TORONTO STAFF REPORT

April 22, 2005

To: Policy and Finance Committee

From: Deputy City Manager and Chief Financial Officer

Subject: Municipal Property Assessment Corporation – Council Requests for Further Information

Purpose:

To provide information on three items concerning the Municipal Property Assesssment Corporation (MPAC) for which Council has requested further information.

Financial Implications and Impact Statement:

There are no financial implications associated with this report.

Recommendations:

It is recommended that this report be received for information.

Background:

At its meeting of June 14, 2004, the Policy and Finance Committee referred a communication from Mr. John Hogg, CEO, Cole Layer Trumble Canada Inc., dated March 19, 2004, requesting that City of Toronto Council, by way of resolution, support the concept of a competitive property assessment system in Ontario, together with a submission filed by Councillor McConnell on behalf of Mr. Hogg, to the Chief Financial Officer and Treasurer for a report to the Policy and Finance Committee on assessment-related issues, including the performance of MPAC, and that the report also provide information on on-going assessment appeals related to golf courses.

At an earlier meeting on February 4, 5 and 6, 2003, Council adopted a report dated January 2, 2003, from the Chief Financial Officer and Treasurer (Clause No. 23 of Report No. 2 of the Administration Committee - *Municipal Property Assessment Corporation's (MPAC) "Futures" Program*), recommending that a report be submitted annually to Council following the close of the assessment roll as a means of monitoring the quality of MPAC's customer service and assessment product, using key performance measures and standard quantitative measures of assessment quality including assessment-to-sale ratios.

This report responds to all of the above requests.

<u>Comments</u>:

This report provides information on 3 items concerning the Municipal Property Assessment Corporation (MPAC) for which Council has requested further information:

a) an annual report to Council following the close of the assessment roll to monitor the quality of MPAC's customer service and assessment product, using key performance measures and standard quantitative measures of assessment quality including assessment-to-sale ratios;

b) a communication from Mr. John Hogg, CEO, Cole Layer Trumble Canada Inc., dated March 19, 2004, requesting that City of Toronto Council, by way of resolution, support the concept of a competitive property assessment system in Ontario; and

c) information on on-going assessment appeals related to golf courses.

Each of these items is addressed separately below.

A. Report on MPAC's Customer Service and Assessment Product

In response to a request from City staff, MPAC staff prepared a detailed report dated February 18, 2005 that highlights MPAC's achievements for 2004, and that documents the quality of MPAC's assessment product, as measured by key performance indicators established by MPAC. This corrrespondence is attached as Appendix 1 to this report.

MPAC's key performance indicators compare the quality of MPAC's assessment product to international standards of accuracy for assessment organizations, as established by the International Association of Assessing Officers (IAAO). These are summarized below.

Assessment to Sales Ratio (ASR):

In order to determine the quality of assessed values, the relationship between the assessed value and the actual selling price of a property is calculated. This is known as the assessment-to-sale ratio or the ASR. The closer the ratio is to 1.00, the more accurate the assessment.

When the ASRs for many properties are examined, the median ratio can be determined for each property type. The median of a group of numbers is the middle number after they are sorted from lowest to highest. Table 1 compares Toronto's median assessment to sales ratios to IAAO standards for various property types for 2004.

Table 1
Median Assessment to Sale Ratio (ASR) – City of Toronto, 2004 Assessment Values

Property Type	IAAO Standard for ASR	MPAC's Internal Standard for ASR	MPAC's 2004 Median ASR for Properties in Toronto
Residential	0.90 – 1.10	0.98 – 1.02	1.00
Multi-Residential	0.90 – 1.10	-	0.97
Commercial/Industrial	0.90 – 1.10	-	1.00

For assessment to sales ratios, MPAC has specified their own internal standard for residential properties, more stringent than that adopted by the IAAO, of between 0.98 and 1.02. Table 1 indicates that MPAC's assessment to sales ratios for all property types exceeds both the IAAO standards and MPAC's internal standards, and, in the case of residential and commercial properties, the median assessment to sale ratio is 1.0, reflecting a high degree of accuracy between assessed values and actual selling prices.

Coefficient of Dispersion (COD):

For any group of assessment to sales ratios, the coefficient of dispersion (COD) measures how tightly the ASR values are clustered about the median value. This gives an indication of the uniformity of ASR values. The more uniform the assessments, the lower the COD. As market activity decreases or the complexity of properties increases, the COD would be expected to increase. Table 2 compares COD values for Toronto property types for 2004 to IAAO standards.

