjudicative tribunal whose main function is to hear appeals from property owners who believe that properties are incorrectly assessed or classified. The Board also deals with some property tax appeals.

## **Assessment Roll**

An annual list of the assessed values of all properties in a municipality, which includes the name of the property owner or tenant, their address, the realty tax class, size of the property and information on structures on the property, if any. Assessment rolls are usually delivered to a municipality at the end of the year preceding the taxation year.

## **Capping and Clawback**

Capping refers to the option for a municipality to limit (cap) the tax increases on commercial, industrial and multi-residential properties. In order to fund the cap, municipalities can limit tax decreases which are known as clawbacks.

## **Current Value Assessment (CVA)**

The value determined for all properties in Ontario (including exempt properties) assuming a willing buyer, a willing seller and an arm’s length transaction.

## **Minutes of Settlement (MOS)**

MPAC will:

- Review all the evidence;
- advise if the assessed value and/or classification should be changed; and
- if a change is recommended, prepare Minutes of Settlement for consideration by the property owner.

If the property owner, MPAC, and the municipality agree with the adjusted assessment, all parties will sign the Minutes of Settlement and MPAC will submit them to the Board. There is no need for a hearing to take place.

# Chatham-Kent Assessment Base Management Policy

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<b>Municipal Act</b>	Is the statute governing how municipalities administer municipal services and collect taxes. It requires municipalities to set tax ratios on an annual basis.
<b>Municipal Property Assessment Corporation (MPAC)</b>	An independent, not-for-profit corporation funded by all Ontario municipalities, accountable to the Province, municipalities and property taxpayers through its 15-member Board of Directors. Their role is to accurately assess and classify all properties in Ontario in compliance with the <i>Assessment Act</i> and regulations set by the Government of Ontario. They are the largest assessment jurisdiction in North America, assessing and classifying more than five million properties with an estimated total value of \$2.3 trillion.
<b>Omitted Assessments</b>	Assessment which has not been recorded on the assessment roll. When an omitted assessment is added to the assessment roll, property taxes can be collected for the current year and, if applicable, for any part or all of the previous two years.
<b>Payments-in-lieu of Taxes</b>	Payments made to municipalities by the provincial or federal government, where properties are exempt from property taxation. Also known as grant-in-lieu of taxes.
<b>Proactive Appeals</b>	These are properties that have been identified as having a potential issue based on a careful review, that require potential correction. The only recourse to have the assessment corrected is through an appeal to the Assessment Review Board (ARB). These are filed only as a last course of action to protect the municipal interest. Regard to the timeline for filing appeals needs consideration in this process.
<b>Property Class</b>	A grouping of the same type of property for assessment and taxation purposes.
<b>Ranges of Fairness</b>	Provincially prescribed range for the setting of tax ratios for the commercial, industrial, multi-residential and pipeline property classes. Municipalities are permitted to change their tax ratios only if the ratio is moved closer to or within the ranges of fairness.
<b>Reactive Appeals</b>	These are properties where the taxpayer has initiated the appeal of the assessment to the Assessment Review Board (ARB). Municipalities are a statutory party to this process but need to advise all parties of their interest to participate. Participation in all ARB procedural events is essential to allow for an ability to advance a municipal position.

# Chatham-Kent Assessment Base Management Policy

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<b>Request for Reconsideration (RfR)</b>	A property assessment includes the value and classification of a property as determined by MPAC. Property owners who disagree with the assessment of their property may ask MPAC to conduct a review of their assessment through the Request for Reconsideration (RfR) process. Through this process, MPAC staff will review the information relating to the property to determine if the assessment is accurate. The property owner may also be able to provide MPAC with information that was not available at the time the property was last assessed or be able to correct inaccurate information that has played a part in the assessment. There is no fee for this service.
<b>Roll Number</b>	A unique 19-digit number used as an identifier for each property.
<b>Subclass of Property</b>	A subsection of a class of property prescribed by the Minister of Finance for the purposes of applying a lower tax rate.
<b>Supplementary Assessment</b>	An assessment made during a taxation year for an addition, renovation, or construction. When a supplementary assessment is added to the assessment roll, additional property taxes can be collected for that portion of the current tax year that the supplementary addresses. A supplementary assessment can also be issued when there has been a change in the tax class of a property. The classification may occur during the taxation year, or the preceding November or December. Where the class change results in a higher rate, municipalities cannot collect additional taxes for those two months, but only for the current tax year.
<b>Tax Rate</b>	A percentage applied to the assessed value of a property to generate tax payable. Municipalities will set the tax rate for each property class based on the revenue they will need to supply local services.
<b>Tax Ratio</b>	Defines the tax rate of each property class in relation to the rate of the residential/farm property class. The tax ratio for residential property class is 1. If the tax rate for commercial property is twice that of the residential property, then the commercial tax ratio is 2.
<b>Weighted Assessment</b>	The assessment for a property multiplied by the tax ratio, established for the property class the property is in.