
Major Industrial Properties Steering Committee

FINAL REPORT

May, 2012

EXECUTIVE SUMMARY

The Major Industrial Properties Steering Committee (the Committee) was formed in early 2010, with a mandate to develop options and recommendations in keeping with the project purpose of providing tools to help achieve healthy, sustainable communities with healthy, sustainable industry.

The Committee was comprised of representatives from the Province, local government and industry. Its work was focused primarily on municipal property taxation of major industrial properties, although some ancillary issues, such as assessment of these properties and more broadly based local government property tax and revenue matters were also discussed.

Discussion and evaluation of options was guided by a number of principles, including: revenue stability and predictability for local governments and taxpayers; competitiveness; respect for municipal autonomy; and assessment and taxation should meet demonstrable standards of fairness. Many facets of the topic were explored, and the Committee made recommendations in four key theme areas as follows:

Develop tools and resources to support and highlight good practices in municipal tax policy decision-making

Recommendation #1: Develop best practices guides to support good municipal tax policy decision-making.

Support partnerships, agreements and dialogue between industry and local government at a local and regional level

Recommendation #2: Develop best practices for the establishment and use of revitalization tax exemption bylaws as part of the tax policy best practices guide.

Recommendation #3: To allow for creative local and regional solutions, consider development of tools that would allow a local government to make an agreement with another local government respecting the amount or level of taxation for specified industrial properties (see page 13 for full text of the recommendation).

Consider changes to improve consistency and fairness of major industrial property assessments and to improve municipal tax collection and recovery provisions

Recommendation #4: Consider adjusting the closure allowance contained in the Depreciation Regulation, for plants that are permanently closed or have been closed for three years, to 95% from the current maximum of 90%.

Recommendation #5: Develop options to improve municipal tax collection and recovery provisions (see page 15 for full text of the recommendation).

Provide a forum for ongoing dialogue and advice at a province-wide level

Recommendation #6: Create an on-going body consisting of representatives from local government, industry and the provincial government to provide advice and recommendations on local government major industrial property taxation matters.

Next steps

Two activities have been initiated since the Committee completed its discussions that, while not directly related to its work, may serve to provide additional information related to municipal taxation of industrial properties.

The Province and UBCM undertook a joint study to determine whether municipal taxes affect investment or other significant business decisions of industrial enterprises, and if they do, to what extent and under what circumstances. This study has recently been completed.

The Province has also appointed an Expert Panel on Tax to provide analysis and recommendations on business tax competitiveness and administrative improvements to streamline the Provincial Sales Tax. The panel review will include an examination of property taxation of business – both provincial and municipal - and its impact on business competitiveness and investment.

PART I: BACKGROUND, CONTEXT AND INTRODUCTION TO THE MAJOR INDUSTRIAL PROPERTIES PROJECT

BACKGROUND

Overview of the assessment and property tax system in British Columbia

In British Columbia (BC), roughly half of all municipal revenue is collected through property taxation (about 4.6% of which is derived from taxes on major industrial properties). The remaining half is primarily collected through user fees and developer contributions. A property value tax is a tax levied on the assessed value of a property. The formula for determining property value tax is $\text{Tax Rate} \times \text{Assessment} = \text{Tax Revenue}$.

Taxable assessment represents the assessed value of land and improvements on which a municipality and other taxing authorities may levy property taxes. The determination of taxable assessment is done by an independent Crown corporation called British Columbia Assessment (BCA). Appraisers with BCA must annually value the land and improvements of all property in BC using a uniform methodology. By regulation, BCA divides all properties in BC into 9 broad classes defined primarily by property use. While most properties in the province are valued on a market basis, the improvements on major industrial properties are valued using a regulated cost less depreciation basis. This assessment methodology provides considerable stability in assessments within this class, and also results in the value of properties being somewhat related to their age.

Every year, each municipality adopts a property tax bylaw whereby the municipality will set its municipal tax rates to raise the revenue required in its financial plan from the 9 different classes of property.

