

2023 ASSESSMENT ROLL OVERVIEW

FEBRUARY 15, 2023

ISSUE:

To advise and provide information regarding:

- the 2023 Assessment Roll completed and declared on January 31, 2023;
- mailing of the 2023 Property Assessment Notices on February 28th; and
- the overview of the 2023 Assessment Roll including the impact of assessment value changes for property owners.

RECOMMENDATION:

It is recommended through the Administrative Committee that City Council receives this Briefing Note for information.

Provide information regarding the assessment roll results for the 2023 taxation year affecting property owners and expected timelines.

COUNCIL STRATEGIC PRIORITY:

Partnerships & Governance

4.4 Proactively communicate internally and externally in a way that is clear, open and honest.

The City strives to establish assessment values that are fair and equitable. Assessment values are the basis for allocating property taxes amongst individual properties; the total municipal property tax revenue requirement as outlined in the updated 2023 budget was approved by Council for \$84.796M on December 19, 2022.

KEY RISKS:

Health, Safety and Environmental Impact:

N/A

Financial Impact:

Funding Request:	No	
Budgeted Item:	No	
Funding Explanation:		
Budget Amendment Form?	No	

With respect to existing properties, property value changes in the assessment roll are revenue neutral for the City. Property owners with changes in property assessment greater or less than the median change would experience a redistribution of the tax burden.

Legal / Policy Impact:

The Province of Alberta has not implemented any changes in legislation for assessment valuation impacted by the on-going effects of the COVID-19 pandemic. Market value using mass appraisal continues to be the standard of assessment.

Public Implications:

The community desires a stable and predictable tax environment. Not all properties will experience an equal change year over year; some assessments have stayed relatively consistent while others have adjusted to reflect changes in the market or adjustments made for new or missing property details and components.

BACKGROUND:

Property assessment is the process of calculating/assigning a dollar value to each property for the purpose of property taxation. Assessment values are updated annually to ensure the on-going fair distribution of the property tax burden. City Council role in assessment:

- is governed by Part 9, Assessment of Property *Municipal Government Act* (MGA) and its regulations,
- may by bylaw divide class 1 and/or 2 into subclasses
 - class 1 –residential, has the ability to split into an unlimited number of sub-classes
 - class 2 –non-residential (NR), may be split into vacant NR, small business & other NR,
- may direct rate payers with inquiries to the assessment department & city website.

The assessor is governed under Part 9, Assessment of Property of the Municipal Government Act (MGA) and its regulations by: assigning assessment classes to property, following best assessment practice, maintaining fairness, equity, accuracy, openness, transparency and providing the Minister or Provincial Assessor the required information. The assessor will determine if the property is assessable or non-assessable, to be prepared on market value or regulated value, and if exempt or taxable.

The 2023 property assessment values reflect either a market value using the mass appraisal approach or a regulated value with rates determined by the province. Properties prepared using regulated rates include farmland, railway, designated industrial properties, and machinery and equipment. Market value is reflected in the assessment values of residential, multi-family, commercial and industrial properties.

The MGA defines market value as: “the amount that a property, as defined in section 284(1)(r), might be expected to realize if it is sold on the open market by a willing seller to a willing buyer”. Property is defined as a parcel of land, an improvement, or a parcel of land and the improvements to it. A property assessment based on market value must: be prepared using mass appraisal, the estimate of the value of the fee simple estate in the property and reflect typical market conditions for properties similar to that property. Mass appraisal in the process of preparing assessments for a group of properties by using standard methods and common data which allows for statistical testing. Mass Appraisal allows the Assessor to accurately value a large number of properties in a short period of time. Three different approaches to market value are utilized when assessing property: Cost Approach for non-residential and special purpose properties; Sales Comparison Approach for residential properties; Income Approach for multi-family, commercial, and industrial properties.

There are approximately 29,026 accounts: 90% relate to residential property, 9% relate to non-residential property, 0.5% to multi-family, and 0.5% to farmland. In 2023, the property assessment value is based on the valuation date of July 1, 2022, reflecting the characteristics and condition of the property on December 31, 2022.

