



The Corporation of the Town of Milton

Report To: Council

From: Glen Cowan, Chief Financial Officer / Treasurer

Date: May 8, 2023

Report No: CORS-026-23

Subject: 2022 Property Assessment Appeals and Assessment Base Management Activity Update

Recommendation: **THAT the 2022 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 previous Section 357 Municipal Act appeals citing the pandemic as reason for the cancellation, reduction, or refund of property tax.

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 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 during the 2 years leading up to the valuation date (i.e. January 1, 2014 – January 1, 2016 for the 2017 to 2023 taxation period). The transactions are compared to the Current Value Assessment (CVA) created by MPAC for the given 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 its 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 2022 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, the communicative software between MPAC and the municipality. It allows for property specific issues to be submitted and addressed in accordance with MPAC's Service Level Agreement (SLA), forgoing the need to launch a formal appeal. In addition, roll values (outside of new properties) in the latter years of the phase-in cycle have had previous opportunity for review and action where appropriate. The property assessments for the 2022 and 2023 property tax years continue to be based on the fully phased-in January 1, 2016 current values.

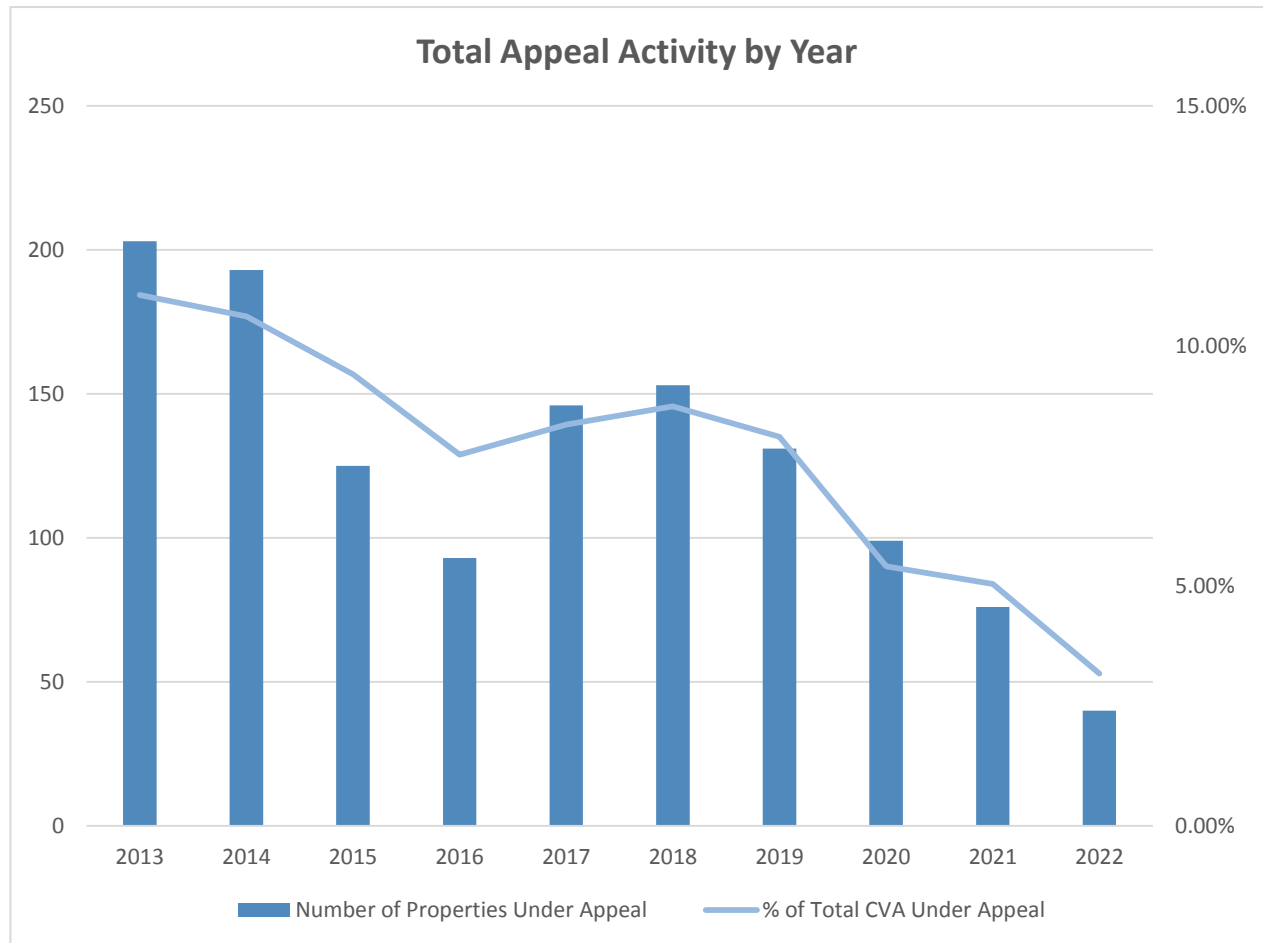


Discussion

Town staff continue to monitor supplementary/omitted assessment activity, in-year and year-end changes, along with Requests for Reconsideration (RfR), as received, and may file appeals if applicable.

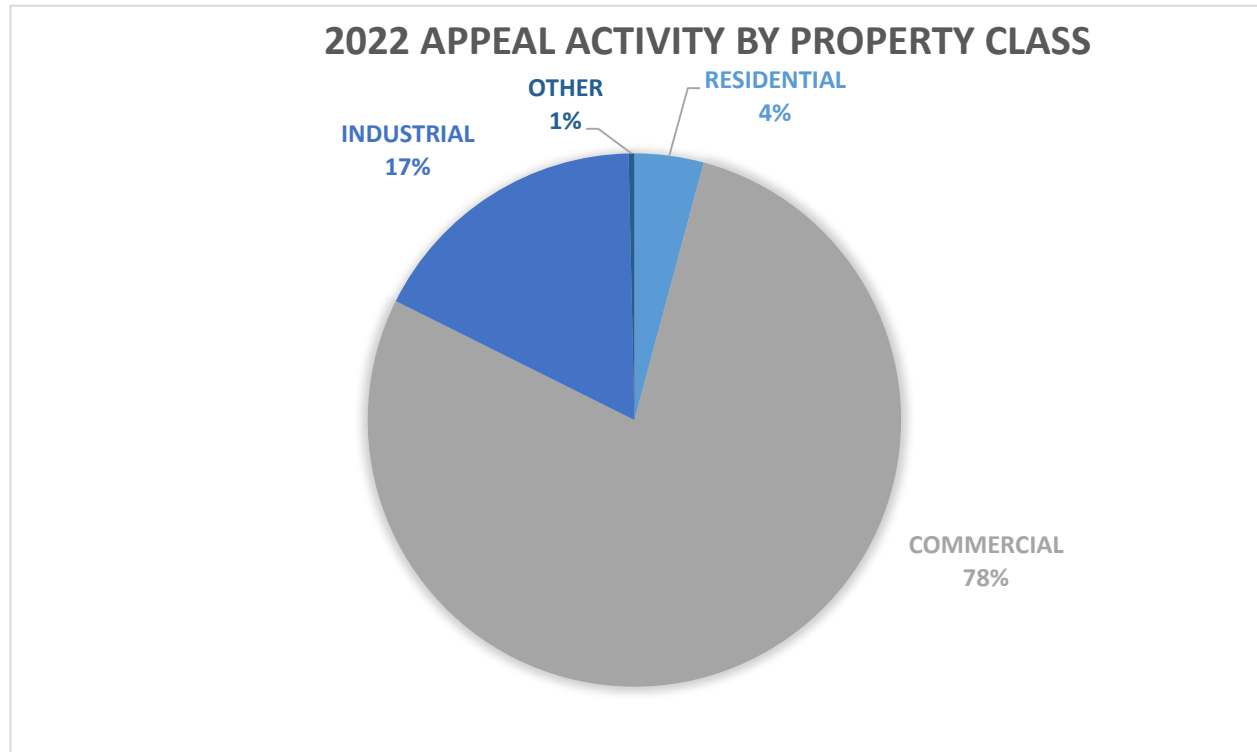
Owner/Representative Initiated Appeals

Town staff are continually and 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 40 properties with active appeals during the 2022 tax year. The total value of those properties equates to 3.17% of the full Current Assessment Value (CVA) of all properties in the Town of Milton.



