

# 2016 Assessment Update

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## Municipal Summary Report

December 2016



MUNICIPAL  
PROPERTY  
ASSESSMENT  
CORPORATION

## C O N T E N T S

### **Delivering the 2016 Assessment Update**

About This Report .....	3
Introduction .....	3
Disclosure .....	4

### **2016 Assessment Update Rollout**

Residential Properties .....	5
Farm Properties .....	7
Business Properties .....	10
Large and Special Purpose Business Properties .....	16

### **Our Approach to Value**

The Municipal Experience .....	18
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<b>Conclusion</b> .....	19
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### **Assessment Change Summary**

<b>by Property Class</b> .....	Appendix 1
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### **Assessment Base Distribution**

<b>Summary by Property Class</b> .....	Appendix 2
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# Delivering the 2016 Assessment Update

## About This Report

The following report has been developed to provide municipal administration and elected officials with an executive summary of the work undertaken by Municipal Property Assessment Corporation (MPAC) in delivering assessed values for the 2016 Assessment Update.

MPAC is committed to providing property owners, municipalities and all its stakeholders with the best possible service. Our goal is a stable assessment base through greater transparency, shared understanding and accuracy in property values.

## Introduction

In Ontario, property assessments are updated every four years. The 2016 Assessment Update reflects a legislated valuation date of January 1, 2016, for the 2017-2020 property tax years.

MPAC's work to deliver the 2016 Assessment Update began in 2015—nearly two years earlier than previous Assessment Updates. As part of our efforts, we introduced some of the most significant reforms to Ontario's property assessment system since 1998, and recognized early engagement and openness as keys to our success.

**The following report summarizes the initiatives that MPAC has undertaken to:**

- Deliver on our commitment to engage with and provide greater access to information for property owners, municipalities and stakeholders
- Improve our valuation analysis, methods and models
- Increase our assessment quality through stringent data cleansing, quality checks and testing our work through third parties

## Our 2013-2016 Strategic Plan

MPAC provided property owners, municipalities and stakeholders with the best possible service through transparency, predictability and accuracy—and works with municipalities and property owners and industry associations to identify potential opportunities to further refine Ontario's property tax system.

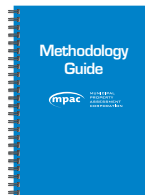
## Disclosure

MPAC has launched disclosure initiatives to inform property owners and municipalities about how accurate property values are established. MPAC's approach to disclosure varies by property type. The disclosure initiatives include ongoing consultations with property owners and municipalities to determine appropriate valuation methodology and valuation parameters.



### Three levels of Disclosure documentation were established:

#### 1 Methodology Guides



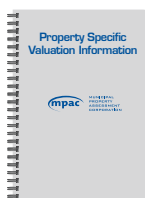
33 guides that explain assessment methodology, and reflect appraisal industry standards and best practices.

#### 2 Market Valuation Reports (MVR)



161 reports that explain how assessment methodology is applied to value properties, at the sector level, including reports for each of MPAC's 128 residential market areas.

#### 3 Property Specific Valuation Information



Detailed information is also provided for over 5 million properties in Ontario, including 600,000+ farm and business properties, available through secure access ([aboutmyproperty.ca](http://aboutmyproperty.ca)) to property taxpayers, their representatives and municipalities. MPAC has published 33 additional supporting documents, including our Information and Data Sharing Policy, Economic Obsolescence Reports, and Cost Analytics.

# 2016 Assessment Update Rollout



## Residential Properties

Notices for residential property owners were mailed over a 21-week period starting on April 4, 2016. The staggered approach was intended for MPAC to:

- Resolve any property owner concerns before final Assessment Rolls are returned to municipalities
- Allow for more localized targeted outreach
- Manage the influx of calls to our call centre to better respond to enquiries

## RESIDENTIAL Market Trends

### Residential Market Trends

Launched April 2016, Residential Market Trends is a new, user-friendly online tool on [aboutmyproperty.ca](http://aboutmyproperty.ca) designed to inform property taxpayers about key market shifts happening in their neighbourhood and across Ontario.

Through interactive maps, property owners can understand how property assessments have changed in any specified neighbourhood. The maps display information on the average assessment increase in an area, including the value of a typical home, condominium and waterfront property value from 2016 to 2017. Provincially, residential property values have increased on average by 4.5% annually since 2012. Over the next four years, the average residential property will increase by 18%.

