Legislated and Regulated Assessment

Overview

Craig Barnsley
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Presentation Overview

- BC Assessment Backgrounder...Market Value And More...
- Legislated Rates
- Regulated Rates
- Summary of Responsibilities
  - Board of Directors
  - Cabinet
- Property Types
  - Major Industrial Properties
  - Electrical Power Group
  - Linear Properties
  - Statutory Right of Way Land
  - Farm Land
  - Managed Forest Land
History of BC Assessment

- Established in 1974 under the Assessment Authority Act in response to the need for a fair, independent organization that valued all property in the province
- A provincial Crown corporation, independent of taxing authorities
Our Product

• The Assessment Roll

• Annual list of property values provides stable, predictable base for real property taxation in B.C.

• Represents over 2 million properties with total value of $1.68 trillion

• Identifies ownership, value, classification and exemptions for each property

• Provides stable base for local governments and taxing authorities to raise approximately $7 billion annually in property taxes for schools and important local services
How we value different properties

- Market value as of July 1st
  - Residential
  - Commercial

- Legislated and Regulated Rates
  - Regulated Utilities – 1974
  - MIPS – 1986
  - Designated Port Land – 2002
  - Supportive Housing - 2006
How we classify properties

<table>
<thead>
<tr>
<th>Class</th>
<th>Title</th>
</tr>
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<tbody>
<tr>
<td>1</td>
<td>Residential</td>
</tr>
<tr>
<td>2</td>
<td>Utilities</td>
</tr>
<tr>
<td>3</td>
<td>Supportive housing</td>
</tr>
<tr>
<td>4</td>
<td>Major industry</td>
</tr>
<tr>
<td>5</td>
<td>Light industry</td>
</tr>
<tr>
<td>6</td>
<td>Business other</td>
</tr>
<tr>
<td>7</td>
<td>Managed forest land</td>
</tr>
<tr>
<td>8</td>
<td>Recreational/non profit</td>
</tr>
<tr>
<td>9</td>
<td>Farm land</td>
</tr>
</tbody>
</table>
Legislated Rates – Cabinet Authority

By Definition – Section 20(5):

(5) For the purposes of the definition of "cost of industrial improvement" in subsection (1), subject to the prior approval of the Lieutenant Governor in Council, the assessment authority by order may establish or adopt by reference manuals establishing rates, formulas, rules or principles for the calculation of the cost of replacing an existing industrial improvement described in that definition.

Property types include:

- Major Industrial Properties
- Electrical Power Group
- Designated Ski Hills
- Designated Port Land
- Supportive Housing
Regulated Rates – Board Authority

By Definition:

24 (7) For the purpose of valuing managed forest land, the assessment authority must prescribe land value schedules for use by assessors in determining the actual value of the land.

Property types include:

- Linear Improvements
- Statutory Right of Way Land
- Farm Land
- Managed Forest

- Board of Directors has direct authority for the approval of Regulated Rates
- The Minister or Cabinet has no direct authority related to the regulations for these rates
Regulated Rates – Workflow

Regulated Rate Assessments

- BC Assessment develops rates – January to August:
  - Extensive market research
  - Extensive input from industry

- Proposed Rates:
  - Presented to the Board of Directors for approval – September

- Board Approved Changes:
  - Presented to the Minister – October
  - Adopted by Order in Council – December

- Regulated Rate Board Policy No.0139:
  - BCA consults with the Audit and Risk Management (ARM) Committee quarterly
  - BCA outlines the annual work plan in December of each year
Summary of Responsibilities – Board of Directors

• BCA Board of Directors is responsible for assessment decisions governed by certain Regulations under the *Assessment Act* (AA):
  • Linear Improvement rates (AA Section 21, Various Regs)
  • Statutory Right of Way land rates (AA Section 21, BC Reg 218/86)
  • Farm land rates (AA Section 23, BC Reg 276/84)
  • Farm class application Regulation (AA Section 23, BC Reg 247/2012)
  • Managed Forest land rates (AA Section 24, BC Reg 90/2000)
  • Review and preliminary approval of MIP and EPG cost manuals (AA Section 20 and 20.1)
Summary of Responsibilities – Cabinet

