



TOWN OF HINTON

Minutes of the Standing Committee Meeting
Held May 22, 2018
Committee Room

Present:

Mayor Marcel Michaels, Councillors Trevor Haas, Ryan Maguhn, Dewly Nelson, Albert Ostashek, JoAnn Race, Tyler Waugh

Administration in Attendance:

Denise Parent, Interim Chief Administrative Officer, Carla Fox, Interim Director of Corporate Services, Todd Martens, Fire Chief / Protective Services Manager, Emily Olsen, Strategic & Communications Advisor, Laura Howarth, Director of Community Services, Hans van Klaveren, Parks, Recreation & Culture Manager, Wendy Anderson, Executive Assistant

Also in Attendance:

Warren Powers, Powers & Associates Appraisal Services Inc.

Refer to the Standing Committee Meeting Agenda package for [May 22, 2018](#) for detailed background information.

ORDER

Deputy Mayor Waugh called the Standing Committee meeting to order. The time was 4:00 p.m.

ADOPTION OF AGENDA

MICHAELS - That the Standing Committee Meeting Agenda of May 22, 2018 be accepted as presented.

Carried Unanimously

CITIZENS "MINUTE WITH COUNCIL"

No citizens wished to speak with Council.

DELEGATIONS AND PRESENTATIONS

Warren Powers, Powers & Associates Appraisal Services Inc., provided Council with a presentation on Assessment 101. A copy of his presentation is attached to the minutes (Attachment 1).

L. Howarth joined the meeting at 4:44 p.m.

Councillor Maguhn joined the meeting at 4:46 p.m.


Initial

ACTION AND DISCUSSION ITEMS

1. Recreation Centre Steering Committee

NELSON - That Council direct Administration to bring back a Council plus Yellowhead County represented Recreation Centre steering committee to a future Regular Council meeting.

Consensus Achieved 5-2

For: Michaels, Waugh, Maguhn, Nelson, Haas

Against: Race, Ostashek

H. van Klaveren joined the meeting at 5:19 p.m.

ADDITIONAL INFORMATION

1. Urgent Matters from Council
2. Chief Administrative Officer Status Report
3. Executive Assistant Logistics Information

IN CAMERA

NELSON - That the Standing Committee Meeting of Council move In Camera.

Carried Unanimously

The time was 5:30 p.m.

HAAS - That the Standing Committee Meeting of Council move out of In Camera.

Carried Unanimously

The time was 5:44 p.m.

ADJOURNMENT

NELSON - That the Standing Committee meeting adjourn.

Carried Unanimously

The time was 5:45 p.m.



Deputy Mayor



Interim Director of Corporate Services


Initial

Property Tax Assessment 101



Introduction

- Warren Powers, AMAA, CRA, DAC – Cert. Reviewer
 - Licensed Real Estate Appraiser in the Province of Alberta
 - Accredited Municipal Property Tax Assessor in the Province of Alberta

Accreditations:

- AMAA = Accredited Municipal Assessor of Alberta (AAA)
- CRA = Canadian Residential Appraiser (AIC)
- DAC = Designated Appraiser Commercial (CNAREA)
- Certified Appraisal Reviewer (CNAREA)



What we will Discuss

- How the Property Tax Assessment System Works.



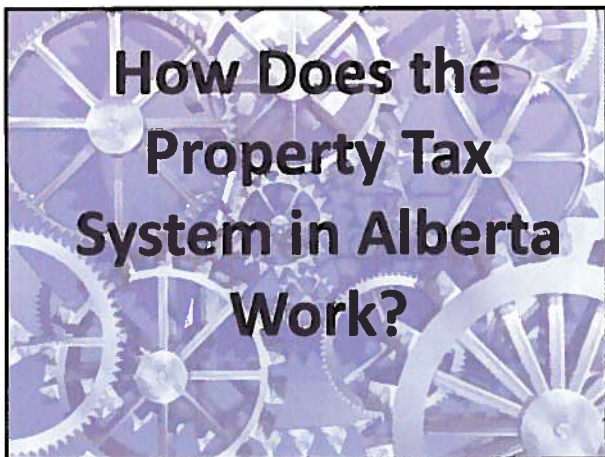
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- How the Property Tax Assessment System Works.
- How the Assessor comes up with your Property Tax Assessment.