### Key Improvement Areas

#### *Improved Sales/Data Validation*

MPAC completed more sales investigations and data quality checks in preparation for this year's assessment update than past reassessments. MPAC staff investigated more than 200,000 sales since 2012, which is more than double the sales reviewed for the 2012 Assessment Update. MPAC also reviewed and updated more than 2.8 million data elements.

#### *Redesigned Property Assessment Notice*

MPAC redesigned the Property Assessment Notice as part of its commitment to enhance the residential taxpayer experience and educate property taxpayers on the valuation process.



MPAC conducted quantitative and qualitative research through a third party to receive feedback from residential taxpayers from across Ontario. Enhancements were made based on this feedback and through consultation with the Ministry of Finance.

Changes include:

- An Issue Date and specific Request for Reconsideration (RfR) deadline for each of the applicable tax years
- A clear explanation of phase-in
- A simple explanation of the Ontario Property Assessment System
- Information on the valuation process and the five key factors that affect residential property value

### ***Improved Understanding***

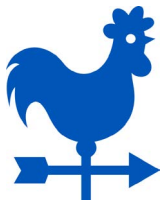
In advance of the residential Notice mailing, a variety of resources were provided to property owners, including:



- Brochures
  - [About MPAC](#)
  - [Understanding Your 2016 Property Assessment Notice](#)
  - [Resolving Assessment Concerns/Requests for Reconsideration \(RfR\)](#)
  - [Residential Properties](#)
  - [Newly Built Homes](#)
  - [Waterfront Properties](#)



- Videos
  - [AboutMyProperty™ Overview](#)
  - [How MPAC Assesses Properties](#)
  - [The Request for Reconsideration process](#)
  - [Property Assessment and Taxation](#)
- [Residential Market Trends](#)



## Farm Properties

MPAC has strengthened the accuracy and equity of farm valuations for the 2016 Assessment Update. Property Assessment Notices were delivered starting October 11, 2016, with an average annual increase of 16% since 2012. Over the next four years, the average farm property will increase by 64%.

### Farm Market Trends

Farm Market Trends were created for 48 different geographic regions, and the Current Value Assessment change shows the percentage increase for year one of the phase-in (2017). The maps also show a rate per acre of Class 1 farmland, which is often how farmers speak when referencing the value of their farm property.

1

#### Upward trends continue

Farmland property sales indicate that farm values have continued to increase provincially.

2

#### Interest rates are low

Historic low interest rates have allowed farmers to expand farming operations.

3

#### Demand outweighs supply

Over the last several years, the demand for farmland has significantly outweighed the supply, creating competition.

4

#### Not all buyers are farmers

Non-agricultural buyers in Ontario continue to purchase farmland.

5

#### More land is needed

Many sectors, including large intensive livestock enterprises, need land for nutrient management and cropping requirements.

6

#### Soil type is a factor

The availability of soil types that support high-value crops is driving up demand.

7

#### Farmland sales expand east

Producers continue to expand by purchasing land in Eastern Ontario and in neighbouring communities.

8

#### Lower priced land available in northeast

Buyers from Southern Ontario who are in search of lower priced land are finding it in the Northern and Eastern regions of Ontario.

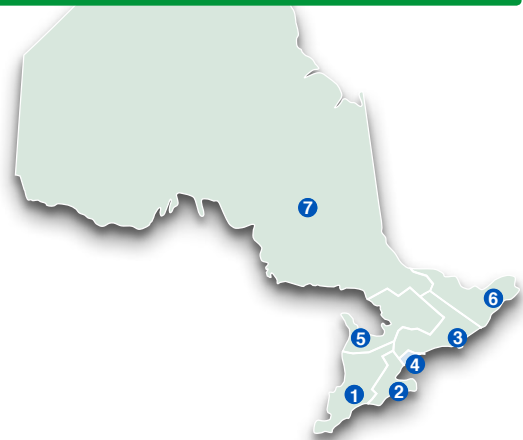
## Farm Value Comparison



### Overall

Average assessment change for 2016-2017

<b>Ontario Overall</b>	<b>16%</b>
South West ①	16%
Golden Horseshoe ②	12%
GTA Central Ontario ③	13%
City of Toronto ④	N/A
Central North East ⑤	16%
East ⑥	19%
North ⑦	18%



Average annual assessment changes reflect the median value for farm properties, regardless of the property class. This includes vacant farmland, farms with residences and outbuildings. The farm market trends map for 48 different geographic regions are available on [aboutmyproperty.ca](http://aboutmyproperty.ca).