Table 2
Coefficient of Dispersion (COD) – City of Toronto, 2004 Assessment Values

Property Type	IAAO Standard for COD	MPAC's Internal Standard for COD	MPAC's 2004 COD for Properties in Toronto
Residential	< 15.0%	< 8.0%	6.42%
Multi-Residential	< 20.0%	< 15.0%	7.37%
Commercial/Industrial	< 20.0%	-	14.52%

Again, MPAC has specified internal standards for COD that are more stringent than those set out by the IAAO, using less than 8.0% for residential properties, and less than 15% for multi-residential properties. Table 2 indicates that MPAC's actual results for Toronto properties are below both the IAAO and MPAC's internal standards. A coefficient of dispersion for residential properties of 6.42% indicates a highly uniform set of assessment to sales ratios, which would suggest that a majority of properties have an assessed value that is reflective of the actual selling price of the property. While there is more variation within the multi-residential and commercial/industrial classes, this may be expected due to the increased complexities of establishing assessed values for these property types, and much more variability in actual sales.

Price Related Differential (PRD):

As a third measure of the accuracy of assessed value in comparison to actual selling price, the Price Related Differential, or PRD, measures any bias towards high or low property values in the sample of ASRs. The closer the PRD is to 1.0, the less bias exists in the assessments. When sample sizes are small or the weighted mean is heavily influenced by several extreme sale prices, the PRD may not be a reliable measure. Table 3 compares Price Related Differential values for Toronto property types for 2004 to IAAO standards.

Table 3
Price Related Differential (PRD) – City of Toronto, 2004 Assessment Values

Property Type	IAAO Standard for PRD	MPAC's Internal Standard for PRD	MPAC's 2004 PRD for Properties in Toronto
Residential	0.98 – 1.03	0.98 – 1.02	1.01
Multi-Residential	0.98 – 1.03	-	1.00
Commercial/Industrial	0.98 – 1.03	-	1.07

Table 3 indicates that MPAC's actual results for PRD for Toronto properties are below the IAAO and MPAC's internal standards for residential properties, at 1.01, and at 1.00 for multi-residential properties. This would indicate that there is little bias towards high or low assessed values within the sample of assessment to sale ratios for these property types. The actual PRD for Toronto's commercial/industrial properties, at 1.07, reflects a price related differential above the standard set by the IAAO, which may indicate that there is some bias in the assessment to sale ratios towards either high or low valued properties. This would suggest that there is less uniformity of ASRs for commercial/industrial type properties, as further evidenced by a higher coefficient of dispersion for these property types. Again, this may be attributable to a higher degree of variability in actual sales figures for commercial/industrial property types, or it may suggest that MPAC needs to critically examine and further fine-tune their valuation methodologies for such property types.

Overall, however, the statistical measures of MPAC's 2004 assessment quality suggest that assessments in general reflect a high degree of accuracy when compared to actual selling prices. Within all property classes, and particularly within the residential and multi-residential classes, MPAC's actual results exceed both the standards set by the International Association of Assessing Officers, and the more stringent key performance indicators that MPAC has adopted for its own product. Further evidence of the degree of co-relation between assessed value and actual selling price can be suggested by the number of properties that are appealed each year by owners, and the actual reductions in assessed value when appealed. These are detailed in the following section.

Reductions through Assessment Appeals:

As part of its system of checks and balances, Ontario's property assessment process allows property owners who disagree with their property's assessment to bring such disputes before the Assessment Review Board (ARB), an independent tribunal established for this purpose. MPAC has identified performance indicators relating to assessment appeals that provide that, for all appeals before the Assessment Review Board in a particular year, the reduction in current value by ARB decisions will be less than 7.5% of the total value under appeal, and less than 0.75% of the total assessment on the most recent assessment roll.

As of February 14, 2005, MPAC's performance before the ARB for properties under appeal in 2004 indicated that only 1.85% of the total CVA under appeal (the total at-risk amount) was successfully appealed (i.e., where the appeal resulted in a reduction in assessed value). Further, the amount of the actual assessment appeal reductions in 2004 was approximately 0.22% of the total value of all properties on the returned assessment roll for 2004. Both of these figures are well below MPAC's stated targets of 7.5% and 0.75% respectively.