• Provincial Government is responsible for assessment decisions governed by Legislation, and select Regulations:
  • Final approval of changes and updates to MIP and EPG cost manuals
  • Amendments to the *Assessment Act* and the *Assessment Act Regulation* (BC Reg 433/98)
  • Amendments to Regulations other than those previously listed as the responsibility of the BCA Board
  • Administrative updating of the Regulations with respect to BCA Board approved regulated rate changes (Orders in Council)
Major Industrial Properties – Cabinet Authority
Major Industrial Properties

- Major Industrial Properties = “MIP”
- Major primary resource type properties (e.g. Mines, Pulp Mills and Sawmills)
- Assessment is based on Section 20 of the *Assessment Act*:
  - Land valued at market value
  - Improvements valued using legislated cost manuals and depreciation rates
- Property Class 04 – Major Industry
Electrical Power Group – Cabinet Authority
Electric Power Group

- Electrical Power Group properties = “EPG “
- Includes Dams, Power Generation Facilities and Electrical Substations
- Assessment is based on Section 20.1 of the Assessment Act:
  - Land valued at market value
  - Improvements valued using legislated cost manuals and depreciation rates
- Property Class 02 – Utilities
MIP and EPG Manuals

• Although written as cost manuals, once adopted by Order in Council the MIP and EPG Manuals form part of legislation

• The MIP and EPG Manuals are unique legal documents that the Property Assessment Appeal Board has equated to Regulations

• The official set of Manuals is required to be kept in the office of the CEO of BC Assessment
MIP and EPG Manuals - Updates

• Proposed Changes:
  • Input collected from all stakeholders
  • Reviewed by BC Assessment for priority and feasibility

• Recommended Proposed Changes:
  • Presented to the Board of Directors for review and preliminary approval at the September Board meeting

• Board Approved Changes:
  • Presented to the Minister

• Minister Approved Changes:
  • Taken to Cabinet for approval, mid to late November

• Cabinet Approved Changes:
  • Adopted into the manual
Linear Properties – Board Authority
Linear Properties – Board Authority

- Linear Improvements:
  - Railway and utility type properties
  - Long, skinny improvements that generally cross many jurisdictions
  - Typically do not trade in the open market

- Include:
  - Communications Towers
  - Electrical Transmission and Distribution systems
  - Pipelines
  - Railways
  - Telecommunication systems (telephone, cable and fibre optics)

- Assessments are based on Section 21 of the Assessment Act:
  - Improvements valued using regulated rates
  - Associated right-of-way land also valued using regulated rates
  - Property Class 02 - Utilities
Linear Improvements

• Linear Improvement Rates:
  • Based on the average current cost of existing improvements
  • Cost model with annual update factor
  • Includes an allowance for physical depreciation
  • Reflect July 1 of the year prior to the year in which the assessment is prepared
    e.g. July 1, 2015 is the effective date for the 2017 assessment
Statutory Right of Way Land

• Statutory Right of Way Land is assessed using regulated rates
• Assessment is based on Section 21 of the Assessment Act
• Property Class 02 – Utilities, Property Class 05 – Gathering Lines
• There are 7 Rights-of-Way Rates:
  1. Mainline Track Right of Way, south of the 59th parallel
  2. Mainline Track Right of Way, north of the 59th parallel
  3. Railway Safe Operating Land
  4. Pipelines, except gathering pipelines
  5. Gathering Pipelines
  6. Transmission Lines of an electrical power corporation
  7. Fibre Optic Cables of a telecommunications company
Farm Land – Board Authority
Farm Land

• Farm Classification is granted to property which:
  • The owner has submitted an application
  • Is used for a qualifying agricultural use
  • Generates a specific level of gross income

• Properties in Farm Classification:
  • Assessed for farm use only without regard to another use
  • Land is valued using Farm Land Rates ($ per acre)
  • Farm Land Rates are applied on the basis of soil capability and farm use

• Assessment based on Section 23 of the Assessment Act

• Property Class 09 – Farm
Farm Land – Responsibility

• Provincial Government
  • Responsible for the determination of the standards for the classification of farms. e.g. income thresholds, definition of qualifying agricultural use (products)
  • Regulations last updated in 2014
• The Board of Directors
  • Responsible for the Farm Land Rates
  • Responsible for the Farm Application Regulation
• Farm Land Rates
  • Have not been changed since 1984 when the Farm Land Classification Regulation was first passed
Managed Forest Land – Board Authority
Managed Forest Land