## Key Improvement Areas

### Data Integrity/Accuracy

For the 2016 Update, MPAC implemented a number of changes that have resulted in a better approach to farm valuations.

- **Improved farm sale verification process.** MPAC undertook significant analysis and only used sales of farmland sold to farmers to determine farmland rates. Farm verifications included a standard letter and questionnaire sent to new farm owners, and a mandatory review of vacant farm land sales that are 10 acres or greater.
- **Comprehensive review of vacant farm land sales back to January 2008.** A longer sales period increased the number of farm sales in MPAC's analysis by approximately 40% over past reassessments (sales are time-adjusted to reflect market changes over time).
- **Reduction in the number of farm neighbourhoods.** Farm neighbourhoods have been combined, resulting in a reduction from 228 to 167 neighbourhoods. This has enabled MPAC to use more sales transactions in its determination of the farm land rates. MPAC staff also reviewed the values for farms in bordering neighbourhoods to ensure equity in the valuations.
- **New Agricultural Cost Guide.** MPAC is now relying on a new, up-to-date agricultural cost guide to determine the value of farm structures.



### ***Consultation and Engagement***

In consultation with the Ontario Federation of Agriculture (OFA), the Ontario Ministry of Agriculture Food and Rural Affairs (OMAFRA), municipalities and industry representatives, MPAC worked closely with the farming community to provide additional transparency regarding farmland valuations.



### ***Redesigned Property Assessment Notice***

MPAC engaged property owners and industry groups through focus groups to discuss potential enhancements to the Property Assessment Notice. As a result of feedback received, MPAC customized the Farm Notice to clearly indicate whether the property is classified in the residential or farm tax property class and include acreage as part of the property description.

### ***Improved Understanding***

In addition to outreach and consultation, MPAC created a suite of communication materials to help farm property owners understand the changes being introduced for farm properties as part of this year's province-wide Assessment Update. The materials include:



- A new [Farm brochure](#)
- [How MPAC Assesses Farm Properties](#) video
- An [Infographic](#) that explains how MPAC values farm properties
- [Understanding your Farm Property Assessment Notice Brochure](#)
- Access to all three levels of disclosure for their farm property through [aboutmyproperty.ca](#)
- [Farm Market Trends](#)



## Business Properties

Business property owners received their 2016 Notices starting on October 18, 2016. Values reflect the local real estate market and MPAC's analysis of the market indicates that most categories of business property have increased in value over the last four years. MPAC has made considerable efforts to analyze local markets, review the data on file and talk to property owners in advance of the update.

### Multi-Residential

MPAC has changed the way multi-residential properties are assessed and used the Direct Capitalization Approach for the 2016 Assessment Update. These changes were implemented as a result of feedback received during consultations with the Federation of Rental-Housing Providers of Ontario (FRPO), the Co-operative Housing Federation of Canada (Ontario Region Office) and the Ontario Non-Profit Housing Association. Provincially, multi-residential property values have increased on average by 7% annually since 2012. Over the next four years, the average multi-residential property will increase by 28%.

1

#### Upward trends continue

Multi-residential property sales indicate that values have continued to increase provincially.

2

#### Interest rates are low

Historic low interest rates have fueled an active sales market for multi-residential properties.

3

#### Demand outweighs supply

Competition for apartment investment properties in large urban centres has resulted in premium pricing.

4

#### REITs and large portfolio holders invest

Real estate investment trusts and large institutional investors continue to invest in this stable asset class.

5

#### Rent vs. buy

Many young professionals are choosing to rent instead of buy due to strong home prices.