Additionally, the actual total of the assessment reduction due to appeals decreased from $1,529 million in 2003, to $680 million in 2004, representing a reduction of 44.5 per cent in assessment appeal losses. The total at-risk amount similarly decreased by 49 per cent from 2003 to 2004. It should be noted that both the 2003 and 2004 taxation years were reassessment years (in which MPAC revised assessments on a province-wide basis). It would be expected that in any reassessment year, the volume of appeals would be greater than in a non-reassessment year.

Request(s) for Reconsideration:

MPAC also records statistics on the number of Requests for Reconsideration (RfRs) filed in any year. A Request for Reconsideration is a less formal process by which a taxpayer may request that MPAC review the assessed value of their property, in cases where a property owner may have a different opinion of value, or to verify that the details used to arrive at the current value assessment for a particular property are accurate.

MPAC's stated goal is to have less than 3.25% of all the properties it assesses result in an RfR. For the 2004 taxation year, the total property count for the City of Toronto was 623,839. MPAC received 35,569 RfRs, or a rate of 5.70% per cent. This is slightly above the 26,621 RfRs filed in 2003, at a 4.36% rate of filing.

Although the number of properties where an RfR was filed exceeded the 3.25% target in both 2003 and 2004, MPAC notes that approximately 10,000 RfRs were submitted en masse in September 2004 by a single tax consultant. MPAC also notes that the reduction in current value resulting from 2004 RfRs processed to date was 4.3 per cent of the total assessment under reconsideration.

Re-inspection Program:

MPAC has also provided a communication dated January 24, 2005 reporting on the results of MPAC's province-wide re-inspection program undertaken in 2004, which includes figures for the City of Toronto. MPAC had initially proposed to re-inspect and verify property information for 315,000 properties across Ontario, focussing primarily on residential properties, and parcels that had not been inspected or verified since before 1995. In fact, over 374,000 properties were re-inspected. In each case, MPAC staff verified the information on file, and collected data on any changes that had occurred since the property was last inspected.

In Toronto, MPAC inspected 24,387 properties in 2004 as part of this initiative. Of this number, 814 properties received in-year or year-end increases in assessment, in cases where the assessed value increased by more than 5% or $10,000 as a result of information obtained through the re-inspection program. A further 316 properties received year-end decreases. Properties with value changes below these thresholds would not have experienced a change for the 2005 taxation year, but any updated information will be used by MPAC in calculating new assessed values for the next assessment update for the 2006 taxation year.

Supplementary Assessments:

In 2004, MPAC reported that, province-wide, more than $16.3 billion of in-year assessments (supplementaries, changes from payment-in-lieu properties to rateable, and equity changes) have been added to the Assessment Roll to reflect new development or building improvements. For Toronto, this has resulted in over $2.8 billion in supplementary assessment for 2004, resulting in more than 10,000 new assessment parcels.

City staff note, however, that there remain many instances where supplementary assessments have not been returned in a timely fashion. Staff have identified that there are currently approximately 9,000 residential condominium units that have been returned with only partially assessed values for the 2003 and 2004 tax years. Additionally, there are an estimated 2,000 residential houses and townhouses, and a significant number of commercial office or condominiums, that have not had supplementary assessments applied to date.

Other Measures of Efficiency:

In June 2003, City of Toronto staff identified to MPAC certain service delivery concerns related to assessment and taxation issues. Among them were the timing of severances and consolidations, and the turn around time for processing Section 357/358 applications (relating to cancellations, reduction, or refunds of taxes, and overcharges) and Vacancy Rebate applications.

Through staffing and resource changes made to its Land Parcel Unit over the last 18 months, MPAC has addressed the timing issue related to requests for severances and consolidations. These matters are now generally processed within 30 business days following their receipt by MPAC.

Significant progress has also been made in regard to the delivery of Section 357/358 and Vacancy Rebate applications. Following the implementation of internal process improvements, and the collaborative efforts of MPAC and City staff in streamlining information exchange, the average return delivery time for Section 357/358 applications has improved from 118 days in 2003 to 36 days in 2004. Furthermore, the average delivery time for Vacancy Rebate applications decreased from 100 days in 2003 to 54 days in 2004.

