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# Advisory Aspects

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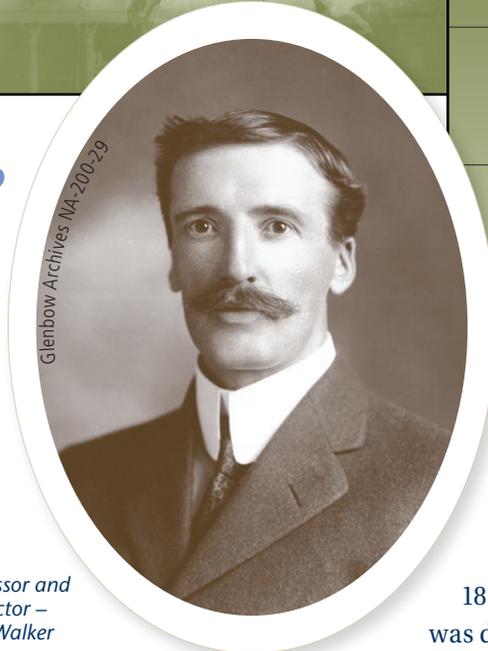
## A look back in time

This excerpt is part of a lesson on the "History of Assessment and Taxation in Alberta," delivered by the Department of Extension, University of Alberta, more than 40 years ago.

### Single-Tax Option

The year 1893 was the year that single-tax doctrine entered the legislation of this region. The Ordinance Respecting Assessment and Collection of Taxes and Licenses, No. 19 of 1893, provided an alternative tax base to municipalities in the Northwest Territories. The important provision of this ordinance was an exemption provided for:

All buildings and improvements on real estate, stocks of merchandise, machinery, tools, and personal property generally.



Glenbow Archives NA-200-29

*City Assessor and Tax Collector – Thomas Walker*

*Born February 8, 1881 at Barleith, Ayrshire, Scotland, Thomas Walker came to Edmonton in 1905 and joined the staff of the City of Edmonton in 1906. He assumed the position of assistant assessor, which office he held for six years. He was appointed city assessor and tax collector in 1912. Walker was earnest in developing the city's single tax system of assessments.*

The proposal in this piece of legislation was that a Municipal council would adopt this Ordinance on a majority vote of two-thirds of council or on a petition of one-half

of the ratepayers. When adopted, this would supersede the Municipal Ordinance as revised to 1888. However, the ordinance was disallowed by the Federal Government in 1894; thus, the amendment to the Municipal Ordinance in 1885 restricting assessment to the raw unimproved value remained and served as the authority for a modified single-tax on land value. Then in 1897, the single-tax option was written into the Municipal Ordinance. It was still a modified tax in that it provided a tax on incomes and business and license taxes as well as taxes on land. **A**

## All good things come to an end

*Alberta's centennial year has come to a close and the province can be proud of plenty of things.*

*Since 1905, assessment practitioners have embraced challenges with conviction, ingenuity and hard work. This issue of **Advisory Aspects** recognizes the past, but also focuses on the future of assessment in Alberta.*



# Branch update

## Vacant sign removed from Assessment Advisory

In October, Barb Priddle moved from the Assessment Audit unit to her new position as manager of the Assessment Advisory team. With 24 years of experience in assessment, she anticipates challenges with her new responsibilities. "I look forward to my new role and will try to maintain strong relationships with assessment practitioners and other stakeholders," she says, adding she will focus on market value property assessment, advisory services, and assessment standards and procedures. She will also manage the development and maintenance of handbooks and professional guides, and various training and information programs.



Barb Priddle, manager of the Assessment Advisory team

### Staff achievements

The branch would like to extend a congratulatory note to staff member Karac Hendriks-West on receiving his Accredited Municipal Assessor

## Assessor declaration forms

*The declaration forms that are shown in the Recording and Reporting Information for the Assessment Audit and Equalized Assessment Manual have been updated due to the Matters Relating to Assessment and Taxation Regulation (AR 220/2004) coming into force.*

of Alberta designation from the Alberta Assessors' Association in 2005. "I'm thrilled to have completed all of the requirements, and it's nice to be officially in the (AMAA) club," he reports.