6

#### Province-wide effects

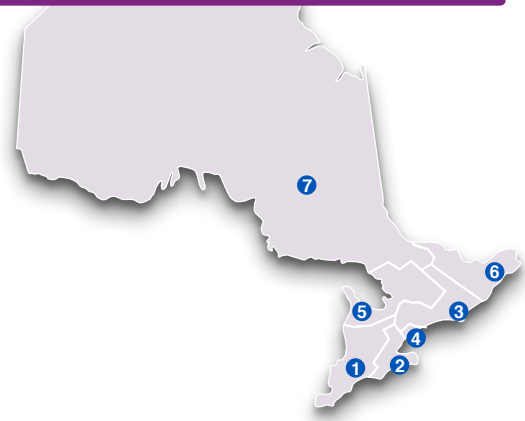
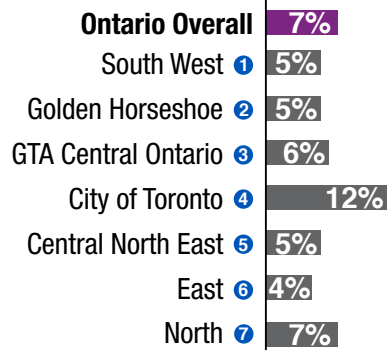
Sale prices have continued to climb across the province. Sault Ste. Marie, Thunder Bay, Barrie, Hamilton, Windsor and the Greater Toronto Area all show strengthening apartment markets.

## Multi-Residential Value Comparison



### Overall

Average assessment change for 2016-2017



*Average annual assessment changes reflect the median value for multi-residential properties having seven or more units. Multi-residential market trends include average assessment change (2016-2017), Fair Market Rents, capitalization rates and vacancy rates.*

### Key Improvement Areas

- Reviewed four years of sales data to determine multi-residential values
- Researched and consulted third party sources, including Canada Mortgage and Housing Corporation, to validate our valuation components
- Launched the Property Income and Expense Return (PIER) tool enabling multi-residential property owners to submit their annual rental, income and expense information online
- Studied rental, financial and market information to determine Fair Market Rents, Vacancy and Bad Debt allowances, Expense Ratios and Capitalization Rates for Ontario's multi-residential properties

## Commercial

Commercial properties have a broad range of uses including small retail, food service, shopping centres or big box centres, office buildings or other general commercial uses.

MPAC conducted pre-roll discussions and/or information sessions with Ontario Business Improvement Area Associations, large office and large retail property owners, major tenants (i.e., national chains) to review preliminary valuation parameters for the various sectors. In preparation for this year's Assessment Update, MPAC reviewed Fair Market Rents against market data submitted by property owners and reviewed three years of sales data to establish accurate values. Provincially, commercial property values have increased on average by 3.1% annually since 2012. Over the next four years, the average commercial property will increase by 12.4%.

1

### **Retail development in an expanding housing market**

Retail development remains strong in areas with growing residential communities to support the demand for retail services from new residents.

2

### **Capitalization rates and office buildings**

Capitalization rates continue to compress in most parts of Ontario. New supply continues to be added in several major markets, including Toronto, Richmond Hill, Mississauga and Oakville.

3

### **Ottawa faces decline in office building values**

Ottawa continues to see a decline in rents and an increase in vacancy as the federal government continues to relinquish office space back to the market.

4

### **Big box vs. standard retail properties**

Province-wide, big box properties are experiencing marginally lower increases in assessment when compared to standard retail properties due to the limited utility beyond their existing use and limited market demand within this sector.

5

**Commercial in the Northwest**

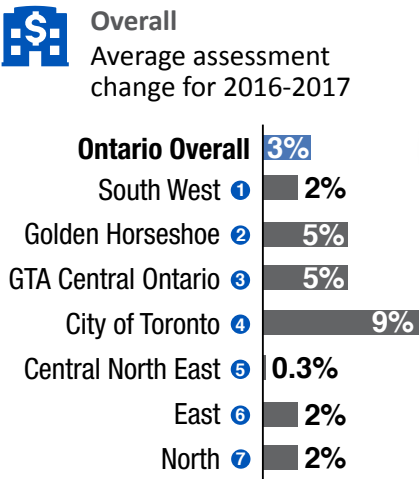
The main urban centres of Thunder Bay, Kenora, Dryden and Fort Frances are experiencing the most consistent assessment increases in the region. Affordable housing market conditions along with stability in the mining and forestry sector have contributed to steady market conditions in the commercial sector.

6

**Commercial in Northeastern Ontario**

Northeastern Ontario is seeing the lowest average change in commercial properties in the region. Increases to small retail properties are tempered in part due to the continued development of big box centres in these communities which have drawn consumers from traditional retail markets. Office buildings and large shopping centre values have outperformed small retail as sectors and investors outside of Northern Ontario see value in investing in the North due to low interest rates.

