



July 19, 2016

Honourable Danielle Larivee  
Minister of Municipal Affairs  
204 Legislature Building  
10800-97 Avenue  
Edmonton, AB, T5K 2B6

Dear Minister Larivee:

**RE: Centralized Industrial Property Assessment**

Thank you for your response (May 25, 2016 enclosed) to our letter (May 4, 2016 enclosed), as well as an opportunity for further input from municipal stakeholders to the proposals in Bill 21 (Modernized Municipal Government Act).

Since we wrote, draft Bill 21 was given first reading on May 31, 2016. Strathcona County will, in the very near future, be submitting our comments on the broader recommendations of the Modernized Municipal Government Act. The focus of this letter pertains specifically to the proposed 'Centralization of Industrial Property Assessment', which could have significant implications for our municipality and our citizens.

I have appreciated the opportunities to discuss informally our position with you. I have also met with our MLA, Estefania Cortes-Vargas, to outline the challenges we see. As you are aware, while we understand there are challenges elsewhere in the province with regard to the assessment of industrial properties, Strathcona County does not support the current proposal as a means to address centralized industrial property assessment.

Based upon our municipality's substantial experience with major industrial assessment, we believe there are alternative approaches to effectively improve the current industrial property assessment system and achieve your government's goal of greater consistency for this type of assessment across the province. These approaches will also respect municipal autonomy and maintain local involvement.

On behalf of Strathcona County, I am providing our viewpoints, our alternative options and a few additional questions in relation to the proposed changes to industrial property assessment in Alberta.

The new MGA is premised on municipal autonomy and '**empowering local governments**'

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**Viewpoint 1:**

The current proposed changes are not seen as empowering our municipality. There will be a significant loss of local accountability over the assessment of nearly half our municipal tax base. This would erode municipal autonomy and pose a significant financial risk for Strathcona County. We believe there are better solutions to fix the stated inconsistencies in the current system, rather than the province taking over all responsibility for Designated Industrial Property (DIP) assessment.

Strathcona County has been preparing major industrial assessments for more than 40 years and has undisputed knowledge and expertise in this area. As well, we have worked successfully to build collaborative relationships with the heavy industrial sector within our borders. With the proposed change to centralized industrial property assessment, we believe our relationships and resources are put at risk.

**Alternative:**

We offer another option to the proposed centralization. To achieve the objective of greater consistency of industrial assessment among municipalities, and diminish any unnecessary and complicated "overhaul" of the existing system, we suggest the current assessment regime could be improved if the province were to:

- Deliver on its current mandate of audit/oversight as per other assessments
- Adopt a standardized well site model
- Establish an arms-length Assessment Commissioner to direct and guide municipalities
- Improve training and advisory functions
  - Given the strength of Strathcona County's municipal assessment expertise, we would be open to explore with the province some type of training mentorship or co-op to support this effort
- Allow municipalities, based on meeting a predetermined standard of performance, to opt out of the DIP centralized assessment model related to 'major plants' depending upon the municipality's circumstances and capability to comply with the legislated rules and regulations and audits



## The new MGA is based on ***'transparency and accountability'***

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### **Viewpoint 2:**

The nature and variables of industrial assessment, such as for a major plant, are specialized and complex. Industrial assessment accuracy and accountability are critical to avoid significant financial risk to both our community and industry. Any loss of predictability and stability in our assessment base presents challenges for fiscal budgeting and planning purposes for all involved.

As we are held accountable by all taxpayers in Strathcona County, any DIP assessments prepared incorrectly by the provincial assessor will put the County at significant financial risk, and could force an unnecessary additional tax burden on other taxpayers in our municipality.

If implemented, without our municipality's involvement or control in the assessment, the annual appeal mechanism, based on full disclosure by the provincial assessor, will be the only recourse to rectify these assessments. As a result, full disclosure and appeal is a necessary cornerstone.