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- How the Property Tax Assessment System Works.
- How the Assessor comes up with your Property Tax Assessment.
- Town of Hinton Market Movement 2016 to 2017?



Where Do My Tax Dollars Go?



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- First it is important to understand where your tax dollars are going:



Where Do My Tax Dollars Go?

- First it is important to understand where your tax dollars are going:
 - Garbage Collection
 - Water and Sewer Services
 - Road Construction & Maintenance
 - Parks & Leisure Facilities
 - Police & Fire Protection
 - Hospitals & Ambulance
 - Seniors' Lodges
 - Education
 - Municipal Office & Administration



How does your municipality get the money?

- Fee's & Charges (minimal)



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- Fee's & Charges (minimal)
- Grants from the Province (minimal)



How does your municipality get the money?

- Fee's & Charges (minimal)
- Grants from the Province (minimal)
- **Taxation / Assessment (Largest)**



Taxation / Assessment

- The type of taxation applied is Ad Valorem which is just a fancy word for a “tax on wealth”.



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- **Assessment** is the process of assigning a dollar value to your property to determine your “wealth”.



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- **Assessment** is the process of assigning a dollar value to your property to determine your “wealth”.
- **Taxation** is the process of taxing the property with a desired/required mill (or tax) rate.



What is Assessment For?



Assessment Basics

- Assessments are used to distribute the tax burden in a fair and equitable manner.



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- Assessments are calculated annually.
- Assessments are legislated by the Municipal Government Act (MGA).



- The principle is that: *"if everyone is assessed following the same principles, then everyone will pay their fair share of taxes".*



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- The Wealthier you are (Gauged by the value of your Home), the more tax you pay.
 - It would not be fair if an owner in a 500 square foot apartment paid the same amount of tax as the owner of a 7500 square foot home would it?



How is the Tax Rate Calculated? (In its MOST SIMPLE form)



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Revenue Required / Total Assessment Base = Mill (or Tax) Rate



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(In its MOST SIMPLE form)

Revenue Required / Total Assessment Base = Mill (or Tax) Rate

Revenue Required = \$ 800,000

Assessment Base = \$100,000,000 (One Hundred Mill.)



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(In its MOST SIMPLE form)

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Revenue Required = \$ 800,000

Assessment Base = \$100,000,000 (One Hundred Mill.)

$$\$800,000 / 100,000,000 = 0.008$$

Disclaimer: The actual FULL method that Municipalities use to determine tax rates is much more complex! This method is the MOST Simple form for illustration purposes ONLY.



How are Taxes Calculated?



How are Taxes Calculated?


Simple!



How are Taxes Calculated?

Simple!


Assessment



How are Taxes Calculated?

Simple!


Assessment x Tax Rate



How are Taxes Calculated?

Simple!

Assessment x Tax Rate = TAXES




How are Taxes Calculated?

Simple!

Assessment x Tax Rate = TAXES


Example(s):

\$100,000 X 0.0080 = \$800 Tax
\$200,000 X 0.0080 = \$1,600 Tax
\$300,000 X 0.0080 = \$2,400 Tax




How Does The Assessor Come Up With My Property Tax Assessment? (Residential)

How are Assessments Calculated?




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- Both purposes have the same 3 traditional approaches or methods to value.



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- Value, whether for assessment or appraisal purposes are calculated in a very similar way.
- Both purposes have the same 3 traditional approaches or methods to value.
- Assessment modifies traditional approaches to comply with “mass appraisal” requirements of the Matters Relating to Assessment & Taxation Regulations.



The Three Traditional Approaches?

1. The Sales Comparison Approach (AKA: Direct Comparison Approach).



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Based on the theory that the market value of one property is directly related to the sale price of a similar property that has recently sold.

- Mass appraisal requires the comparison of many similar properties that had recently sold.



The Three Traditional Approaches?

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2. The Cost Approach



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2. The Cost Approach

Based on the assumption that a prudent purchaser would not pay more for a property than it would cost to buy the land and build the same structure.

$$\text{LAND VALUE} + \text{COST TO BUILD} = \text{VALUE}$$



The Three Traditional Approaches?