Ruth Allenby retired from the branch in the fall of 2005 after 40 years of service. "It is truly remarkable to see such dedication," says Steve White, executive director of the Assessment Services Branch. "We wish Ruth all the best."

### Assessor internship pilot project

Some municipalities have indicated they are concerned with succession planning. In response, an assessor internship pilot project has been initiated in Saddle Hills County. This pilot project is being developed with the expectation that an assessor internship program may be helpful to municipalities in the future. The aim of the project is to help examine the potential of developing a program to help interns graduate as fully qualified assessors after four years.

"This project supplies the framework for a program that may provide the solution for municipalities as they plan for their future assessment service needs," says Dean Cramer, who is working on the administrative elements of the project with Diane Nickle. "It's a good way to support municipalities," she says. As the pilot project progresses, consideration may be given to the possibility of expansion to other municipalities.

### Canadian assessment leaders make their way to Alberta

In July 2006, Alberta Municipal Affairs will proudly host the annual Canadian Directors of Assessment conference in Edmonton. Assessment directors from each province will gather and discuss assessment-related matters that may be unique to their jurisdictions. The directors will exchange information about new and revised legislation and regulations, human resource issues, community relations initiatives, organizational changes and development projects for information systems. Quebec's provincial department of Municipal Affairs hosted the 2005 conference in Quebec City. 

## Message from the Deputy Minister

Much like the province, Alberta's assessors have a history of excellence. Although many things have changed over the last 100 years, your professionalism and dedication have remained constant.



In our journey from a young province with great potential to our current state as a thriving, prosperous place to live, work and visit, Alberta's assessors have been there to help steer the course. From rubber boots and shovels to assessment software and GIS, your profession has kept pace with the rapid changes we've experienced.

Alberta Municipal Affairs values our relationship with the province's assessment professionals, and we look forward to building on this relationship into the next century and beyond.



Dan Bader, P.Eng.  
Deputy Minister, Alberta Municipal Affairs

# Amendments to the Municipal Government Act

## Assessment of linear property

The following amendments were made in 2005 to the *Municipal Government Act* (MGA) to clarify the linear property assessment process.

The preparation of the roll, under section 302(2) of the MGA, was amended to indicate that the Minister of Municipal Affairs would prepare an assessment roll for assessed linear property by February 28 each year.

Section 303(g.1) and (i) of the MGA was amended to reflect that the assessment roll must show the following for each assessed property:

- if the property is linear property, the date the Minister declares the linear property assessment complete;
- any other information considered appropriate by the municipality or by the Minister, as the case may be.

Section 304(3) of the MGA was amended so that written notice of a mailing address to the Minister must be provided by a purchaser of linear property or a person who becomes liable to be shown on the assessment roll as the assessed person for linear property.

An amendment was made to section 308 of the MGA to link the preparation of linear assessment notices to the linear assessment roll, similar to linking other property assessment notices to the assessment roll of the municipality. The reference to assessed linear property corresponds to the linear property shown on the Minister's linear assessment roll.

The MGA now requires the linear property assessor designated by the Minister to publish a notification in the Alberta Gazette stating that the linear property assessment notices have been sent. 

## 2005 highlights

- The Assessment Shared Services Environment (ASSET) system was fully operational in 2005. By March 31, a total of 343 municipalities had loaded assessment data into the ASSET system, several months earlier than in 2004.
- The department undertook an in-depth review of the information submitted in the ASSET system. The review involved reconciling ASSET data submissions and local tax bylaws. As a result, there is a high level of confidence in the assessments that were used to establish the 2005 and 2006 equalized assessments.
- The 2005 linear property assessments were prepared and distributed one month earlier than the legislated deadline of February 28.
- The assessments of 352 provincially-owned properties were validated to ensure Crown property is assessed equitably in comparison to similar properties not owned by the Crown.
- Detailed assessment audits were conducted on 71 municipalities.
- The department continued to work with stakeholder groups to review rates and depreciation factors for the assessment and taxation of regulated industrial properties.
- A series of assessment year modifier working group meetings was held with municipal and industry stakeholders from May to July. Stakeholders discussed options for addressing the unusual price spikes seen in the commodity market.

