Agenda

• Property Assessment in Ontario
• How We Assess Properties
• Applying a Planning Lens
• Q & A
Property Assessment in Ontario
About MPAC

We are the assessment experts who understand local communities and assess every property in Ontario.

What we do provides the very foundation that municipalities use to base the property taxes needed to pay for the services we use every day.
Our Role

We are 1,700+ employees across Ontario

Responsible for assessing more than 5 million properties in Ontario

Representing $2.78 trillion in property value

Source: 2018 Annual Report
2018 Assessment Roll

Total Current Value Assessment:

$2.78 Trillion

- **FARM**
  - 222,420 Properties
  - $126.2B in value

- **MULTI-RESIDENTIAL**
  - 16,635 Properties
  - $107.9B in value

- **COMMERCIAL**
  - 159,001 Properties
  - $303.7B in value

- **INDUSTRIAL**
  - 78,747 Properties
  - $109.6B in value

- **SPECIAL/EXEMPT**
  - 47,116 Properties
  - $135.6B in value

- **RESIDENTIAL**
  - 4,769,804 Properties
  - $1.99T in value

Source: 2018 Annual Report
How we assess property
Approaches to Value

Direct Comparison Approach

Income Approach

Cost Approach
Direct Comparison Approach

- Contemplates the comparison of the subject property with similar properties that have sold (or are listed)
- Recent sales are analyzed to provide an indication of value
- Adjustments are made for differences between comparable and the subject property
- Examples of property types:
  - single family residences
  - condominiums
  - vacant land
Valuing Residential Properties

- Five major factors account for 85% of a home's value:
  - Age of property, adjusted for any major renovations or additions
  - Living area
  - Location
  - Lot dimensions
  - Quality of construction
Income Approach

- An income-producing property’s ability to earn revenue is directly tied to its market value
- Requires a determination on how much income a property could be expected to generate if sold on the open market
- MPAC analyzes the relationships between incomes and sale prices to calculate a capitalization rate
- Examples of property types:
  - industrial malls
  - large medical/dental building
  - office buildings
  - retail properties
  - shopping centres
  - large sport stadiums
Income Approach

- MPAC uses the direct capitalization method to establish current value assessments in a mass appraisal context.
- This method estimates the annual fair market rental income and other potential income that can be generated by the property, deducts operating expenses and then applies a capitalization rate to the net income to arrive at an estimate of current value for the property.
- **Current Value = Net Operation Income / Capitalization Rate**

Example:

Net Operating Income (NOI) $200,000
Capitalization Rate (R) 8.0%
Capitalization Rate Income Valuation (V) $2,500,000
Cost Approach

- When a property type is unique and rarely sold, MPAC cannot rely on either the sales or the income approach.
- In these cases, a property's value is estimated as the current cost of reproducing or replacing buildings, structures or other taxable components.
- Examples of property types:
  - general-purpose industrial properties
  - grain elevators
  - gravel pits
  - Marinas
  - warehousing
## Cost Approach - Example

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated Land Value</td>
<td>$500,000</td>
</tr>
<tr>
<td>Estimated Reproduction Cost of New Improvements</td>
<td>$200,000</td>
</tr>
<tr>
<td>Less Estimated Depreciation of Structure (20%)</td>
<td>-$40,000</td>
</tr>
<tr>
<td>Depreciated Value of Structure</td>
<td>$160,000</td>
</tr>
<tr>
<td>Depreciated Value of Site Improvements (paving, fencing)*</td>
<td>$25,000</td>
</tr>
<tr>
<td>Value Indicated by the Cost Approach</td>
<td>$685,000</td>
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</table>
Classification

• All land in Ontario must be assigned to a property class or classes for property taxation purposes. The property classification is also listed on the Assessment Roll that MPAC provides to Ontario’s municipalities, local taxing authorities and the Minister of Finance.

• Section 7(1) of the *Assessment Act* provides for seven major property classes – residential, multi-residential, commercial, industrial, pipe line, farm and managed forests.

• Classification is based on Use; does not require the use to be legal.