Customer Service:

In 2002, MPAC established a Municipal Relations Group to provide every municipality with direct, local contact to MPAC. Municipal relations representatives and customer service representatives and their staff are responsible for meeting municipalities' needs and addressing local concerns. Finance Department staff are in frequent contact with their MPAC municipal representatives, on a variety of issues, and report very responsive service.

With the introduction of new products and services from MPAC, such as "Municipal Connect," an internet-based property information system that now features a GIS-based mapping feature, and other GIS-based applications that utilize electronic information sharing to process severances and consolidations and ownership changes, a number of City departments have been able to realize efficiencies in their operations from having access to up to date assessment information.

Quality of the Assessment Rolls:

Despite improvements made in certain areas, City staff note that MPAC's returned assessment and supplementary rolls continue to contain inconsistencies and instances of missing or incomplete data. Examples of these types of errors include newly severed parcels with incorrect assessed values, and other parcels with missing assessment components, e.g., where a property with more than one tax classification is returned with only a single taxable component.

Within the City of Toronto, staff are now positioned to better report on the quality of MPAC's assessment product, and to identify issues and errors on a more timely basis. In August of 2004, Finance's Revenue Services Division created the Assessment Analysis Unit to review and monitor the assessment information provided by MPAC to ensure that the data is accurate and up-to-date, and to initiate assessment appeals or Requests for Reconsideration, with the approval of Council, for properties that staff identify as being significantly under-valued or misclassified. This unit will be reporting to Council on its progress and findings as necessary.

In summary, while City staff note that gains have been made to date in certain aspects of MPAC's customer service and assessment product, improvements are still necessary in certain areas, such as the timeliness of identifying supplementary assessments and changes in land use and or tax classification, and improved quality assurance controls on the returned assessment roll. The City has consistently identified the need for more stringent protocols and procedures to ensure that information is communicated to the City with respect to supplementary assessments, changes in property ownership, severances, assessment appeals, and major value changes. MPAC and city staff continue to work together to improve procedures and means of data transfer. These efforts will ensure that Toronto's taxpayers continue to receive value for money, and that the assessment base remains dynamic and as current as possible, and that new assessment value is translated to new tax revenue.

B. A Competitive Property Assessment System in Ontario

At its meeting of June 14, 2004, the Policy and Finance Committee had before it a communication from Mr. John Hogg, CEO, Cole Layer Trumble (CLT) Canada Inc., dated March 19, 2004, requesting that City of Toronto Council, by way of resolution, support the concept of a competitive property assessment system in Ontario, and that the resolution be forwarded to local MPPs as well as the Minister of Finance and CLT Canada Inc.

Included in Mr. Hogg's communication was a submission from former MPP Marcel Beaubien entitled "A Review of Ontario's Property Assessment Delivery System" dated March 12, 2004. In his submission, Mr. Beaubien suggests that MPAC is failing to provide adequate customer service to taxpayers and municipalities alike, and proposes that the introduction of competition in the provision of assessment services will by its very nature force the system to become more effective, efficient and accountable.

Mr. Hogg's communication also includes a letter from himself, as President and CEO of Cole Layer Trumble Canada Inc. to Premier Dalton McGuinty dated February 14, 2004, further advocating the introduction of competition to Ontario's assessment system. This letter proposes that, in order to maintain a consistent system for assessment province-wide, a municipal assessment authority be created to ensure that service delivery meets standards prescribed in legislation and regulations. Mr. Hogg also suggests that assessment costs, through the introduction of competition, could be reduced by $40 million, or 30% over current costs. In support of this notion, the letter also includes resolutions from 63 small and medium-sized municipalities that support, in varying measures, some form of competition in assessment service delivery.

To better understand this issue, it is necessary to examine the evolution of the current system of property assessment in Ontario.

Prior to 1970, individual municipalities administered property assessment within their own jurisdiction. In 1970, the Province of Ontario assumed this responsibility for all municipalities, as a means of ensuring that property assessments were consistently implemented and that certain quality standards were maintained. The Property Assessment Division of the Ministry of Finance was responsible for the coordination and administration of property assessment, through 31 regional offices located across the province.

In 1997, the Ontario government introduced sweeping reforms to municipal assessment and taxation in conjunction with the "Who Does What" exercise and the realignment of provincial and municipal responsibilities, and introduced the *Ontario Property Assessment Corporation Act, 1997*, creating the Ontario Property Assessment Corporation (OPAC). OPAC's mandate was to provide assessment services to all Ontario municipalities, as stakeholders in the new, arms-length corporation. Following a review of the property assessment system in 2001, OPAC was renamed the Municipal Property Assessment Corporation (MPAC) in 2001.