1. The Sales Comparison Approach (AKA: Direct Comparison Approach).
2. The Cost Approach
3. The Income Approach



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Based on the principle of anticipation and the fact that income producing properties are bought and sold based on their income earning potential.



The Three Traditional Approaches?

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2. The Cost Approach
3. The Income Approach



Most Widely Used in Alberta

Market Modified Cost Approach: The replacement cost of a structure is contrasted to market values of similar sold properties.

The result is a market factor to be applied across the board to similar properties.

The Result, Cost Calculated Market Value!



What Makes Assessment Unique?



What Makes Assessment Unique?

- As mentioned before, Assessments in the Province of Alberta are Legislated by the Municipal Government Act (MGA) and other legislation.
 - Matters Relating to Assessment & Taxation Regulation
 - Matters Relating to Assessment Complaints Regulation



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What Makes Assessment Unique?

- As mentioned before, Assessments in the Province of Alberta are Legislated by the Municipal Government Act (MGA) and other legislation.
 - Hybrid models became a MUST (cost/dc).
 - Legislation requires the use of "MASS APPRAISAL".



Mass Appraisal:

Mass Appraisal: The process of valuing a group of properties as of a given date, using common data, mathematical models, and statistical tests.

Mass Appraisal allows assessors to accurately value a large number of properties in a shorter period of time.



What makes Assessment Similar?

Market Value!!

(Probably the most misunderstood concept when contrasted to Assessment)

Market Value in Appraisal: What the property would most probably be worth, if sold on the open market as of the date of appraisal.

- Uses a select sample of comparables.
- Uses simplified techniques.
- Appraisal Judgment is generally accepted.
- Not required to justify values to a governing body.




Market Value in Assessment: What the property would most probably be worth, if sold on the open market as of July 1 in the year prior to levying tax, following the principles of MASS APPRAISAL.

- Uses a database of comparables.
- Uses more complex techniques.
 - Tested using statistical measures (COV, COD, PRD, St. Dev....)
 - Measures of Central Tendency (Mean, Median, Mode).
- Audited Annually by the Department of Municipal Affairs.
- Designed so that one does not have the ability to select comparables from the top or bottom end of the spectrum.
- Not as "clean-cut" of a definition (clouds perception).
- **Primary Goal: Fair & Equitable Distribution of TAX**




- Market Value is NOT the sale price




The logo for POWERS features a red house icon above the word "POWERS" in a bold, black, sans-serif font. Below "POWERS" is a smaller line of text that is partially obscured but appears to read "REALTY GROUP, INC.".

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- Market Value is NOT the lowest price




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Then What is Market Value?



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Then What is Market Value?

- Market Value, is an estimate or opinion of value based on an analysis or **systematic review of collective market behaviour and actions**. All of the above are **part** of market value, but no single item defines it.



In simple terms.....

- It would not be “reasonable” to just look at ONE sale price and compare it to the assessment to see if it is at market value.
 - When you look at purchasing a car, how do you know your getting a good deal?

Only after looking at several car prices can you determine what one would **reasonably** sell for!




So how is my assessment calculated?

Under the Assumption of “New Construction”

- The Assessor Inventory’s the Property
 - Measures/Blueprints for size
 - Number of Plumbing Fixtures
 - Basement Development
 - Area finished
 - Quality and type of finish
 - Lot Size and influences
 - Etc....



- When all value influencing items are accounted for, the assessor develops a Replacement Cost New (RCN) estimate and adds for land value. (lets assume land value is known)
- Replacement Cost is calculated using a Provincial Cost Manual
 - The Downside: Small errors tend to get over exaggerated in later calculations.
 - The UPSIDE: Very reliable if calculated properly & Local data is used to determine rates



EXAMPLE (House):


Classification	Year Built	Dimensions (m)	Area Adj (m ²)	Area	Date	Constant	Adj. %	Rate
005-05-01 1 Storey & Basement	2007	0.00 x 0.20 x	88.19	48.19	473.00	29.00		60.48
005-05-11 1 Storey Upper	2007	0.00 x 0.20 x	89.76	65.76	457.00	79.00		36.30