# Embracing change

From hard card to CAMA (Computer Assisted Mass Appraisal), Roland Marchand has seen it all during his 29 years as city assessor for the City of Camrose. And it's not just the tools of the trade that have evolved over the years.

"One of the biggest changes in this industry occurred in the late '90s when we moved from regulated to market-value-based assessments," he says. "It was a huge challenge. Assessors had to retool and learn other methods of valuation such as the income approach. Then our computer systems had to be upgraded to accommodate mass appraisal, and to be able to apply value models based on current market conditions for major property classes."



Roland Marchand, city assessor for Camrose

*“... the challenge of tracking ever-changing market values is the most interesting aspect of the work we do.”*

— Roland Marchand

He and his team, including an assessment roll technician and an assistant assessor, are enthusiastic about embracing change and the improvements it brings to their work.

"I think the challenge of tracking ever-changing market values is the most interesting aspect of the work we do," he says. "It's rewarding to follow trends, measure supply and demand, recognize all the factors that affect value, and in the end capture that elusive entity called market value."

## **And what does he see as the industry's next major task?**

"I think it will be preparing assessments in compliance with Uniform Standards of Professional Appraisal Practice (USPAP)," he says. "The association (Alberta Assessors' Association) is moving to adopt those standards, and I think we will all be

conforming to them sooner rather than later. It's a good move for the industry, and I believe it will result in a better, more uniform approach to assessment across the province."

He says he has great respect for his profession, and has some encouraging words for those starting their careers in the assessment field.

"New assessors will soon realize this industry provides for many different career opportunities, some in valuation of real property, and others in related areas. Either way, it's a rewarding profession that offers many excellent advantages." 

# Passing on information: A “Benchmark” for success

*Blair Hurt is president of Benchmark Assessment, based in Lethbridge. He began his 37-year career in assessment with Alberta Municipal Affairs. In 1995, Hurt and four other former Municipal Affairs assessors started Benchmark Assessment. This is his account of the impact of 1995, the value of technology, and the key to success in the assessment industry.*

We all realize that change is inevitable, and in retrospect January 1, 1995 was a very significant date. The changes that occurred then had significant ramifications that can still be felt today. The provincial assessment services were privatized and the standard used to prepare assessments was changed to market value. I don't think we realized at the time just how profound a change that would be, and how much it was going to affect the industry and us.

The implications of privatization have been especially far-reaching. Before 1995, provincial assessors worked together in an environment that offered support and sharing of information on an individual and organizational basis. Privatization changed that environment. Priorities changed once we were competing with each other in a business aspect for a livelihood.

Preparing assessments in a private environment will continue to be a major challenge. Our clients are exclusively municipal governments, yet the provincial government controls our services. It's a huge challenge to offer an acceptable assessment service with knowledgeable, trained and competent assessors, who have to handle the demands of the legislation, appeal process and audit process.

assessments on an annual basis, which is a complete change from the way assessors used to operate and function. I expect information technology (IT) will continue to shape the way we work. For example, our office made a conscious decision to ensure we had someone on staff who was trained and knowledgeable in information technology. To that end, we invested two years training to make sure our candidate member had a diploma in IT, before we even started on assessment training.

Nevertheless, there are many rewards in assessment. The most interesting part of this business, I think, are the people you meet day-to-day. An assessor's public relations and communication skills are as important as the academic skills.

For anyone starting out as an assessor today, I would point out there are two very different environments in preparing assessments: the private company versus the municipal employee. Each has its own merits and drawbacks.

In either environment, the single biggest roadblock to success is the reluctance to share information, whether due to company policy, or personal self-interest. Yet in my opinion, passing on information is an essential part of any successful organization. A respected mentor said to me, “When you realize you have learned something after you thought you knew it all, you have succeeded.” 



*Blair Hurt, president of Benchmark Assessment*

One simply can't overstate the impact of computers. This may sound antiquated, but when I started in 1968 we did not even use electronic calculators. I can still see and hear those manual Facit-type calculators. Today, computers make it possible to meet the demands of the legislation and prepare all

# Stop, drop and assess

An assessment review of the 109 forest fire lookout towers in Alberta, including 77 drive-in towers, has revealed that the valuation of these properties varies within the province.