Municipalities generally have very broad authority to set their tax rates. While they cannot vary tax rates within a class of property (e.g., the residential class), they can vary tax rates between classes (e.g., between the residential and business classes). The Province has the authority to limit tax rates for any class, but has historically used this power sparingly and in relatively narrow circumstances. Some specific restrictions on municipal taxation authority by the Province include taxation of utility properties and ports properties, as well as municipal specific restrictions that may be enacted when the boundaries of a municipality are expanded.

A detailed comparison of taxation and assessment throughout Canada and parts of the United States can be found in the appendix.

Context leading up to the project

Business and industrial property taxation has been the subject of many studies and reports over the last several years with at least one study or report being issued every year since 2004. This only serves to highlight the complexity of the issue.

In order to improve business and industrial competitiveness, particularly in light of changes in the global economy and challenges for the resource sector in BC, the Province instituted a number of property tax measures during the mid-1990's through to 2010. These included reducing Provincial property tax rates on business and industrial properties, instituting limitations on local government tax rates for certain utility properties and specified port properties, and providing both an expanded authority for municipal tax exemptions and requirements for greater municipal tax policy transparency.

During the latter part of this same period, some municipalities reviewed their tax policy choices in light of new economic realities faced by business and industry, and began programs to reduce industrial taxes.

Despite these initiatives, the worsening economic climate, particularly within the forestry sector, brought increased pressure to make more rapid progress towards lower industrial taxation levels. This pressure came to a head in 2009 with some industrial property owners either withholding taxes or launching court challenges in relation to the taxes imposed.

The major industrial properties project and its steering committee

It was within this context that representatives of the Province, UBCM, local governments and industry began to work together through the Steering Committee (the Committee) to look at innovative approaches to taxation that could support both communities and industry through what all agreed were challenging economic times. The Committee was supported by an Advisory Committee with representation from these same bodies.

The project was guided by a charter that set out a number of principles to guide the discussion and evaluation of options. These principles form the core of what the Committee agreed were desired elements in the system of municipal taxation of industrial properties, including such elements as revenue stability and predictability for local government and taxpayers, competitiveness, respect for municipal autonomy, and assessment and taxation meeting demonstrable standards of fairness.

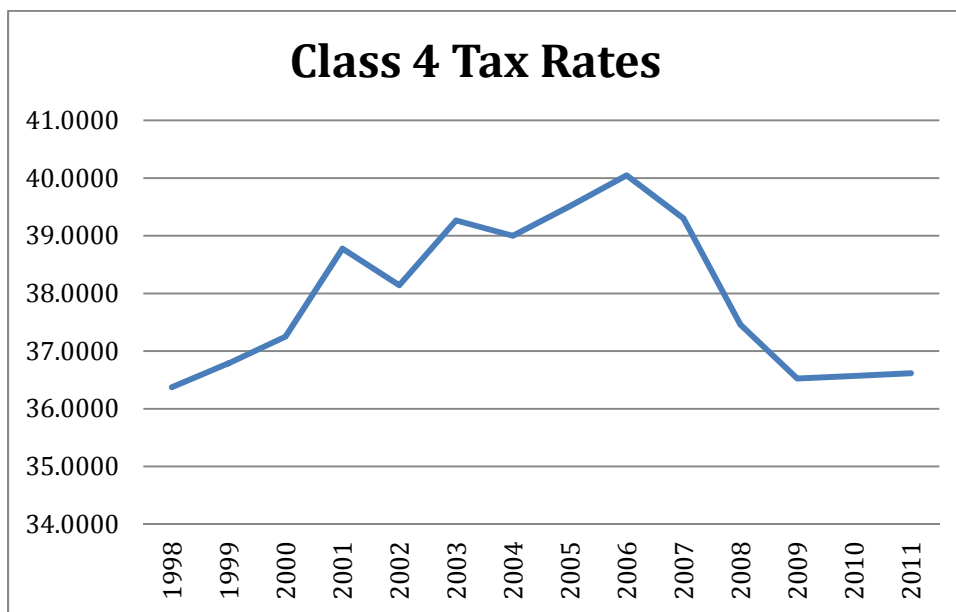
A number of issues and ideas were discussed throughout the Committee deliberations; however, the Committee was unable to arrive at consensus on several of the issues examined.