**Commercial Value Comparison**



*Commercial market trends include average annual assessment change (2016-2017), Fair Market Rent, Vacancy, Non-Recoverable, Capitalization.*

## Industrial

MPAC conducted pre-roll consultations and/or information sessions with the Ontario Business Improvement Areas (BIA) Association and member BIAs from across Ontario, ONroute Service Centres, the Gravel Pit Industry, municipalities, the Ministry of Finance and Infrastructure Ontario to get an improved understanding of how assessment changes will impact various groups in this sector. Provincially, industrial property values have increased on average by 3% annually since 2012. Over the next four years, the average industrial property will increase by 12%.

1

### Upward trends continue

Standard industrial property sales indicate the industrial market remains strong in the Greater Toronto Area.

2

### Rebounding market in Southwestern Ontario

The market in Southwestern Ontario remains stable with industrial sales rebounding in Windsor/Chatham.

3

### Logistics a key driver for this segment

Access to main transportation routes along the 400 series highways and large distribution centres continues to stimulate industrial markets.

4

### Steady growth province-wide

Central, east and northern areas of the province continue to experience stable industrial markets.

5

### Interest rates are low

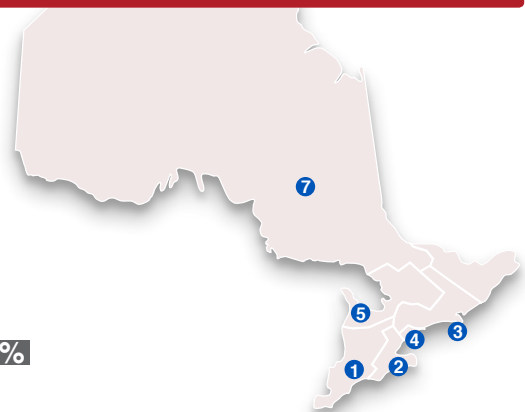
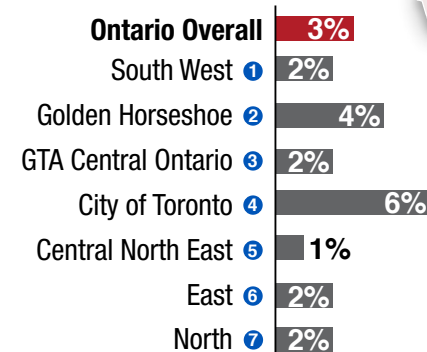
Historic low interest rates have fueled growth in industrial property sales.

## Industrial Value Comparison



### Overall

Average assessment change for 2016-2017



*Industrial maps show the average annual assessment change for industrial properties for year one of the phase-in (2017) for standard industrial properties only.*

### Key Improvement Areas

- More than 62,000 sales investigations on commercial/industrial properties province-wide, representing almost 90% of all sales for the province
- Staff reviewed and updated more than 2.8 million data elements
- Engagement has focused on property owners and stakeholders most likely to be affected by changes (either in methodology or value) and those who have expressed an interest in participating in pre-roll discussion and consultation

### Methodology Changes

MPAC engaged key stakeholder groups, municipalities, property owners and the Ministry of Finance in discussions about methodology changes in advance of the update. Key changes include:

- **Big Box Stores** – changed from the income approach to the cost approach
- **Consolidated Courthouses** – changed from the income approach to the cost approach
- **Billboards** – assessed using the regulated cost approach and included in the commercial property class
- **Equity Co-ops/Co-ownerships** – returning to its approach of valuing Equity Co-ops and Co-ownerships by the direct sales comparison approach
- **Multi-Residential** – changed the application of the income approach from a Gross Income Multiplier approach to a direct capitalization of net income

### Improved Understanding

Multi-residential and business owners have access to a range of assessment tools and information to assist them in understanding how MPAC has assessed their property. These tools include:

- A new [Multi-Residential Brochure](#) and [Infographic](#) with an overview of MPAC's approach to valuing multi-residential properties
- A [Small Commercial and Industrial Properties Brochure](#)
- [Understanding your Business Property Assessment Notice Brochure](#)
- A video that explains the [Request for Reconsideration Process for Business Properties](#)
- [Business Market Trends](#) for Commercial, Industrial and Multi-Residential properties





## Large and Special Purpose Business Properties

Large and special purpose business properties are generally characterized as properties that have a unique design, layout, size, construction materials and/or building services that facilitate one or a limited number of uses.