Discussion

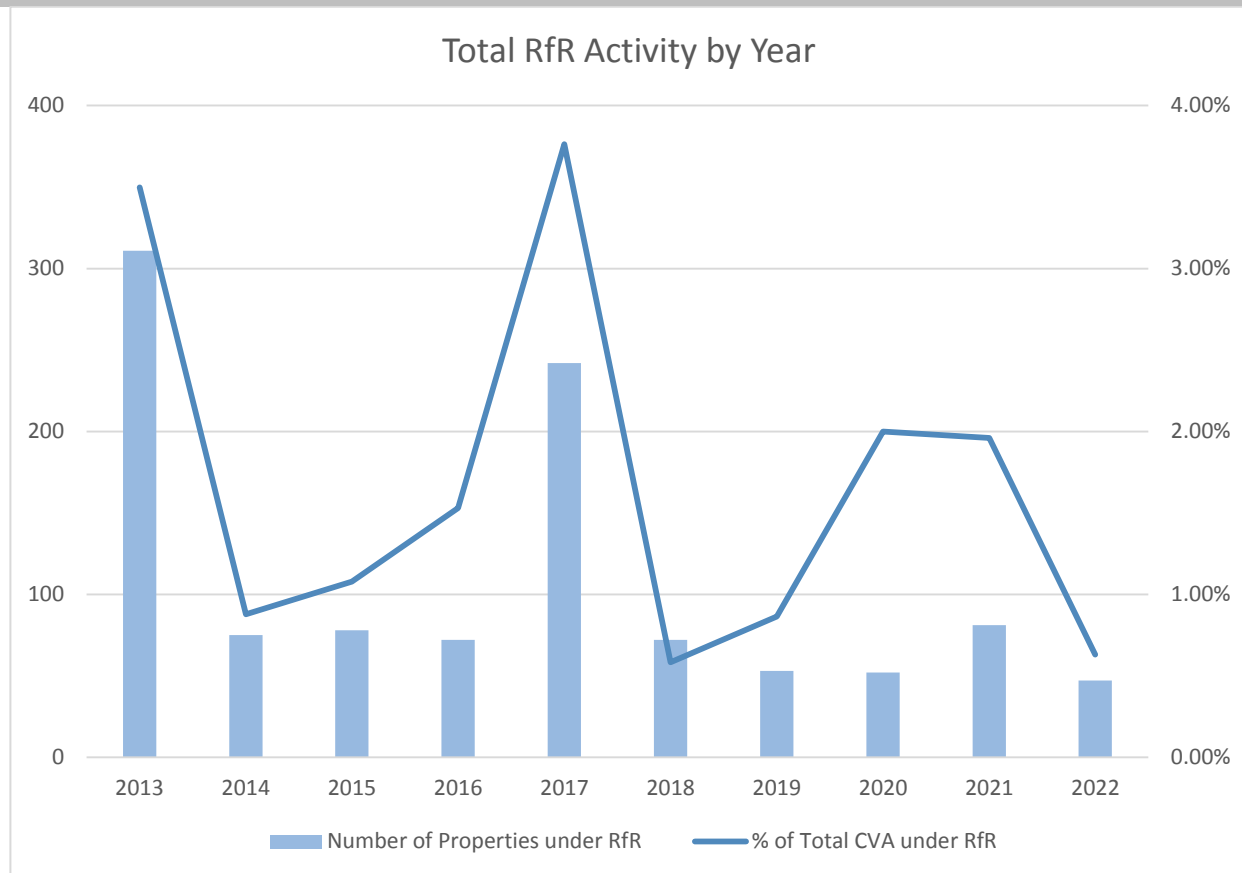
The appeal activity in 2022 continued to be largely related to the industrial and commercial class as shown in the chart below. These two categories accounted for 95% of the \$941,146,200 CVA under appeal:



In addition to appeals, Town staff also have the opportunity to review and respond to Requests for Reconsideration (RfR). All property types are able to file an RfR, however, if the property, or a portion of it, is classified as residential, farm or managed forests, the owner must first file an RfR with MPAC before it is eligible to be appealed to the ARB.