The original *Ontario Property Assessment Corporation Act, 1997* contained provisions that allowed municipalities to "opt out" of the provision of services by OPAC (beginning in the 2004 taxation year), such that a municipality, once authorized by the Minister of Finance, could perform some or all of the duties of OPAC, and hence provide their own assessment services, without participation by OPAC. Additional provisions also allowed municipalities to "contract out" certain services, whereby the municipality would agree to perform a particular service on behalf of OPAC. This would have allowed municipalities, for example, to conduct their own property inspections, under agreement with OPAC.

Both the “opting out” and “contracting out” provisions of the Act were repealed in 2001, in order to ensure that assessment services remained available and consistent on a province-wide basis, and to provide financial stability to the corporation for the immediate term to allow MPAC to plan for the future with guaranteed revenues.

MPAC is currently funded by all Ontario municipalities, through a funding formula based on both the total assessment value and the number of properties within the municipality. Toronto’s contribution to MPAC is approximately $29 million annually, representing approximately 21% of MPAC’s total municipal revenues.

Implications of Introducing Competition to Assessment Services:

The most often-cited argument in favour of introducing competition in assessment service delivery is the presumption that competition will necessarily bring accountability, efficiency and better customer service on the part of the service provider, and lower costs to municipalities. This may, in fact, be the case in the longer term, once a steady state had been achieved. But given that Ontario’s assessment system has long been either government controlled, or more recently a legislatively-imposed monopoly, the introduction of competition would be expected to result in a perhaps prolonged period of instability during which various entities are established. This instability could result in more variability in assessed values and potentially higher assessment appeal losses as a result, uncertainty and potential losses in property tax revenue, uncertainty in costs, and confusion amongst property owners. Additional implications are outlined below.

Consistency of Assessments and Valuation Methodologies:

It is generally acknowledged that the greatest risk in introducing competition in assessment service delivery is that it could result in inconsistencies in the way in which property values are established, both within and between municipalities, and in differences in the valuation methodologies that are used to assess property. There is a fear that this would lead to the “patchwork” system of assessment practices, and differing assessment levels between municipalities, as was the case when individual municipalities administered their own assessment system prior to 1970. This could potentially create locational advantages or disadvantages for various property types, and lead to competition between municipalities. Additionally, there is the possibility that the lack of a common assessment service structure could result in an unsustainable assessment base, due to inconsistencies in assessed values and in valuation methods. This has direct financial implications for the stability of municipal revenue streams.

It has been suggested that to prevent inconsistencies in the assessment system and to avoid potential local abuses with the introduction of competition it would be necessary for the Province to establish a municipal assessment authority or secretariat to oversee and provide guidelines and regulations to govern assessment service providers. It has been proposed that this organization would not conduct assessment functions, but would provide standards and monitor service providers to ensure that minimum quality and customer services standards were met, and that data formats were kept consistent. It has also been suggested that this organization would maintain the current province-wide funding formula for assessment services, and apportion costs amongst municipalities and service providers.

From the Province's perspective, however, it may be argued that MPAC is the central coordinating body for property assessment service, and that MPAC establishes valuation methodologies and ensures that assessments meet quality standards, as set out by the International Association of Assessing Officers (IAAO). It is uncertain whether the Province would agree to create and fund another level of assessment authority that would supercede MPAC's role in this area.

Access to Information/Intellectual Property:

MPAC currently maintains property data on over 4.3 million properties province-wide, and over 620,000 properties within the City of Toronto. This information, and the associated computer systems and programs used to store and manage this data, as well as income and expense data collected by MPAC to perform valuations, and various valuation manuals, procedures, etc. remains the property of MPAC. To date, there has been no need for MPAC to consider an approach whereby this information would become available to other providers of assessment services, nor any discussion of what fees or compensation would be payable to MPAC for its release. This is significant in that any provider of assessment services, if required to collect this property data independently, amass the required income and expense information, develop appropriate systems to manage the data and programs to perform valuations, would face substantial investments of time, money and resources in order to effectively deliver services.