### **Alternative:**

Notwithstanding our previous comments, should centralized assessment proceed, it is critical that Section 293 be amended to grant the municipal assessor access to all information related to DIP specific to those defined as 'major plants'. This will enable the municipal assessor to determine whether an appeal to the Municipal Government Board (MGB) is warranted, on a case-by-case basis.

## The new MGA is premised on ***'enabling efficient and effective assessment processes'***

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### **Viewpoint 3:**

A new municipal information request/audit/appeal process on DIP assessments, combined with a provincial cost-recovery fee to those same property owners, is neither effective nor efficient. This approach creates considerable duplication at the expense of all taxpayers, and means a new assessment fee charged to industry.

### **Alternative:**

Again, we advocate for the alternative solutions listed under Viewpoint 1, rather than the proposed change to centralized assessment.

## Our questions

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### **Transparent review with all stakeholders**

The relationship with our industrial customers and their importance to our community is paramount. In discussions with our local industry, there is indication that DIP owners may not have been fully informed of the proposed changes and, accordingly, some have expressed equal concern. To support transparent review and implementation, we ask:

- When will the province advise DIP owners and stakeholders directly of the proposed policy change, including the additional requisition costs, to be borne by the DIP property owners, for the creation of the new provincial layer?

### **Intent of Section 370**

Section 370 (b.1) allows the Minister to make regulations 'respecting the setting of tax rates' for Machinery & Equipment and non-residential sub-classes of property.

- Is this delegated power intended to be exercised strictly to ensure that the 5:1 maximum tax rate ratio (Section 358.1) is properly implemented?

Or

- Is it intended to enable the Minister to set municipal tax rates on DIP assessments?

### **Intent of Section 594**

Section 594 allows the Minister to impose an additional tax on DIP assessments in an 'industrial improvement area'.

- Is this strictly for an improvement district, as defined under Part 15 of the MGA?

Or

- Could the Minister impose additional property taxes on industrial areas within Strathcona County (i.e., Alberta's Industrial Heartland)?

### **Adequate timelines**

Given the complex nature of what would be involved to implement a change to provincially centralized assessment, the County is concerned about the timelines associated with the new proposed legislation.

- From the current consultation, when will the province advise municipalities and other stakeholders on policy decisions regarding the proposed Centralization of Industrial Assessment regime, in terms of whether it will be rejected, adopted as proposed, or re-presented for review in a revised form?

### **Development of new regulations**

To date, Strathcona County has representation on the development of an updated Construction Cost Reporting Guide (CCRG), and some involvement in the Matters Relating to Assessment and Taxation Regulation (MRAT). We ask, given our experience, that the County also have representation on the following regulation (and related Minister's guidelines) reviews contemplated in Bill 21:

- Definition of non-residential sub-classes
- Definition of 'major property' and 'other property' list, as it pertains to Designated Industrial Property
- Definition of 'operational' date, as it pertains to establishing new property assessments for either Designated Industrial Property or Machinery & Equipment

In closing, I would like to reiterate that Strathcona County has over 40 years of experience in professionally applying the provincial assessment regulations. As such, we are prepared to offer our assistance and expertise in addressing this important provincial matter.

We appreciate the opportunity to provide our input. On behalf of Strathcona County, I would be pleased to discuss this further before the end of the consultation period.

Best regards,

Roxanne Carr, **MAYOR**  
**STRATHCONA COUNTY**

cc: Honourable Deron Bilous, Minister of Economic Development and Trade  
Estefania Cortes-Vargas, MLA, Strathcona-Sherwood Park  
Jessica Littlewood, MLA, Fort Saskatchewan-Vegreville  
Annie McKittrick, MLA, Sherwood Park  
Strathcona County Council  
Brad Pickering, Deputy Minister  
Meryl Whittaker, Assistant Deputy Minister  
Al Kemmere, President, AAMDC  
Lisa Holmes, President, AUMA  
Rob Coon, Chief Commissioner, Strathcona County

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