Residential:

The overall median market change for Single Family homes experienced an increase of 6% leading up to the July 1, 2022 valuation date. Since this date, however, the real estate market has slowed as interest rates rise and sales volume declines. Other residential median market changes for the 2023 assessment roll are summarized as follows:

- Single Family land median change = 5%
- Condos overall = 4% increase
- Manufactured Home units = 8% increase
- Manufactured Home parks (10 properties) = 5% increase
- Tri-plex and Four-plex = 2% increase
- Other increases to properties are due to adding new and previously missing assessment details

Non-Residential & Multi-Family:

- Non-Residential overall median change = 2%
- Commercial median change = 2%
- Industrial median change = 2%
- Hotel/Motel median change = 0% change
- Multi-Family (5 units or more) median change = 5% increase
- Senior Multi-Family Facilities median change = 7% increase

Assessment Base Growth and Market Growth:

The overall assessment change can be summarized as assessment growth and market change as follows:

	Assessment Growth (\$ millions)	Market Change (\$ millions)	Total Assessment Base Change (\$ millions)	2022 Muni Tax Rates	2023 Tax Difference (\$ millions)
Single Family	40.6	419.9	460.5	6.8108	3.14
Multi-Family	24.3	17.4	41.7	7.9557	0.33
Farmland	0.0	0.0	0.0	17.3438	0
Non-Residential	41.3	40.3	81.6	15.7962	1.29
Total Assessment	106	478	584		4.76

The market change for Non-Residential properties is attributable to stable lease rates, vacancy and capitalization rates. In 2023 taxation year, 379 income producing properties will see a decrease in their assessed values versus 562 properties in 2022.

Valuation Summary Reports:

Property owners may request the assessment summary details regarding valuation for the current year only without a fee for their own property. A \$52.50 fee per property is associated with a request for property summary details of a comparable property.

The goal of the Assessment Department is to bring the property owner's focus to the current year's valuation rather than the percentage change year over year. Property owners can request assessment values from prior years by calling or emailing the Assessment department. All past Assessment Rolls are also available on the City website.

2022 Appeal Results:

A total of 77 complaints/appeals (of which five were residential) were received relating to the prior year's 2022 assessment roll (vs. 38 in 2021, 66 in 2020, 34 in 2019, 55 in 2018, 48 in 2017, 43 in 2016, 51 in 2015, 38 in 2014 and 152 in 2013). Of the total complaints/appeals received, four were heard by Assessment Review Board (ARB), one was confirmed, one was adjusted as a result of the ARB hearing and two were resolved with mutual agreement.

OPTIONS CONSIDERED & POTENTIAL IMPLICATIONS:

N/A

IMPLEMENTATION PLAN:

The finalizing of the 2023 Assessment Roll took place on January 31, 2023, and the mailing of the assessment notices will take place on February 28, 2023. The 2023 Tax Rate Bylaw scenarios will be presented to Council on May 1, 2023, for approval. The tax notice mailing date for all properties is set for May 19, 2023.

Property owners can access general assessment information on the City of Medicine Hat website www.medicinehat.ca. The Assessment Department will respond to all owners that contact the department regarding their new assessment or to receive their previous assessment amount. Property owners who experience more than a 20% increase in their assessment value will receive a letter of notification included with the 2023 Assessment Notice.

In addition, with the exception of properties where a permit was taken for new construction, approximately seven property owners who experience more than a 30% increase also receive a phone call or a voice message.

