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August 24, 2018

Hon. Shaye Anderson
Minister of Municipal Affairs
132 Legislature Building
10800 - 97 Avenue
Edmonton, AB T5K 2B6

email: minister.municipalaffairs@gov.ab.ca

Re: **RESPONSE TO DRAFT 2.0.8**
REGULATED INDUSTRIAL PROPERTY ASSESSMENT (RIPA) MINISTER'S GUIDELINES

The undersigned, representing rural and urban municipalities and the assessment community across the province, have reviewed the noted Draft Guidelines and are strongly opposed to this document as it is currently written as a replacement for the existing *Construction Cost Reporting Guide.* RIPA 2.0.8 is a significant policy departure from the CCRG in several areas outlined in the attached report. Most significantly:

1. Reconciling labour costs to the Edmonton area – RIPA provides a clear statement that labour costs are to be reconciled to the Edmonton area. This will have the effect of reducing assessments outside of the Edmonton area as labour costs are higher outside of Edmonton meaning the assessment will be reduced. Further, RIPA 2.0.8 allows individual companies to determine how the reconciliation will occur using their own estimates for labour and their own actual labour costs. The use of estimates is unsupportable for the preparation of assessments and version 2.0.8 does not require tolerance range adjustment to account for estimate inaccuracies.

2. Annual Capital Expenditures/Alterations – Under CCRG, annual cost additions to large plants are reported to the assessor and those determined to be maintenance are not assessed. New components or significant upgrades that improve a component of the plant are assessed with the assessment adjusted (the cost of the old removed and the new added). RIPA 2.0.8 only permits annual construction costs to be assessed if the output of the plant is increased and if the cost is reported as a capital expenditure (pursuant to Generally Accepted Accounting Principles or GAPP). We consider it inappropriate for GAPP to dictate whether annual capital expenditures are an assessable improvement. We are concerned that the effect of this policy change will reduce assessments as municipalities will only have new construction and possible changes to the assessment year modifiers on which to rely for growth.

3. Grandfathering and Equity – RIPA 2.0.8 does not clearly define "grandfathering.' If the intended policy consideration of RIPA is meant to arrive at different included cost outcomes, these should be made transparent as a preamble to RIPA. Similarly, if the intended policy consideration of RIPA is to continue the policies under the CCRG, then this should be transparent. Without the intent being made transparent we see this argument surfacing on every project. Without sufficient strength in the wording, "grandfathering" will allow past assessments to be revisited when property owners argue that an error or omission has occurred, because historically labour costs were not reconciled to the Edmonton area, and annual capital additions were assessed.

In 2017, you delayed the implementation of RIPA for one year to continue the discussions on a replacement for the CCRG that would have the effect of improving the consistency in the application of the guidelines. Stakeholders and subject matter experts then continued the discussions guided by Municipal Affairs staff with the understanding that the RIPA consultation was two-fold: (i) first to clarify the CCRG to improve consistency and ultimately reduce the number of complaints filed, and (ii) to develop benchmarks for normal/typical labour costs in the Edmonton area.

The draft 2.0.8 accomplishes neither of these objectives, but it significantly changes assessment practice with no explanation, no impact analysis and insufficient detail to ensure consistent practice or any standardization of assessments in the future. If a policy change has the effect of reducing assessments, or results in shifting the tax burden onto other tax classes, then the implementation of the policy should be delayed and reconsidered with the appropriate consultation so that municipalities have the opportunity to prepare for the impact on their finances.

Since RIPA will also apply to the regulated rates for machinery and equipment and linear property, these same lower included costs will also affect property assessed using regulated rates and further magnify the financial impact on municipalities.

The undersigned consider RIPA to include significant policy shifts that will result in lowering taxable assessments. We strongly recommend that no changes occur with respect to the current process (using CCRG); that the draft Regulated Industrial Property Assessment be delayed indefinitely to allow for the change process for the assessment year modifier to be finalized, and the age lives/depreciation model review to occur and a final impact analysis of all the changes to be prepared and shared among stakeholder groups.

Thank you.

Rene Boutin, AMAA
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Al Kemmere, President
Rural Municipalities of Alberta

Barry Morishita, President
Alberta Urban Municipalities Association

Cindy Vizzutti, President
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Attachment – AAA Report on RIPA Draft 2.0.8

c.: B. Pickering, Deputy Minister
E. Bayne, Acting Assistant Deputy Minister
S. White, Executive Director/Provincial Assessor
S. Young, Director Assessment and Property Tax Policy
C. Watt, Manager, Regulated Assessment