Building Area	Total Floor	Wt. Finish	Structure Total
	129.96 m ²	129.96 m ²	129.20
	Roof 50.72 m ²	Roof 80.19 m ²	Quality Adjustment (13.7%) 100.288
	Basement 62.79 m ²	Windows 15.80 m ²	Progression (100%) 109.288

Category	Detail	QTY	Area (%)	Quantity	Rate	Constant	Market Adj.	Total
101	Roof Type	1	0.00	5	100	88.19	m ²	
102	Roof Finish	1	0.00	5	100	88.19	m ²	
103	Exterior Finish	4	0.00	5	100	129.96	m ²	
104	Roof-Cover	14	0.00	5	3			3.00
105	Roof	1	0.00	5	100	129.96	m ²	29
106	Plumbing Man	18	0.00	5	3			4.00
107	Plumbing 1 Item	18	0.00	5	7			9.00
108	Electrical	2	0.00	5	100	129.96	m ²	
109	Fireplace Man	5	0.00	5	1			5.00

Assessment Use Category	Rate	Physical	Functional	Location	Market Adjustment	Addressed Value	Reg. 100.0%	RCN
100 Res - Single Family	100.0%	99%	100%	100%	110%	133,117	+ Adj. 100%	236,033
							+ Reg. 100.0%	236,033

Market Value by Economic Zone: 10%




EXAMPLE (Garage):

Classification	Year Built	Dimensions (m)	Area Adj (m ²)	Area	Rate	Constant	Adj. %	Rate
030-04-28 Attached	2007	0.00 x 0.00 x	50.72	50.72	117.00	2980		8.894

Building Area	Total Floor	Wt. Finish	Structure Total
	50.72 m ²	50.72 m ²	8.894
	Roof 50.72 m ²	Roof 50.72 m ²	Quality Adjustment (100%) 8.894
	Basement 0.00 m ²	Windows 0.00 m ²	Progression (100%) 8.894

Category	Detail	QTY	Area (%)	Quantity	Rate	Constant	Market Adj.	Total
101	Roof Type	1	0.00	4	100	50.72	m ²	
102	Roof Finish	1	0.00	4	100	50.72	m ²	
103	Exterior Finish	4	0.00	4	100	80.72	m ²	
117	Base Floor	3	0.00	4	100	50.72	m ²	32
160	Electrical	2	0.00	4	100	50.72	m ²	1.53

Assessment Use Category	Rate	Physical	Functional	Location	Market Adjustment	Addressed Value	Reg. 100.0%	RCN
100 Res - Single Family	100.0%	99%	100%	100%	110%	17,393	+ Adj. 99%	17,393
							+ Reg. 100.0%	17,393




The Summary

Market Value Land	LandID	Base Code	Site Area	Service	Location Adj.	Asset Code	Reg.	Assessment
	12009923	Residential	4,025 Sq Feet	0%	130%	100	100%	72,000

Improvements	ImprID	MT-Or-S	Description	Area (Rt)	Year	Asset Code	Reg.	Assessment
	12012218	605-65-06	SFD - After 1980	1,390	2007	100	100%	236,000
	12012219	030-04-28	Garage	546	2007	100	100%	17,000

Assessment Totals	Tax Status	Code	Description	Land	Impr	Other	Assessment
	T	100	Res - Single Family	72,000	256,000	0	328,000
			Grand Totals	72,000	256,000	0	328,000



How are the Asmt's compared to Costs?

COST	BYM	BASE COST	LAND	Total Cost	SALE PRICE	ASR
\$98,000	1.67	\$163,660	\$100,000	\$263,660	\$300,000	0.88
\$90,000	1.67	\$150,300	\$100,000	\$250,300	\$280,000	0.80
\$92,000	1.67	\$153,640	\$100,000	\$253,640	\$280,000	0.91
\$75,000	1.67	\$125,250	\$100,000	\$225,250	\$275,000	0.82
\$88,000	1.67	\$146,960	\$100,000	\$246,960	\$290,000	0.85
\$79,000	1.67	\$131,930	\$100,000	\$231,930	\$270,000	0.86
\$94,000	1.67	\$156,980	\$100,000	\$256,980	\$285,000	0.90
\$87,000	1.67	\$145,290	\$100,000	\$245,290	\$270,000	0.91
\$93,000	1.67	\$155,310	\$100,000	\$255,310	\$275,000	0.93
MEDIAN						0.89