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 2023 taxation years. The following table provides a continuity of RfR processes within the Town of Milton:

Discussion



Section 357 Municipal Act Appeals Update

A number of property owners/tenants across the province had filed applications/appeals with the Assessment Review Board (the “Board”) pursuant to s. 357 of the *Municipal Act*, on the basis that the legal and governmental restrictions implemented in response to the COVID-19 pandemic, “damaged” the properties within the meaning of s. 357(1)(d)(ii). The various municipalities, in which these properties are located, disagreed that s. 357(1)(d)(ii) can be interpreted to include this type of damage.

Subsequently in late 2022, the Board made the following findings: Section 357(1)(d)(ii) applies only to a physical building on the land. Therefore, the word “damage” requires that the building be physically damaged. The interpretation of the general words “or otherwise” is restricted to the limited class of physical causes indicated by the specific items listed in this section, i.e. “fire” and “demolition”. A finding whether a building has been damaged is prerequisite to a finding whether such damage has rendered the building substantially unusable for the purposes for which it was used immediately prior to the damage.

Discussion

Therefore, damage to a building cannot be inferred from a change in its use. The fact that a building is not used, does not, in and of itself, indicate that a building is unusable.

The resulting impact of the Board decision lead to all of the outstanding S. 357's (4 properties, 8 appeals) in the Town of Milton to be withdrawn, averting a potential estimated loss of \$350,000 Town portion of property taxes.

Assessment Base Management

The Town's assessment base management staff have also undertaken a variety of other initiatives during 2022 to further protect the integrity of the Town's assessment base and better position the Town moving forward. Those achievements include:

- Providing responses to owner-initiated assessment appeals including Section 357 Municipal Act appeals, and participating in multiple mandatory settlement meetings, further negating unwarranted assessment losses
- A continual 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
- Ongoing communication with Ontario Municipal Tax and Revenue Association (OMTRA), including the appointment of a member of Town staff as a Board Director

2023 Outlook

As part of the Ontario Government's *Ontario Economic Outlook and Fiscal Review* on November 4, 2021 the Minister of Finance and President of the Treasury Board announced the Province's decision to once again postpone a province-wide property assessment update due to the pandemic. There has been no updates from the Ontario Government on when the next reassessment will occur.

Property assessments for the 2023 tax year will continue to be based on January 1, 2016 current values. All property assessments will remain the same as it was for the 2022 tax year, unless there have been changes made to the property, including:

- A new addition, new construction, or renovation
- A first-time assessment
- A change to the classification



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- A change to the property's value resulting from a Request for Reconsideration, or and Assessment Review Board decision
- A property that no longer qualifies as farmland, conservation land or managed forests
- All or part of the property no longer qualifies to be tax exempt

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 five years.

Town Share	2018	2019	2020	2021	2022
Supplementary Revenue	\$1,664,510	\$1,591,233	\$2,437,320	\$1,645,665	\$1,659,081
Write-offs	(\$262,510)	(\$553,038)	(\$1,400,050)	(\$1,328,435)	(\$1,115,994)

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

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Attachments

None

Approved by CAO
Andrew M. Siltala
Chief Administrative Officer

Recognition of Traditional Lands

The Town of Milton resides on the Treaty Lands and Territory of the Mississaugas of the Credit First Nation. We also recognize the traditional territory of the Huron-Wendat and Haudenosaunee people. The Town of Milton shares this land and the responsibility for the water, food and resources. We stand as allies with the First Nations as stewards of these lands.