PREPARED BY & DATE:	Sue Sterkenburg Manager & City Assessor, Assessment & Taxation	February 7, 2023
REVIEWED BY & DATE:	Lola Barta Director, Finance	
APPROVED BY & DATE:	Dennis Egert Managing Director & CFO, Corporate Services	
ATTACHMENTS:	Attachment #1 2023 Assessment Roll PowerPoint Presentation Slides	



2023 Assessment Results

Presented to Administrative Committee

FINANCE
February 15, 2023



Purpose

To present to Council the 2023 Assessment Results

- To highlight important mailing dates
- To anticipate feedback from the rate payers affected
- To demonstrate stable and predictable results

Overview

- Assessment Roll Declared – January 31
- Assessment Notice Mail date – February 28
- 60 Day Complaint Deadline – May 8
- Tax Notice mail date – May 19
- Tax payment due – June 30

Three Step Process

COUNCIL

1

Approves tax
revenue budget
\$84.796M

3

Approves tax
rates to allocate
taxation
requirements
between property
types

ASSESSOR

2

Objectively
determines
value of properties

ROLE OF COUNCIL

- Governed by legislation
 - Part 9 Assessment of Property and its regulations
- Council may, by bylaw, divide Class 1 and/or 2 into subclasses
 - Class 1 – Residential. Ability to split into unlimited number of sub-classes