Under section 298(1)(m) of the *Municipal Government Act*, “property used for or in connection with a forestry tower that is not accessible by road,” is not assessable. Therefore, forest fire lookout tower sites that have drive-in access should be assessed. This assessment will typically include the lookout tower, an engine room building and a cabin for the operator. In most cases, these

tower sites are in use from May through September depending on the location and the weather.

The following method is recommended for assessing forest fire lookout towers:

- A rate of \$2,500 per metre, or \$75,000 for a typical 30-metre tower in place (year 2005 replacement cost) should be used,
- A life expectancy not exceeding 50 years should be used,
- Generally, the living units should be assessed as cabin units,
- In most cases, the engine room should only be valued as a shed,

and

- Obsolescence is strongly recommended for the improvements due to location, limited usage, and lack of services available.

Consideration should also be given regarding the isolation of most sites in determining market value of the land. Most tower sites are not accessible from October through April unless located along a county road. Accessibility to the site, and thus eligibility for grants in place of taxes, will be determined from information provided by Alberta Sustainable Resource Development. 

For further information on the assessment of forest fire lookout towers, please contact Randy Townsend at 780-422-8117, or toll free at 310-0000.

## Pigs in perspective

**Pigs.** When you hear the word, most people visualize a hairless, broad and stout mammal prepared to devour everything in its path. Pipeline pigs are similar in many ways. A pipeline pig is a general term used to describe a multitude of products that move through pipelines for the purposes of cleaning, measuring, and inspecting the lines. A pig launcher or injector launches the pig and it travels through the length of the pipeline and is retrieved by a pig receiver or trap. Pig launchers and receivers are placed at strategic points along a pipeline and are used in daily pipeline operations as well as for construction purposes. Pipeline pigs are used to:

- clean pipelines to increase efficiency,
- separate batches of different products within a pipeline,

- measure geometry and wall loss within a pipeline,
- locate cracks and other defects such as pipe seam defects, and
- dry a gas pipeline to remove water after hydrostatic testing.

The cost of most pigging equipment is included in the regulated rates for the assessment of linear pipeline property. This is consistent with the definition of pipelines under section 284(1)(k)(iii)(A) of the *Municipal Government Act*:

...pipelines, including any continuous string of pipe, including loops, by-passes, cleanouts, distribution meters, distribution regulators, remote telemetry units, valves, fittings and improvements used for the protection of pipelines intended

for or used in gathering, distributing or transporting gas, oil, coal, salt, brine, wood or any combination, product, or by-product of any of them, whether the string of pipe is used or not, ....

Since the primary function of pigging equipment is for the protection and maintenance of pipelines, pigging equipment is included in the definition of linear property and is therefore assessed by Municipal Affairs. The only exception to this is

outlined in section 284(1)(k)(iii)(F) and (G) of the *Municipal Government Act*, which states:

but not including

(F) the inlet valve or outlet valve or any installations, materials, devices, fittings, apparatus, appliances, machinery or equipment between those valves in

(I) any processing, refining, manufacturing, marketing, transmission line pumping, heating, treating, separating or storage facilities, or  
(II) a regulating or metering station, or

(G) land or buildings; ....

This means that in instances where pigging equipment is located

between the inlet and outlet valve of a processing, pumping, heating, or storage facility, the pigging equipment would be classified as machinery and equipment and therefore be assessed by local assessors. Pigging equipment that does not meet these specific conditions should not be assessed at the local level. 

## Assessment best practice

### Include all arm's-length sales in ratio studies

*This article illustrates an assessment best practice as identified by the Assessment Services Branch of Municipal Affairs. The importance of including all arm's-length sales in ratio studies is the assessment best practice featured in this issue.*

#### Assessment-to-sale ratio studies

Assessment-to-sale ratio studies provide a means of evaluating the accuracy of assessed values for a population of properties. Market values cannot be observed directly,<sup>1</sup> so they are represented in ratio studies by sale prices. Sale prices provide the only objective estimates of market value and under normal circumstances should provide good surrogates of market value. If the sold properties are a representative sample of the population of properties that they represent (based on physical property characteristics), valid

“... the more sold properties that are used in a ratio study, the more likely the characteristics of the sold properties converge with those of the population.”

conclusions can be made about the overall accuracy of the assessed values for the entire population of properties.