• Where the use of a property does not fall under one of the other specified uses, the default use is Commercial.
Applying a planning lens
Applying a Planning Lens

- Under the *Assessment Act*, all real property in Ontario is liable to assessment and taxation and subject to certain exemptions (such as farmland)

- **Current value** is defined as the amount of money the fee simple, if unencumbered, would realize if sold at arm’s length by a willing seller to a willing buyer

**Current Value = Market Value** as of the Valuation Date
Applying a Planning Lens

“The creation of new residential lots in prime agricultural areas shall not be permitted…”

“Planning authorities shall provide for an appropriate range and mix of housing types and densities... by directing development of new housing towards locations where appropriate levels of infrastructure and public services facilities are or will be available…”

“Mineral aggregate operations shall be protected from development…”
Applying a Planning Lens

- Official Plan (designated residential)
- Heritage
- No servicing (undersized pipes)
Applying a Planning Lens

Examples of Applications

- Explaining Sales
- Determining Market Value
- Providing Timelines for Transition
Explaining Sales - Burlington
Determining Market Value - Ottawa

- Vacant Lot
- Designated General Urban Area in Official Plan
- Within Uptown Rideau Secondary Plan Area
Determining Market Value – Ottawa
Determining Market Value – Ottawa

Area C
- Deep and large lots with high potential for redevelopment
- Existing high-rises and OCH buildings, parks and schools to north

Area D
- Varying lot sizes and depths
- Opportunity for intensification in some areas
- Mix of existing building heights
- East block highly visible from river
- Neighbourhoods and Park to north

Area B
- Existing mid-rise apartment blocks along Besserer
- Significant grade change between Besserer and Rideau
- Entire blocks zoned TM
- Potential for redevelopment of underutilized sites

Area A
- Low-rise historic homes along Besserer
- Consistent lot fabric along Rideau / limited potential for redevelopment
- TM zoning along Rideau and Residential zoning along Besserer
Determining Market Value - Ottawa

- Compact, pedestrian oriented mixed-use development (residential, retail, office etc.)
- Mid-rise - Traditional Mainstreet
- Baseline of 6 storeys
- Maximum FSI of 3.5
- Not eligible for density transfer (i.e. additional height)
- Active frontages onto Rideau
- Small scale retail encouraged on ground floor
- Development must be sensitive to low-rise to the south
Timeline for Transition - Orillia

Inch Farm
Timeline for Transition - Orillia
Timeline for Transition - Orillia

<table>
<thead>
<tr>
<th>(9)</th>
<th>Inch Farm</th>
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</thead>
<tbody>
<tr>
<td>Proposed</td>
<td>123 Single Detached Lots and 23 Semi-Detached Dwelling Lots, on approximately 9 hectares of land.</td>
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<tr>
<td>Status</td>
<td>Draft Plan Approval on March 25, 1993. There is no expiry date associated with this Draft Plan. Zoning approval has been granted. Development cannot proceed until municipal services have been extended to the site.</td>
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<tr>
<td>Developer</td>
<td>Mark Rich Homes Limited</td>
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</table>
Inch Farm - Orillia

Current Use Farm/Golf Course

123 Singles & 23 Semis

- Official Plan Amendment
- Zoning By-law Amendment
- Draft Plan/Site Plan Approval
- Site Plan Application
Inch Farm – Orillia

CITY OF ORILLIA
2018 - 2022 Capital Budget and Forecast

<table>
<thead>
<tr>
<th>Ref. #</th>
<th>Project Description</th>
<th>Source</th>
<th>2018</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>5 Year Total</th>
<th>Future Funding</th>
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<td>EN</td>
<td>ENVIRONMENTAL SERVICES</td>
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<tr>
<td>96</td>
<td>Inch Farm Industrial Lands Servicing</td>
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<td></td>
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<td>240</td>
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<td></td>
<td>This project would entail a municipal contribution towards the total cost to extend services and construct a new sanitary sewage pump station to service the Inch Farm lands. The Municipal Class Environmental Assessment was completed in 2012, and it provides an estimate of the City’s cost contribution. The project could move ahead sooner if the developer begins sooner.</td>
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<td>Tax Levy</td>
<td>Reserve:</td>
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<td></td>
<td>Water &amp; Wastewater Land Acquisition</td>
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<td>Operating Budget Impact</td>
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<td>No future impact on operating budget.</td>
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<tr>
<td>98</td>
<td>Inch Sanitary Sewage Pumping Station and Forcemain</td>
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<td>The Inch development area consists of the Inch subdivision and lands surrounding Murphy Road in the City, and the Area 3 development in the Township of Severn. The Inch SPS will service the development area and the Murphy Road development.</td>
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Questions?
Planning @mpac.ca