• Managed Forest Land is:
  • Privately owned land
  • Which the owner has made a commitment to grow and harvest timber
  • In a manner that promotes the public interest
  • Including soil conservation, water quality, fish and critical wildlife habitat and reforestation

• The land can meet the commitment in two ways:
  • Apply directly to BCA for private land associated with a tree farm or woodlot licence under the Forest Act, or
  • Apply and submit a Management Commitment to the Managed Forest Council (MFC)
Managed Forest Land – Board Authority

- Managed Forest assessments are determined using two sets of regulated rates:
  - Bare Land Rates
  - Cut Timber Rates
- Assessment based on Section 24 of the *Assessment Act*
- Property Class 07 – Managed Forest Land
Managed Forest Land – Classification

- The Managed Forest Council (MFC) is responsible for:
  - Ensuring that accepted management commitments conform with the Private Managed Forest Land Act
  - Ensuring compliance to the management commitments

- BC Assessment is responsible for:
  - Ensuring that the property meets the size and productivity requirements as set out in the Act and Regulations
  - Granting the managed forest land classification
  - Authorizing Managed Forest Rates
Summary of Responsibilities - Board of Directors

• BCA Board of Directors is responsible for assessment decisions governed by Regulations under the *Assessment Act*:
  • Linear property type rates (Various Regs)
  • Right of Way land rates (BC Reg 218/86)
  • Farm land rates (BC Reg 276/84)
  • Farm class application regulation (BC Reg 247/2012)
  • Managed Forest land rates (BC Reg 90/2000)
  • Review / preliminary approval of MIP and EPG cost manuals

• BCA Board of Directors approve Regulated Rates every September for implementation in the upcoming roll year
Summary of Responsibilities - Cabinet

Provincial Government is responsible for assessment decisions governed by legislation, and select Regulations.

- Final approval of changes and updates to MIPs EPG cost manuals
- Amendments to the Assessment Act and the Assessment Act Regulation (BC Reg 433/98)
- Amendments to Regulations other than those previously listed as the responsibility of the BCA Board
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Linear Properties – Cross Canada Review

Overview

• Gather assessment methodology from other assessment jurisdictions across Canada for all linear improvements
• Compare and contrast approaches
• Review specific issues such as depreciation and underutilization
• Create relationships across Canada for future

Summary of Findings

• BC Assessment demonstrates a comprehensive approach to the assessment of these property types; in a transparent and easily understood manner
• No obvious shortcomings in the methodology and application of regulated rates
• Collaboration with Industry in the development of rates acknowledged for its effectiveness
• BC most closely aligned with Alberta
Linear Properties – Cross Canada Review

### Do you assess the following improvements?

<table>
<thead>
<tr>
<th>Province</th>
<th>Railway</th>
<th>Electrical Transmission Lines</th>
<th>Electrical Distribution Lines</th>
<th>Pipelines</th>
<th>Fibre Optic Cable</th>
<th>Telephone Access Lines</th>
<th>Cable Distribution System</th>
<th>Other Linear property types?</th>
<th>Comments</th>
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<tbody>
<tr>
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<td>Y</td>
<td>Y</td>
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<td>Y</td>
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<td>N</td>
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<td>Wind Turbines</td>
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<td>N</td>
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<td>N</td>
<td>N</td>
<td>N</td>
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</tbody>
</table>

### Do you assess equipment? (eg: compressors, telephone switching, cable headend etc.)

<table>
<thead>
<tr>
<th>Province</th>
<th>Railway</th>
<th>Electrical Transmission Lines</th>
<th>Electrical Distribution Lines</th>
<th>Pipelines</th>
<th>Fibre Optic Cable</th>
<th>Telephone Access Lines</th>
<th>Cable Distribution System</th>
<th>Other Equipment?</th>
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<tr>
<td>Alberta</td>
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<td>Gas Dist.</td>
<td>Gates, valves etc.</td>
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Additional Resources

bcassessment.ca
Questions?