The feasibility of obtaining data from MPAC, and access to other records, computer systems, etc. would have to be addressed, and costs and methods of compensation established, before the potential cost-effectiveness of alternate service delivery methods could be quantified.

Availability of Assessment Expertise and Service Providers:

The availability of professional assessment expertise may be a limiting factor in the number of independent contractors capable of delivering property assessment services. There are very few private firms that would have the current capacity to offer such services on a large scale. Many of the province's qualified assessors, appraisers and valuators are currently employed by MPAC. It may be possible for independent service providers to enlist assessment professionals from within MPAC's ranks, or from beyond Ontario's borders, or from other existing appraisal operations, but it may prove difficult and costly to build an organization capable of meeting the service demand within a short period of time, particularly for a large municipality like Toronto.

Given the importance of a stable assessment base and predictable taxation revenues to municipalities, and the potential financial risks to municipalities in opting out of MPAC's services in favour of an untested, independent service provider, it may take considerable time for qualified and capable firms to emerge before the potential benefits of competition could be realized.

Similarly, the ability of a private contractor to meet the expectations of the municipality, in terms of service delivery standards and assessment quality, and the ability to meet the demands for customer service to the public, would require a well-established and efficiently managed organization.

Costs:

It has been argued that the introduction of competition in assessment service delivery would result in reduced costs to municipalities. Again, while this may be true in general where competition has been introduced, the actual cost savings accrue in the much longer term, with the emergence of qualified and capable service providers, after an initial period of instability and potentially higher short term costs.

It is not possible to predict with accuracy what the savings to municipalities might be with the introduction of competition and the delivery of assessment services by an alternate provider, as there has been no evaluation of what costs may be payable to MPAC for the release of property assessment data and intellectual property rights for MPAC's systems, methodologies, and associated information. Further, there has been no determination of the compensation that may be required to address MPAC's corporate assets and contractual commitments (including the possibility of penalty payments for early termination of leased facilities, vehicles, computer equipment, software licences, etc.). It is also impossible to quantify the costs of the economies of scale achieved by MPAC due to the large-scale and centralized provision of services (e.g. technical and systems support, purchasing, administration, etc.), that may not accrue to an independent service provider.

As the current cost structure for assessment services in Ontario is based on both the total assessment value and the number of properties within a municipality, there are obvious cost implications should one or more larger municipalities opt out of MPAC's services. The departure of a large municipality would increase the proportionate share of costs borne by the remaining municipalities. To remain cost-effective, there may be the need for MPAC to recover lost costs through the imposition of fees or a one-time payment for municipalities choosing to opt out. This eventuality has not been quantified to date.

Given the lack of certainty surrounding the issues above, it would be premature to venture an estimate of what the potential savings to municipalities may be from the introduction of competition.

Summary:

As the largest single stakeholder in MPAC, Toronto contributes over 20% of MPAC's annual municipal revenues. The City relies on MPAC to deliver a high quality assessment product, a stable and defensible assessment base, and certainty in municipal tax revenue. Additionally, MPAC must provide responsive and efficient customer service to both the municipality and to property owners and residents.

To date, MPAC has generally met these challenges. As a relatively new and still-evolving organization, MPAC has also had to contend with the introduction of the new current value assessment system, one which has now attained some degree of stability and predictability. The introduction of competition in assessment services has the potential to undermine this stability, with uncertain results for municipalities.

In weighing the importance of safeguarding the City's primary revenue source against the uncertainty of the savings or benefits that may accrue to Toronto with the advent of competition in the short term, it is submitted that further clarification of competitive options must be outlined by the Province in order for the City to evaluate administrative and financial implications.

C. On-going Assessment Appeals Related to Golf Courses

In total, Toronto has 24 golf courses, nine of which are privately-owned, and either fully or partially subject to fixed assessment agreements. A fixed assessment agreement is an agreement between an owner of a golf course and the municipality that establishes a fixed assessed value for the golf course on which the annual property taxes payable are based. A further 6 courses are privately-owned, and are not subject to fixed assessment agreements. Of the remaining 9 courses, five are municipally owned, three are owned by the Conservation Authority, and one is provincially owned (and therefore subject to a payment-in-lieu of taxes).