In general, the more sold properties that are used in a ratio study, the more likely the characteristics of the sold properties converge with those of the population. As a result, statistics computed for the sold properties are more likely to be valid measures of the corresponding population. Every property sale that

is an open market, arm's-length transaction that occurred during the ratio study period, should be used in ratio studies unless there is a sufficient and compelling reason that can be documented to show otherwise.

If sales are excluded without good reason and substantiation, the ratio study may appear to be subjective! Industry standards<sup>1</sup> are specific in outlining which sales are ordinarily invalid for sale ratio purposes to avoid making arbitrary judgments about excluding sales.

Categories of sales that may be excluded from a ratio study include sales involving the courts, government agencies, public utilities, financial institutions, relatives, corporate affiliates or estate settlements. Sales with special conditions such as trades or partial interest sales may be open market transactions, but must be used with caution and verified thoroughly in ratio studies.

*Continued on next page »*

## Outlier ratios

Outlier ratios are very low or high assessment-to-sale-price ratios when compared to other ratios in a sold property sample. Some statistical measures, such as the median ratio, are less resistant to the influence of outlier ratios, while the coefficient of dispersion (COD), the average percentage deviation from the

median ratio) and mean are sensitive to outlier ratios. The impact of outliers in ratio studies is minimized through the use of the median ratio and adequate sale samples in ratio studies (sale sample size can be increased by extending the period from which sales are drawn).

Outlier ratios should be carefully reviewed to determine whether the requirements of a market value sale have been met, especially when the sale sample is inadequate. If after

this further review, the outlier sale price is found to be atypical and seriously distorts the statistical analysis, it can be excluded from the ratio study, provided that there is documentation. However, this exclusion of outliers from the ratio study should be a relatively rare occurrence and confined to smaller sample sizes after remedies for inadequate sale samples have been applied. 

<sup>1</sup>International Association of Assessing Officers, Standard on Ratio Studies.

If you have any questions about including all arm's-length sales in ratio studies, please call the assessment auditor for your municipality.

# 2006 ASSET — Reporting requirements update

In July 2000, the Equalized Assessment Panel prepared a report that contained seven recommendations to the province for improving the process for assessment audit and the equalized assessment. The development of the Assessment Shared Services Environment (ASSET) system has, to date, addressed five of the seven recommendations, including those regarding the disclosure of information and electronic data sharing.

In 2005, the province made the transition to an earlier date for reporting information and submitting the appointed assessor's annual declaration (from April 1 to February 28).

For 2006, another transition to an earlier date will occur. The appointed assessor for each municipality will be expected to submit the assessment information and the annual declaration by January 31. For municipalities that have signed the *milenet* agreement, the appointed assessor must submit the information and the declaration into the ASSET system. For municipalities that have not signed the *milenet* agreement, the appointed assessor must submit the information and the declaration using the alternate process.

With help from the Equalized Assessment Panel Technical Committee, Municipal Affairs

will monitor the timeliness and accuracy of the 2006 submissions, and evaluate whether municipalities and their assessors are ready to move to an equalized assessment based on current year information. Also for 2006, municipalities will need to report tax exemption reason codes into ASSET for properties that are recorded by the assessor as exempt from assessment or taxation. For details on the reporting requirements for 2006, please see the *Alberta Assessment Quality Minister's Guidelines and the Reporting and Recording Information for Assessment Audit and Equalized Assessment Manual*. The updated guidelines and manual can be accessed online at: [www.municipalaffairs.gov.ab.ca](http://www.municipalaffairs.gov.ab.ca). 

The Assessment Services Branch of Alberta Municipal Affairs publishes *Advisory Aspects* three times a year. It contains assessment related information for municipal administrators and property assessors in Alberta.

Your comments and suggestions for articles can be directed to:

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*Best wishes for a  
prosperous 2006!*

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