CURRENT STATISTICS AND TRENDS IN MUNICIPAL PROPERTY TAXATION

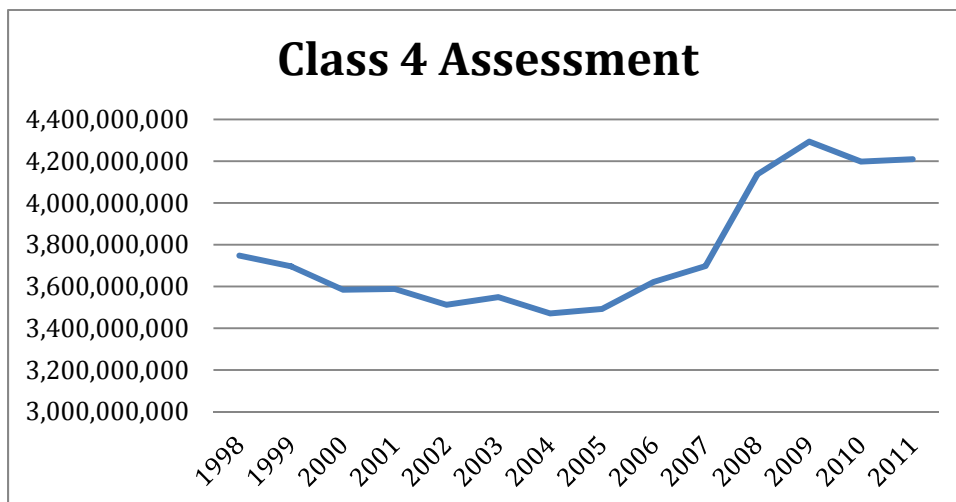
Following are some basic data and trends with respect to municipal taxation of industrial property over the last 13 years.

Trends 1998-2011

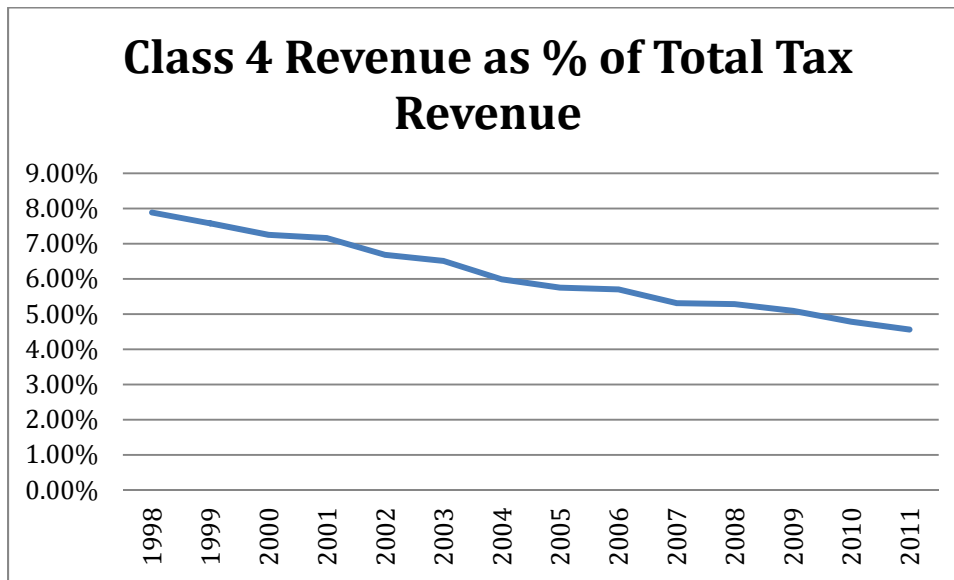
Average tax rates on major industrial properties have been declining over the last 5 years, reaching a fairly stable rate since 2009.