- They have limited market possibilities, except as a going concern business
- They typically have specialized building services
- They tend to serve large market areas that are more regional, national or international in scope
- They generally contain machines and machine fittings that are designed to facilitate one purpose
- Adaptation to other uses is typically challenging, requiring significant alterations and rarely finding economically viable uses for all of the improvements

As part of MPAC's delivery of the 2016 Assessment Update and the implementation of the recommendations under the Ministry of Finance's [Special Purpose Business Property Assessment Review \(SPBPAR\) Report](#), MPAC established an [Advance Disclosure Protocol for Large and Special Purpose Business Properties](#).

The protocol provided municipalities and property taxpayers with the opportunity to review and comment on MPAC's market analytics and preliminary assessed values for large and special purpose business properties in advance of roll return.

Under the Ministry of Finance's Section 10 directive, MPAC was required to develop [Methodology Guides](#) for the following large and special purpose business property types:

- Pulp and Paper Mills
- Saw Mills
- Value-Added Wood Products Manufacturing Plants
- Steel Manufacturing Plants
- Automotive Assembly Plants
- Automobile Parts Manufacturing Plants



Recognizing the complexities surrounding other property sectors, MPAC followed the same procedure for the following additional large and special purpose business property types:

- Pharmaceutical Manufacturing
- Chemical Manufacturing
- Oil Refineries
- Mining
- Food Processing
- Aerospace

### Consultation

Engagement and collaboration has provided municipalities and property owners with an opportunity to review and comment on MPAC's sector level analytics and preliminary assessed values for large and special purpose business property types.

Preliminary valuation summaries were shared with property owners and municipalities in May of 2016 encouraging property owners and municipalities to review the information and provide feedback, and to share alternate data, evidence and analysis with MPAC. This feedback was reflected in the updated preliminary values distributed by MPAC on October 4, 2016, which allowed property owners and municipalities a final opportunity to review their revised preliminary summary and offer input prior to Property Assessment Notice delivery on November 28, 2016.

# Our Approach to Value



## The Municipal Experience

A redesigned [Municipal Connect™](#) allows for better understanding and management of the assessment base and assessment at risk, and offers municipalities a modern and flexible way to access assessment information.

To better support the management of municipal services and provide further insight into the 2016 Assessment Update, Municipal Connect™ provided municipalities with access to preliminary values allowing for early consultation/discussion with the goal of greater roll stability and predictability.

Many enhancements were made in the development of Municipal Connect 2.0. Key changes include:

- Access to preliminary values through the Pre-Roll Consultation File for the 2016 Current Value Assessment (2017 to 2020 tax years)
- Weighted assessments based on a municipality's specific ratios
- New and enhanced mapping and satellite photo capabilities, including property type and assessment parcel overlays
- Access to Commercial/Industrial preliminary values
- Access to Assessment Review Board appeal and Request for Reconsideration information

MPAC staff continue to work to provide additional enhancements to meet municipalities' unique needs. Throughout 2017, we will continue to transition functionality from the classic version of Municipal Connect, offer municipalities improved flexibility to build on-demand reports, as well as continue to improve the ability to search, sort, and monitor properties.

# Conclusion

Throughout the 2016 Assessment Update, we have placed careful and deliberate focus on increased transparency and a shared understanding of property assessments.

Careful consideration was given to property sectors where there was a change in methodology, and we have worked collaboratively to engage municipalities, stakeholders and property owners to deliver fair and accurate property assessments.

Significant improvements were introduced this year including the early mailing of Notices, revamped [aboutmyproperty.ca](http://aboutmyproperty.ca) site, redesigned Property Assessment Notices, work on advance disclosure, early engagement and pre-roll discussions. These changes share a common goal that is rooted in MPAC's commitment to bring stability and predictability to municipalities' tax base.

As final rolls are delivered, and we enter the first year of Ontario's next four-year cycle, we remain focused on continuing to support all our stakeholders with regard to 2016 base year assessments. We are also committed to continuously improving our service to stakeholders and encourage you to share your feedback with us on the delivery of the 2016 Assessment Update.

Looking forward, we are excited to foster continuous improvements in service delivery through greater collaboration between MPAC and municipalities.

Your local [Municipal and Stakeholder Relations team](#) is available to support you throughout the Assessment Update and beyond. Please contact your Regional Manager, Account Manager or Account Support Coordinator if you have questions or would like more information about this report.