- Desired Ratio is Legislated to be between .95 and 1.05
- Desired Ratio = 1.00
 - For the Example, ASR = .89 (Too Low)

$$1.00 / 0.89 = 1.1236$$

Multiply Each Assessment X 1.123 to obtain market value



The result:

Base ASMT	Mkt. Mod	ASSESSMENT	SALE PRICE	ASR
\$263,660	1.12	\$295,299	\$300,000	0.98
\$250,300	1.12	\$280,336	\$280,000	1.00
\$253,640	1.12	\$284,077	\$280,000	1.01
\$225,250	1.12	\$252,280	\$275,000	0.92
\$246,960	1.12	\$276,595	\$290,000	0.95
\$231,930	1.12	\$259,762	\$270,000	0.96
\$256,980	1.12	\$287,818	\$285,000	1.01
\$245,290	1.12	\$274,725	\$270,000	1.02
\$255,310	1.12	\$285,947	\$275,000	1.04
MEDIAN				1.00



Complexities NOT Covered
(beyond the scope of this course)

- Market Value must be calculated for each property type:
 - Bungalows
 - 2 Story's
 - Split Levels, Etc...
 - Non-Res: Commercial, Industrial, Religious, Institutional
- Market Value by Market Location
- Land Values are difficult to calculate
- Ages of properties produce different depreciation factors....
- Etc.....



Market Movement 2016-2017



- Assessments in the Province are to be calculated at July 1, each year.



Market Movement 2016-2017



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- This Year's Comparison is from July 1, 2016 to July 1 2017.



Market Movement 2016-2017



- Assessments in the Province are to be calculated at July 1, each year.
- This Year's Comparison is from July 1, 2014 to July 1 2017.
- Tax Notices will now be mailed in 2018 to represent value in July 2017.



Market Movement 2016-2017

Overall Municipal Residential and Commercial Movement for Hinton was approximately:

Overall statistics for 2017 - Residential Assessment				
	Assmt. 2015	Assmt. 2017	% Difference	\$ Difference
Median:	313,000	322,000	2.9%	9,000
Average:	334,564	333,574	-2.8%	-9,910

Overall statistics for 2017 - Commercial Assessment				
	Assmt. 2016	Assmt. 2017	% Difference	\$ Difference
Median:	394,000	359,500	-8.8%	-34,500
Average:	1,037,760	961,964	-7.3%	-75,796



Market Movement 2016-2017

Focus of Market Assessment By Location

Neighborhood	2016 Sales	2017 Sales	% Change	2016 Avg Price	2017 Avg Price	% Change
001 Mountain View	18	18	0%	\$266,344	\$268,056	100%
002 Hardisty	37	37	0%	\$290,104	\$282,378	97%
003 East Hardisty	1	1	100%	\$285,953	\$286,000	100%
004 Thompson Lake	13	13	0%	\$403,307	\$408,154	101%
005 Eaton	0	0	N/A	\$0	\$409,112	N/A
006 Hillcrest	37	37	0%	\$364,909	\$346,872	95%
007 Alpine Ridge	6	6	0%	\$472,750	\$446,500	95%
008 Guimond_Trestle	3	3	0%	\$548,166	\$587,667	107%

Market Statistics for 2017	Neighborhood	2017 Sales	2017 Avg Price	2017 Avg Assmt	Ratio
Market	001-008	141	\$345,000	\$345,000	100%
Neighborhood	001-008	141	\$345,000	\$345,000	100%



Market Movement 2016-2017

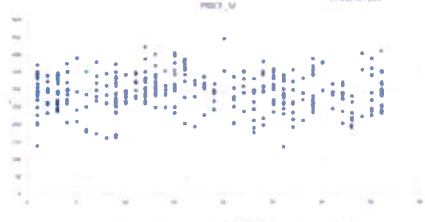
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Neighborhood	001-008	141	\$345,000	\$345,000	100%