 - Class 2 – Non-Residential (NR), may be split into vacant NR, small business & other NR
- Direct rate payers with inquiries to the Assessment Department & City website
- Set fees for inspection of the Assessment Roll
- Pass a Supplementary Assessment Bylaw

ROLE OF THE ASSESSOR

- Governed by legislation
 - Part 9 Assessment of Property and its regulations
- Assessor must assign Assessment Classes to property
- Follow best assessment practice
- Maintain fairness, equity and accuracy
- Openness & transparency
- Provide the Minister or Provincial Assessor required information
- By February 28th must prepare an assessment roll
- Send notice of assessment to the assessed person

Basis for Assessment Values

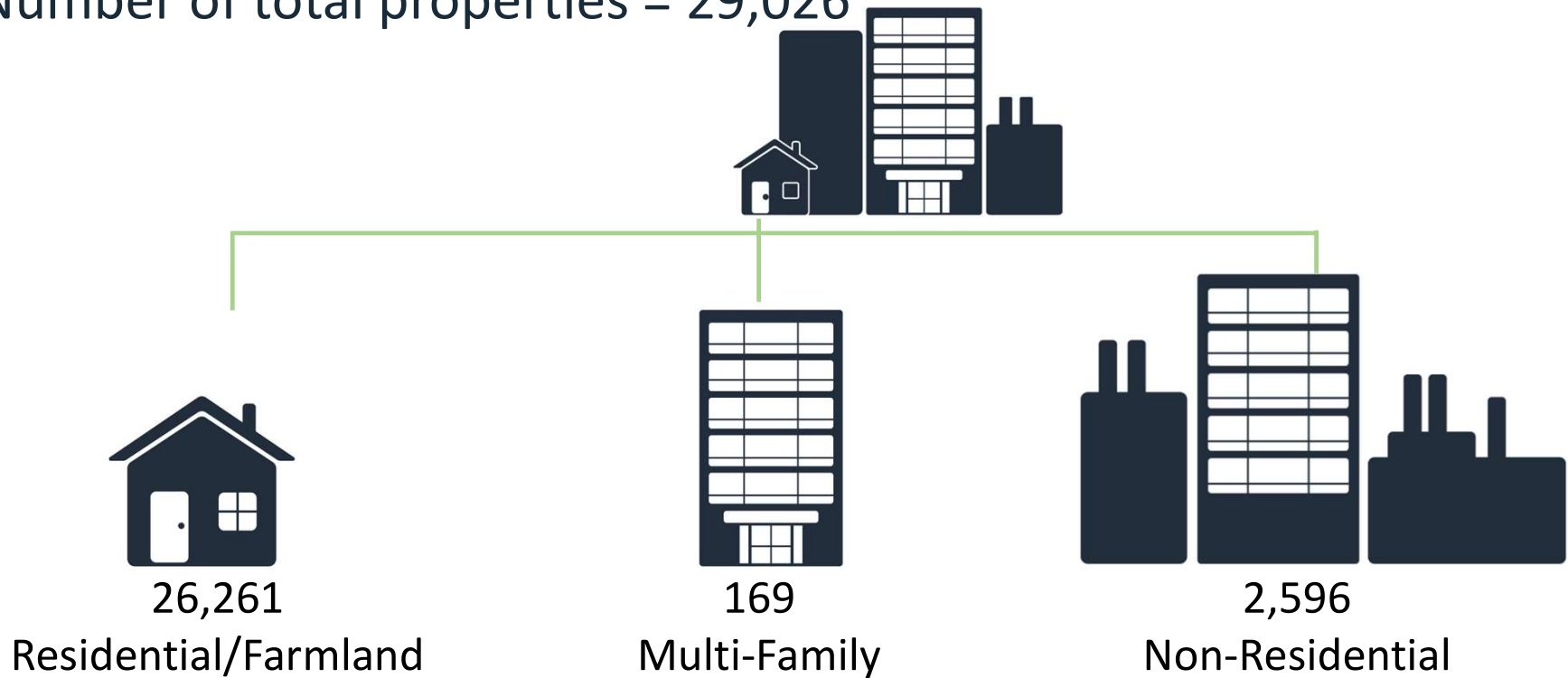
- Assessment - assigning a dollar value to each property based on market value or regulated value.
 - Regulated Value – Farmland, Linear, Railway, Di Properties, M&E
 - Market Value prepared using Mass Appraisal
 - Cost, Sales & Income Approach
 - Exempt or Taxable, Non-Assessable
 - Valuation Date – July 2022, Condition Date – December 31, 2022
- Assign Assessment Class
 - Class 1 – Residential, (Subclasses Single Family & Multi-Family)
 - Class 2 – Non-Residential, Class 3 – Farmland, Class 4 – M&E