At the same time, assessed values of major industrial properties have been increasing.



Local government reliance on major industrial property taxes has been on a downward trend with more annual property tax revenues being derived from the other property classes.



A complete list of industrial assessments and tax rates for 2011 is in the attached appendix.

Current Tax Rates

As demonstrated in the attached appendix, there is currently a wide variation in the municipal tax rate imposed on major industrial properties across the province. For 2011, rates range from a low of \$4.8 to a high of \$92.5 per \$1,000 of assessed value, with an average of \$37.9 per \$1,000.

These rates are reflective of a number of circumstances, including varying service levels within individual municipalities, the effect of taxing agreements reached between industry and municipalities, the effect of regulations in place which restrict rates for certain properties in certain locations, the age and assessed value of industrial properties, assessments in other property classes within individual municipalities, and local tax policy choices.

Use of revitalization tax exemption provisions

Since the legislative provisions for providing tax exemptions were expanded in 2008 over 30 local governments have used this tool to affect both business and industry investment within their boundaries.

PART II: COMMITTEE DISCUSSIONS, CONSIDERATIONS AND RECOMMENDATIONS BY THEMATIC AREA

Develop tools and resources to support and highlight good practices in municipal tax policy decision-making

Elements of “good tax policy”

The Committee spent considerable time discussing what would constitute good municipal tax policy. Key starting points for these discussions were several project charter principles relating to revenue stability and predictability for local governments and taxpayers, competitiveness, respect for municipal autonomy, and demonstrable standards of fairness.

There was agreement at a conceptual level that taxes should be fair and equitable, but also that they should be certain, predictable, stable, and sustainable. Further, process elements such as transparency and an open dialogue between taxing authority and taxpayers were also agreed to as key components in a good tax system.

All of these system elements were seen to be valuable whether one took the view of the taxpayer or the taxing authority. In essence, the Committee was of the view that both taxpayer and taxing authority benefited from a system of taxation that was fair, stable, competitive, transparent, and so on. What was challenging in the discussions was moving beyond this conceptual level and sorting through what was meant by some of these terms, to determine the degree to which the system already had the desired elements, where it didn't, and how best to make improvements if these were indicated.

Need to balance amongst the desired elements

One of the challenges the Committee soon realized was that some of the elements were in conflict, so an appropriate balance amongst them would need to be struck. For example, taxes of exactly the same amount year over year would meet the certain, predictable and stable tests, but may not be fair if the economic circumstances of some taxpayers change considerably from one year to the next. Similarly, if taxes imposed were fixed on the basis of a highly volatile element such as might be the case with commodity prices, then they may, depending on your point of view, be fair, but they would not meet tests such as predictability or stability.

What is fairness and how do you know when you have it?

Another significant challenge the Committee faced was differing views of what constituted fairness, including whether fairness could be measured, and if so how.

Benchmarking was considered as a means to identify the degree of fairness or equity of taxation. That is, single or multiple measures or elements could be compared across

jurisdictions in order to get a sense of where there were variations, which might indicate the potential for inequities. Tax rates, tax rate ratios, tax burden, municipal expenditure, consumption-based analysis, and property taxes as a percentage of certain business metrics such as revenue or profits were all discussed.

Tax rates were seen as a useful measure of equity (i.e., if all municipalities had the same tax rate, one could argue that all taxpayers were being treated equitably), although it was recognized that this had some limitations. For instance, industrial assessments do not necessarily represent income potential or wealth of the taxpayer and so taxes derived from these, regardless of the tax rate set, may still not be considered fair. The measure may also not be suitable over time since assessments can decline annually because of regulated depreciation rates, and so increasing tax rates may not necessarily be a signal that the system is becoming less fair. In addition, the measure does not take differing service levels amongst individual municipalities into consideration (i.e., taxes imposed at equivalent tax rates in jurisdictions with different services may be seen to be inequitable).

The committee reviewed other research and considered other measures, but was unable to find or develop either a single measure or a combination of measures that were universally accepted as a definitive definition of fairness. It also recognized that even with further work there may be no definitive metrics that are appropriate in all circumstances or that would be resilient and workable over time.