Currently there are 33 outstanding assessment appeals relating to taxation years 2001 to 2004, involving 12 privately-owned golf courses. All of the appeals were made under Section 40 of the *Assessment Act*, stating that the assessed values, as determined by the Municipal Property Assessment Corporation, are too high. The total combined assessment under appeal for all golf courses is approximately $85 million in each of 2001 and 2002, $197 million in 2003, and $201 million in 2004. Table 4 provides a summary of the current properties under appeal.

Table 4
Assessment Appeals on Golf Courses, 2001 - 2004

	Assessment Values ($) for the Property Whole				
Golf Course	**2001 Tax Year**	**2002 Tax Year**	**2003 Tax Year**	**2004 Tax Year**	**Appeal Type**
Markland Woods Golf and Country Club*	11,812,000	11,812,000			Sect. 40
Lambton Golf and Country Club*			18,317,000	18,317,000	Sect. 40
Oakdale Golf and Country Club*	26,483,913	26,483,913	23,732,000	21,935,000	Sect. 40
Toronto Hunt – Golf and Country Club*	15,750,000	15,750,000	14,679,000	6,357,000	Sect. 40
Scarborough Golf and Country Club*			6,438,000	15,237,000	Sect. 40
Weston Golf and Country Club*			15,776,000	15,426,000	Sect. 40
St. George's Golf and Country Club*			18,708,000	17,213,000	Sect. 40, 357 (8)
Flemingdon Park Golf Course	1,980,000	1,980,000			Sect. 40
Royal Woodbine Golf Club			6,366,000	7,238,000	Sect. 40
Cedarbrae Golf and Country Club	11,812,000	11,812,000	11,682,000	11,287,000	Sect. 40
Concord Adex Developments & Concord CityPlace Acquisitons			64,767,000	73,633,000	Sect. 40
Donalda Club	17,233,000	17,233,000	16,380,000	14,383,000	Sect. 40
Total Assessed Value Under Appeal	**85,070,913**	**85,070,913**	**196,845,000**	**201,026,000**	

** Golf Course with full or partial Fixed Assessment Agreement*

For the 2003 and 2004 taxation years, MPAC has advised that a revised assessment methodology was used to determine assessment values. The new model bases assessment values on all forms of a golf course's income, as disclosed within the individual course financial statements and annual income tax filings. The Golf Course Owners Association has indicated that they disagree with MPAC's valuation methodology.

To date, none of the assessment appeals have been scheduled. It is uncertain what the magnitude of any potential assessment loss may be.

Conclusions:

This report provides information on three items concerning the Municipal Property Assessment Corporation, as requested by Council, including an annual update on the quality of MPAC's customer service and assessment product; an examination of the concept of a competitive property assessment system in Ontario; and information on on-going assessment appeals related to golf courses.

Contacts:

Giuliana Carbone, Director, Revenue Services, 416-392-8065, gcarbone@toronto.ca
Casey Brendon, Manager, Operational Support, 416-395-0125, cbrendo@toronto.ca

Joseph P. Pennachetti
Deputy City Manager and Chief Financial Officer

(P:\2005\Fin\Rev\pf05014Rev) - ts

List of Attachments:

Appendix 1 - Correspondence from Greg Martino, Account Manager, MPAC to Giuliana Carbone, Director Revenue Services, dated Feburary 18, 2005

mpac

MUNICIPAL PROPERTY ASSESSMENT CORPORATION

February 18, 2005

Ms. Giuliana Carbone
Director, Revenue Services
City of Toronto
5100 Yonge Street, Lower Level
Toronto ON M2N 5V7

Dear Ms. Carbone:

Further to our discussions regarding the Municipal Property Assessment Corporation's (MPAC) commitment to improved service delivery, the following highlights some of MPAC's Key Performance Indicators for 2004.

1. **MPAC's assessments will, at a minimum, exceed the International Association of Assessing Officers (IAAO) international standards of accuracy for all properties.**

International Association of Assessing Officers Ratio Study Standards			
Property Type	**Median ASR**	**COD (%)**	**PRD**
Residential/Farm	.90 – 1.10	<15.0	.98 – 1.03
Multi-Residential	.90 – 1.10	<20.0	.98 – 1.03
Commercial/Industrial	.90 – 1.10	<20.0	.98 – 1.03

As per the IAAO's international standards, in order to determine the quality of an assessment update, the relationship between the assessed value and the actual sale value of a property which sold in the base year is calculated. This is the Assessment-to-Sale Ratio or the ASR. The closer the ratio is to 1.00, the more accurate the assessment.