Basis for Tax Allocation

- Assessment values provide basis for tax allocation to taxpayers
- Annual update to assessment values to ensure on-going fair distribution of property tax burden
- Changes in the Assessment Roll are revenue neutral
 - Real assessment base growth NR = \$41.3 M actual
 - Real assessment base growth MF = \$24.3 M actual
 - Real assessment base growth SF = \$40.6 M actual
 - Estimated overall assessment base growth = 1.15% (Budget 1.0%)
- Property owners with changes in assessment values greater or less than the median would experience a redistribution of the tax burden

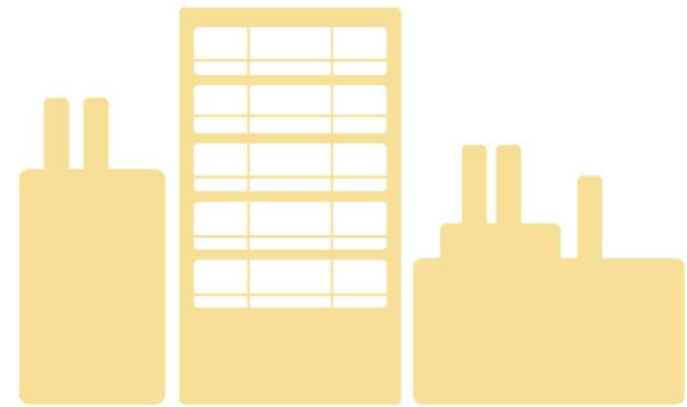
Number of Tax Accounts

Number of total properties = 29,026



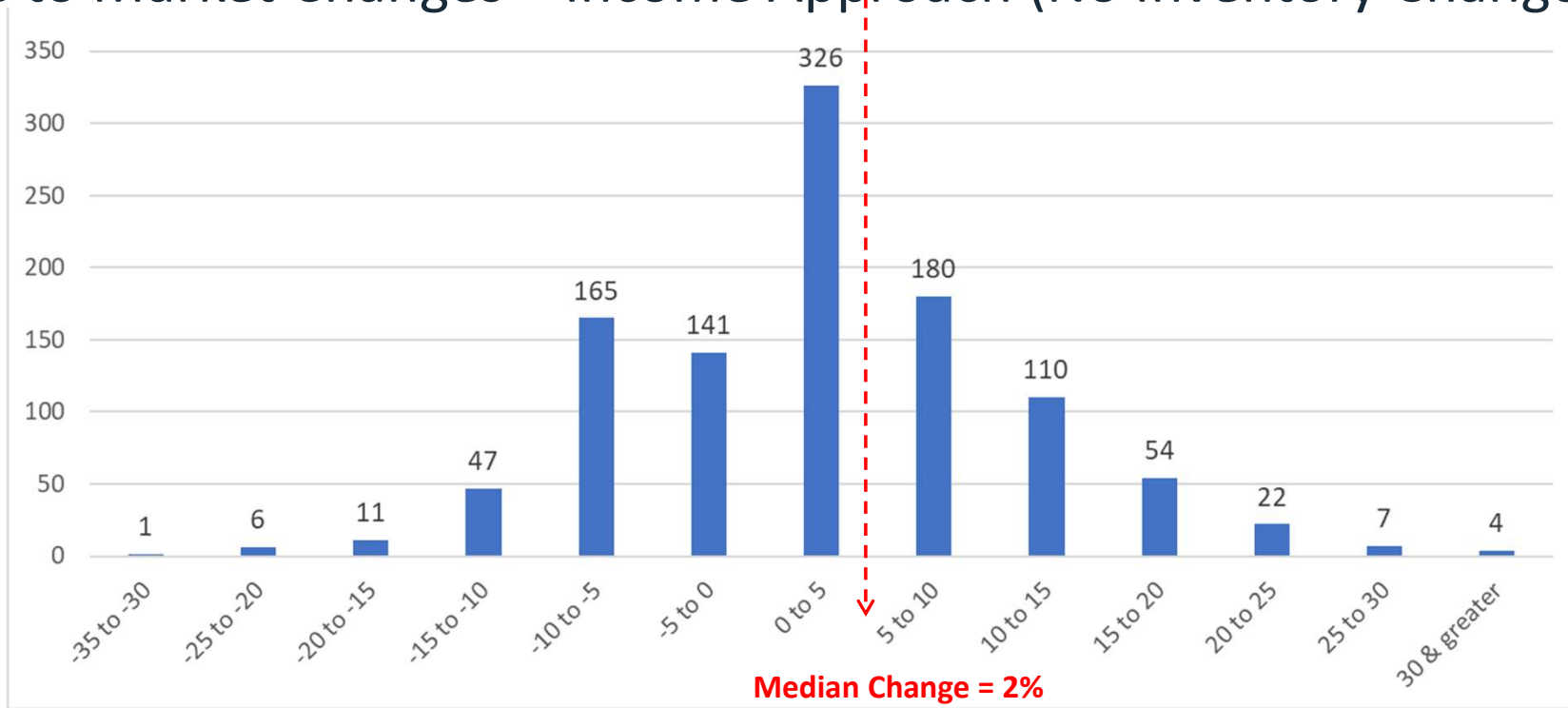
Key Findings – Median Value Changes

- Non-Residential overall median change = 2%
- Commercial median change = 2%
- Industrial median change = 2%
- Hotel / Motel median change = 0%
- Multi-Family (5 units or more) median = increase 5%
- Senior Multi-Family Facilities median = increase 7%



Non-Residential Distribution

Due to Market Changes – Income Approach (No Inventory Changes)

