

Review of Non-Residential Assessment and Assessment Appeals System Attachment 2 – PFC2018-0798

Priorities & Finance Committee June 28, 2018

Calgary City Council Motion

Calgary City Council, passed a Notice of Motion on September 11, 2017, approving an independent review of the non-residential assessment and complaint system to obtain recommendations to improve stakeholder satisfaction with the non-residential property assessment and complaint system.



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- Determine if changes could be implemented to increase fairness, transparency and equity
- Determine if changes could be implemented to the manner in which taxpayers can seek review of nonresidential property assessments
- Review the complaint processes from other relevant jurisdictions
- Consider best practices, associated financial risks and applicable legislation from other jurisdictions
- Identify and recommend potential changes to the assessment complaint process in the MGA.

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Purpose of Today's Presentation

The Consultants will be providing a full report with final recommendations for Council in the early fall, 2018. The findings to date should be considered preliminary

Today's presentation is meant to:

- To provide an overview of the process of consultation and research
- Provide an overview of preliminary findings and draft recommendations
- Offer Members of Council an opportunity for additional feedback the consultants may consider as they prepare final recommendations



Key Review Activities

- <u>Interviews, meetings</u> and <u>innovation</u> <u>workshops</u> outreach to primary stakeholders themed on <u>redefining WIN for community well-being</u>. Toward <u>practical</u> solutions to improve transparency, predictability, fairness & equity – while recognizing financial risk.
- <u>Reviewed the assessment legislation</u> applicable to Calgary and Edmonton, and to other Canadian jurisdictions
- Interjurisdictional and leading practice: researched <u>alternative approaches to assessment</u> and complaint/appeal systems





Stakeholder Engagement & Interjurisdiction Review

- Tax agents
- Property Owners & Industry Roundtable
- Calgary Chamber of Commerce
- Calgary Economic Development
- BOMA (Building Owners & Managers Assn)
- Calgary Assessment Business Unit
- Calgary Assessment Review Board
- Calgary City Staff

- Edmonton Assessment Business Unit
- Edmonton Assessment Review Board
- Ministry of Municipal Affairs
- Alberta Municipal Government Board
- Alberta Assessors Association
- City of Winnipeg
- Province of BC
- Province of Ontario

Non-Residential Assessment System Findings



Percentage of Properties With ARB Decreases that were Increased in Subsequent Years



- Current system has many strengths
- Challenges, but improvements already under way (e.g., ACP)
- System capacity strained responding to appeals limits resources available for property assessment
- Culture of defensiveness: lack of trust; adversarial relationships focused on 'win-lose'
- Lack of effective **communication** between the parties
- Unclear Provincial leadership/oversight role from elevating standards to systemic performance management & forward-looking audit / QM

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Calgary 🚳 Preliminary Recommendations - Key Issues

Key Issue 1 - Capacity

- Use <u>short-term external expertise;</u> <u>enhance training</u> in valuation of complex, high value, properties
- Skills training in <u>dispute negotiation</u> and media/external communications
- Enhance <u>annual performance</u> reporting for both ABU and ARB (clientcentric; capacity linked)
- C<u>ooperatively streamline workloads and schedules</u> associated with roll preparation and dispute resolution

Calgary 🚳 Preliminary Recommendations - Key Issues

Key Issue 2 - Culture

- Clarify / describe roles of key players in Non-Res Assessment system
- Set <u>basic ground rules</u> for working relationships <u>between ABU and</u> principal tax agents through <u>Memorandum of Understanding (MOU)</u>:
 - Roles and common goals
 - Professional conduct
 - Information sharing and communications expectations
 - Process <u>agreed statements of facts</u> and/or <u>agreed recommendations</u> to ARB for scheduling hearings
 - Pre-Roll and post Pre-Roll negotiations

Calgary 🚳 Preliminary Recommendations - Key Issues

Key Issue 2 - Culture

- ARB support <u>cooperative practices between the parties</u> to provide maximum flexibility for scheduling and pre-hearing dispute resolution, while respecting principles of administrative law
- Throughout the transformation period, provide for coordinating leadership role by the <u>City</u> - to monitor, advocate and sustain continuous improvement





Coordinated Leadership; Clear Roles & Collaboration

Sound Assessment Tax System		Provincial Role	 Policy & Regulation Governance / Oversight Relationship & Information Management (e.g., SVC AB) Communication / Collaboration Elevating STANDARDS / Leading Practice Risk Oversight & Forward-looking Audit &QM
		City of Calgary Role	 Change Leadership / Advocacy Tax / Assessment Policy Relationship & Information Management Communication / Engagement Quality Management (STDS based) Service Management (SVC level @ lowest cost) Risk (financial) management
Policy Leading Practice Assmt Methodology Elevate Standards <u>Effective</u> Audit Reporting Alternative Dispute Resolution		Stakeholders Advisory Committee (SAC) (ABU; ARB; Agents; AAA; CPTA, UDI, BOMA, etc.)	 Leading Practice (identify, evaluate, peer review) Assessment methodology (evaluate for adoption; possible benchmarking) Elevate Standards (raise the bar) Continuing Professional Development / Training Professional forums for developing / evaluating emerging issues / risks
Emerging Issues/Risks			\/05