Market Movement 2014-2017



Y = -0.1874x + 296.87 over 3 Years = -2.27251% Linear



Market Movement 2016-2017

LOCATION	# SALES	AVG. SALES PRICE	AVG ASSMT	RATIO
MOUNTAIN VIEW	18	\$266,344	\$268,056	100%
HARDISTY	37	\$290,104	\$282,378	97%
EAST HARDISTY	1	\$285,953	\$286,000	100%
THOMPSON LAKE	13	\$403,307	\$408,154	101%
EATON	0	\$0	\$409,112	N/A
HILLCREST	37	\$364,909	\$346,872	95%
ALPINE RIDGE	6	\$472,750	\$446,500	95%
GUIMOND_TRESTLE	3	\$548,166	\$587,667	107%

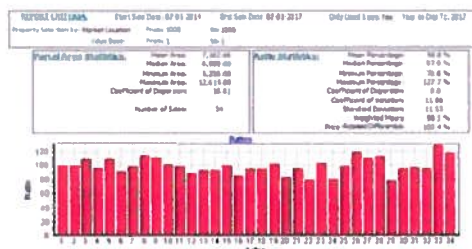


Market Movement 2014-2017

- The Actual analysis of each NBHD is more complex and year-over-year increase is NOT considered. Rather the ASR is reviewed and sales are looked at over a 3 year period.
- Each NBHD for 3 years will be shown on the following slides



Market Movement 2014-2017 Mountain View



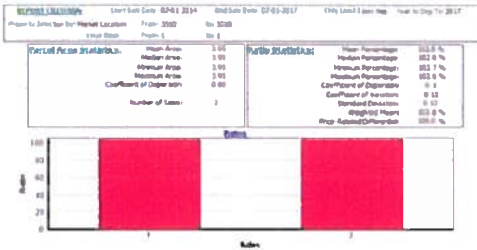
Market Movement 2014-2017 Hardisty



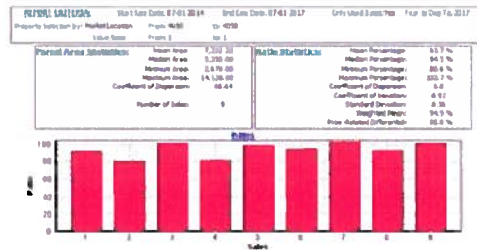
Market Movement 2014-2017 East Hardisty



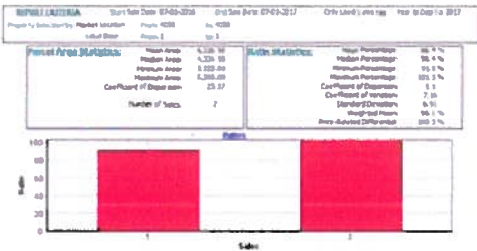
Market Movement 2014-2017 Moberly



Market Movement 2014-2017 Thompson Lake – 3 yr.



Market Movement 2016-2017 Thompson Lake – 1 yr.



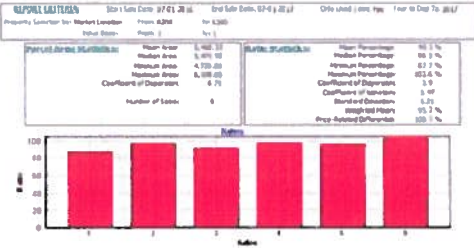
Market Movement 2014-2017 Eaton



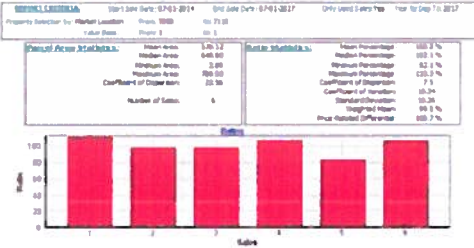
Market Movement 2014-2017 Alpine Ridge – 3 yr.



Market Movement 2016-2017 Alpine Ridge – 1 yr.



Market Movement 2014-2017 Terrace Heights / Guim



Market Movement 2014-2017 ALL





THANK YOU!