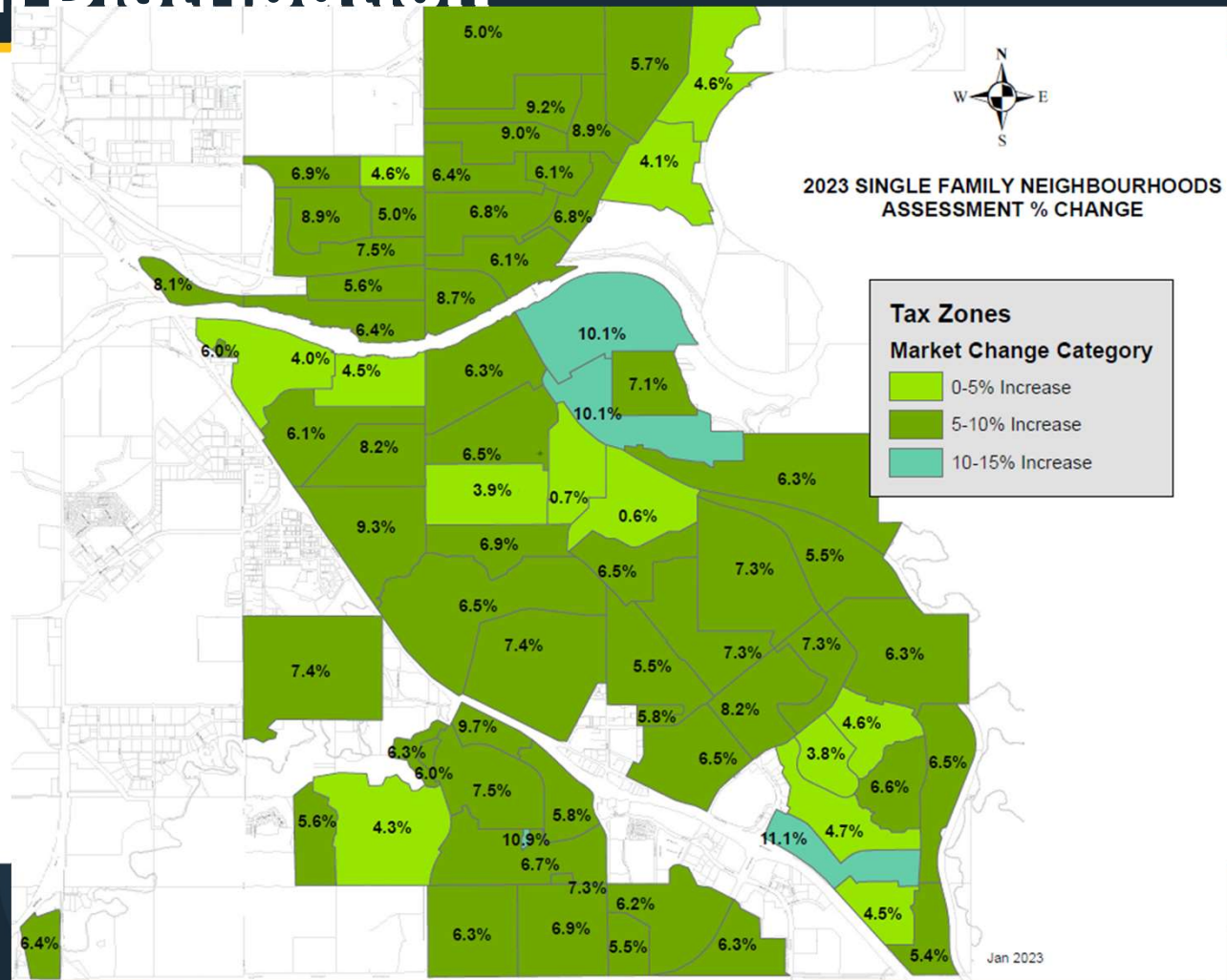


Key Findings – Median Value Changes

- Single Family Homes = increase 6%
- Tri-plex and Four-plex = increase 2%
- Residential Condominiums = increase 4%
- Manufactured Homes = increase 8%
- Manufactured Home Park = increase 5%