Calgary Recommendations to Address Key Issues





Key Issue 3 – the requirement to use Mass Appraisal to find assessed value

- Clarify that market value, consistently determined, is the target
- Recognize mass appraisal as a tool; not a solution
- Assessment quality, at lowest cost: mass appraisal is necessary to cost efficiency, but requires <u>balance with</u> <u>appraisal judgment</u> for valuing thinly traded, complex properties
- Clarify & communicate assessors' <u>authority to adjust values</u>
 ; accounting for individual property / market variations
- Provincial ratio studies: develop & report metrics (beyond ASR, COD) to recognize property strata & assessment methodology distinctions

Calgary Recommendations to Address Key Issues

Key Issue 4 - Effective communications

- ABU enhance <u>communications strategy</u> to better target timely messages to critical audiences
- Provide <u>optimal (not minimal) amount of information for taxpayers' acceptance /</u> <u>understanding of their assessments, while protecting privacy</u>



Information Sharing Issue

- <u>Engage Stakeholders</u> (e.g., reenergize an effective Stakeholders Advisory Committee) to:
 - Aid identification & adaption of leading practice / continuous improvement, and
 - Provide early information to inform financial risk assessment regarding tax base shifts due to complex market dynamics.

Calgary 🚳 Recommendations to Address Key Issues

Key Issue 5 - Dispute resolution improvements

- Focus on improving the efficacy of the ACP (Pre-Roll), by
 - Prioritizing resolution of high value/common issue/principle setting properties
 - Supporting <u>"without prejudice"</u> settlement opportunities



- Expanding <u>awareness of the ACP kickoff</u> market analysis meeting
- Adjusting ABU resourcing to assign <u>a single team</u> leader/manager to administer and report out on the <u>ACP</u>

Calgary 🐼 Recommendations to Address Key Issues

Key Issue 6 - Dispute resolution improvements

- ARB protocols to facilitate pre-hearing dispute resolution
- ABU and ARB to report on appeal costs and performance
- Improve the efficacy of the ARB system by
 - enhancing the <u>member performance review process</u>
 - considering <u>resourcing board officer positions</u> and/or transferring administrative responsibilities to the City Clerk's office
 - adopting the use of <u>case management</u> by Board members to narrow issues and encourage pre- hearing resolution of cases
 - <u>publicizing the one year "cooling off" policy</u> of the MGB and ARBs before hiring assessment staff as panel members

Calgary 🚳 Recommendations to Address Key Issues

Key Issue 6 - Dispute resolution improvements

- In the <u>mid-long term</u>,
 - Investigate for adoption: ARB Rules of Practice & Procedure to incorporate <u>active appeal management</u>, <u>alternate dispute</u> <u>resolution and settlement conferencing</u>.
 - Advocate for <u>legislative change to introduce dispute resolution</u> <u>alternatives (e.g., structured appeal management and mediation,</u> single member adjudication either through hearing or written submissions) adapting experience of BC, Winnipeg and Ontario

Calgary Recommendations to Address Key Issues

Key Issue 6 - Dispute resolution improvements

- In the long term,
 - advocate for <u>legislative change to model dispute resolution alternatives (e.g.,</u> structured appeal management and mediation, single member adjudication either through hearing or written submissions) adapting experience of BC, Winnipeg and Ontario
 - evaluate the advantages and disadvantages of a 2-3-year roll cycle.
- Key Issue 7 the Role of the Province
 - <u>Clarify the oversight role of the Ministry of Municipal Affairs</u>
 - Re-energize and support the <u>use of the Stakeholders Advisory Committee</u>, that was active during the MGA revision process, (to assist with the setting of professional standards, advancement of professional and leading practices and to provide support to assessment practitioners).

Calgary 🐼 Recommendations to Address Key Issues

Key Issue 7 – the Role of the Province

- Clarify the oversight role of the Ministry of Municipal Affairs
- Re-energize and support <u>use of the Stakeholders Advisory</u>
 <u>Committee -</u> active during the MGA revision process –
- Setting of / elevating professional standards,
- Advancing professional and leading practices
- Introducing / evaluating alternate dispute resolution
- Evaluate the <u>advantages and disadvantages</u> of a <u>2-3-year roll cycle</u> to address capacity issues and potential service improvement.



Priority 1 – ASAP

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- Establish a City leadership team to oversee implementation of recommendations
- Secure commentary/responses on recommendations; <u>develop & implement action</u> <u>plan.</u>
- Engage short-term external expertise to address valuation challenges and capacity
- <u>Develop, implement and monitor MOUs</u>.
- <u>Revisit 2018 appeals in progress</u> toward pre-hearing resolution where possible.
- <u>ABU and City Staff, in consultation with appellants, develop recommended hearing</u> schedule and present to ARB.
- Support ABU's Pre-Roll (nee ACP) and relationship building change initiatives



Sound Assessment / Tax System

Policy Leading Practice Assmt Methodology Elevate Standards <u>Effective</u> Audit Reporting Alternative Dispute Resolution Emerging Issues/Risks

Questions Discussion



Positive News

As a result of the actions taken to date, and reinvigorated leadership at ABU, we are observing early successes:

- Greater collaboration between all parties
- Positive reactions to early recommendations
- Advancements in ACP initiatives
- A strong desire to address new ideas