When the ASRs for many properties are examined, the median ratio can be determined for each property type. The median group of numbers is the middle number after they have been sorted from lowest to highest.

The analysis also determines the degree of uniformity of ASR ratios (Coefficient of Dispersion or COD). The COD measures how tightly the ASRs are clustered about the median. The more uniform the assessments, the lower the COD. As market activity decreases or as the complexity of properties increases, the COD will usually increase.

Finally, any bias towards low or high value properties is determined by calculating the Price Related Differential or PRD. The closer the PRD is to 1.00, the less bias exists in the Assessments. When samples are small or the weighted mean is heavily influenced by several extreme sale prices, the PRD may not be a reliable measure.

While the above outlines the IAAO's international standards, MPAC has set higher internal standards in the following areas:

For Residential Properties:
- a median ASR (assessment-to-sale ratio) between .98 and 1.02 inclusive;
- a COD (coefficient of dispersion) less than 8.00; and
- a PRD (price related differential) between .98 and 1.02 inclusive

For Multi-Residential Properties:
- a COD (coefficient of dispersion) less than 15.0

For the 2004 taxation year (the latest province-wide Assessment Update), the following results were achieved in the City of Toronto:

Property Type	Median ASR	COD %	PRD
Residential/Farm	1.00	6.42	1.01
Multi-Residential	0.97	7.37	1.00
Commercial/Industrial	1.00	14.52	1.07

2. Less than 3.25% of all properties will have Reconsideration Requests (RfR).

For the 2003 taxation year, the total property count for the City of Toronto was 610,019. MPAC received 26,621 RfRs (4.36%).

For the 2004 taxation year, the total property count for the City of Toronto was 623,839. MPAC received 35,569 RfRs (5.70%).

Although the number of properties where an RfR was filed exceeded the 3.25% KPI, it is worth noting that approximately 10,000 Requests were filed en masse by a single tax consultant in September 2004. Furthermore, the reduction in current value resulting from all 2003 and 2004 requests processed to date is less than 7.5%. Specifically, for 2003, the reduction in Current Value was 7.3% of the total assessment under reconsideration. In 2004, the reduction in Current Value was 4.3% of the total assessment under reconsideration.

3. **The reduction of current value assessment in 2004 by the Assessment Review Board will be less than 7.5% of the total assessment under appeal and less than 0.75% of the total assessment on the most recent roll.**

As of February 14, 2005, MPAC's performance before the Assessment Review Board for properties under appeal in the City of Toronto is as follows:

2003 Taxation	
Assessment Change	$1,528,864,825
Assessment at Risk	$40,690,271,759 **(3.76% at risk)**
Assessment Returned	$270,577,584,541 **(0.57% of Roll Return)**

2004 Taxation	
Assessment Change	$680,282,353
Assessment at Risk	$36,844,668,475 **(1.85% at risk)**
Assessment Returned	$304,496,035,158 **(0.22% of Roll Return)**

In addition to the Service Delivery Key Performance Indicators identified above, I would like to highlight a number of other areas where service improvements have been gained.

In June 2003, the City of Toronto identified a Service Delivery concerns for a number of assessment and taxation related issues. Among the issues identified were the timing of severances and consolidations, the timely delivery of Section 357/358 applications and Vacancy Rebate Applications.

I am pleased to report that through specific allocations made to the Land Parcel Unit over the last 18 months, MPAC has addressed the timing issue as related to severance and consolidations for the City of Toronto. Currently, all severance and consolidations for the City are processed by MPAC within 30 business days from date of receipt.

Significant progress has also been made with respect to the delivery of Section 357/358 Applications and Vacancy Rebate Applications. Through the implementation of internal process improvements and the collaborative efforts of MPAC and City of Toronto staff in streamlining information exchange, the average delivery time for Section 357/358 applications to the City of Toronto improved from 118 days in 2003 to 36 days in 2004. Furthermore, the average delivery time for Vacancy Rebate Applications improved from 100 days in 2003 to 54 days in 2004.

In closing, I would be pleased to meet with you to address any questions you may have regarding the information presented above.

I look forward to continuing to work with you and building on our past successes.

Yours truly,

Greg Martino
Account Manager, Municipal Relations

Copy Arthur Anderson, Director – Municipal Relations
Casey Brendon, Manager – Operational Support