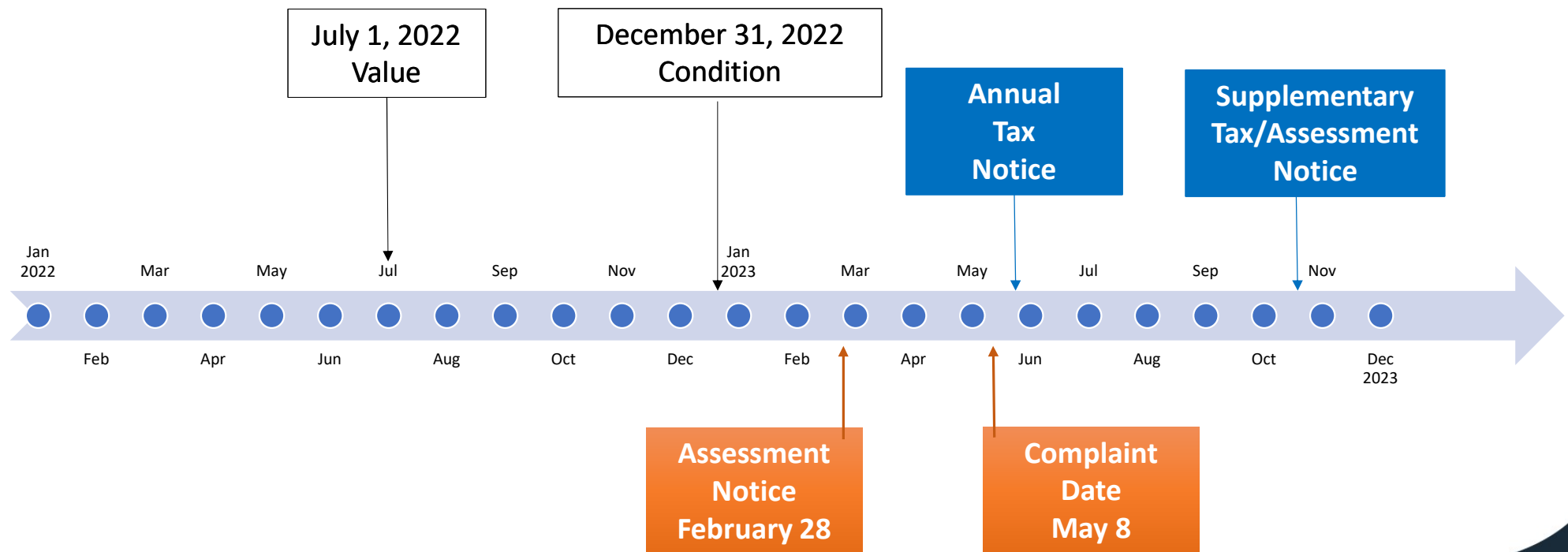
Residential Distribution



Complaint Hearings

	2022					2021					2020			
	LARB	CARB	CARB	Total		LARB	CARB	CARB	Total		LARB	CARB	CARB	Total
	Residential	3 or more units	Non-Res			Residential	3 or more units	Non-Res			Residential	3 or more units	Non-Res	
		Multi-Family					Multi-Family					Multi-Family		
appeals filed	5	28	44	77		4	0	34	38		11	8	47	66
less: appeals withdrawn	3	4	5	12				2	2		6	5	0	
less: assessments adjusted by mutual agreement	2	24	35	61		1		30	31		4	0	0	
Jurisdictional Hearing (one member Board) - the assessment is confirmed Without hearing the merits of the complaint	0	0	0			0	0	0			0	0	0	0
appeals heard by ARB	0	0	4	4		3		2	5		1	3	8	
less: appeals upheld/confirmed by ARB	0	0	1			2			2			2	4	
assessments adjusted by ARB	0		3			1		2	3		1	1	4	

Timeline of Key Events



Next Steps

- Mailing of the Assessment Notices will be February 28, 2023.
- Phone calls for property owners experiencing an increase over 30%.
- Letter included with Assessment Notices for properties with 20% plus increase.
- Property Owners are encouraged to phone, email or visit our office.
 - Valuation details on your own property - no charge
 - Valuation details on a comparable property - \$52.50 fee
- City website
 - Assessment map with property assessment values
 - Documents to explain methodology of assessment
 - Sales data used in the analysis

END