However, the Committee still felt that moving towards a better way to measure or evaluate fairness, or more precisely define what types of circumstances and elements would constitute fairness and equity, would be valuable information as inputs to tax policy decision makers, even if the metrics were not definitive or universally accepted.

Effect of municipal taxes on business investment decisions

Both local governments and industry have an interest in a strong economy, and as such all members of the Committee felt that one of the key elements in the industrial tax system was to maintain a competitive investment climate.

Consequently, the Committee discussed questions about the extent to which municipal taxes affect investment decisions or other significant business decisions for industrial enterprises operating within the province. Further, it questioned whether the current authority given municipalities in relation to tax rate setting created uncertainty and risk to the point that potential investors were reluctant to make new industrial investments in the province.

Municipal risk and sustainability

Part of the Committee's deliberations related to municipal risk and questions of municipal sustainability in circumstances where a municipality was reliant on tax revenue from industrial properties.

While this issue was arguably of less direct interest to industry, there was recognition that business and industry benefit from healthy sustainable local governments and thus municipal risk mitigation and/or management is important to industry. In addition, the Committee saw clear linkages between municipal risk and industry risk, and between municipal reliance on industrial tax and industrial competitiveness. Consequently, the Committee saw managing or mitigating the risks associated with municipal reliance on industrial taxation as an important element in good tax policy decision making, and as important as other elements such as maintaining industrial competitiveness and maintaining equity and fairness in the tax system.

All members of the Committee quickly reached agreement that a reliance on industrial property tax could present a risk to municipalities. The Committee was then able to focus its attention on how to determine the significance of that risk and ways to manage or mitigate it in circumstances where the risk was significant.

The Committee considered how to determine the degree to which an individual municipality is dependent on property tax revenue from major industrial taxpayers, with the intent of early identification of those that may be at greatest risk. A number of point-in-time indicators were considered (e.g., high tax rates, high proportion of class 4 revenues, health of the industry sector) as were time sequence/trends (e.g., changes in long term debt, operating fund surpluses and population over time). While tracking of many of these indicators was seen by some as a useful exercise, the prevailing view was that negative findings in most of the indicators would occur too late in the process to be of much use in implementing mitigation measures.

The Committee felt that one of the best indicators of risk is the relative proportion of industrial assessment to total assessment – the higher that proportion, the more vulnerable the municipality would be to loss of the assessment base and revenue derived from that base. With the proportion of industrial assessment used as a baseline indicator to identify those municipalities at risk, other indicators could be developed that would help to refine the magnitude and/or immediacy of the risk.

A range of measures that could be implemented to mitigate or manage identified risks were also discussed, including restricting powers (e.g., reducing borrowing limits, limiting the ability to levy taxes), imposing requirements (e.g., requiring economic diversification plans), providing support (e.g., enhanced Rural Secretariat facilitation), and providing customized authorities (e.g., authority to establish heritage funds).

Although it is likely that a combination of these types of measures might be effective in managing risk, the Committee did not come to conclusions about these measures, as further analysis of the implications of each of the measures is required. Additionally, it was felt that many local governments are quite knowledgeable about the industry around them, its health, and the potential impacts if that industry were to close.

If information is obtained, what should be done with it?

A common theme running throughout the Committee's deliberations was the need to undertake further work. For example, the committee saw a need for further study or policy development in relation to fairness indicators, considerations of the effect municipal taxes have on business competitiveness and investment decisions, indicators of municipal risk due to dependency on industrial taxation and measures to manage that risk.

What was also of interest to the Committee was what to do with the results of this further work, but it failed to reach consensus on an approach, in part because the approach may differ depending on the results of the work.

While the Committee expects that the work will form a package that will inform tax policy decisions, the way in which the information could inform decisions could fall along a continuum.

At one end of that continuum, the information could be used as inputs into municipal tax policy decision making; moving along the continuum, the information becomes formal targets that municipalities could or should try to achieve; and at the other end of the continuum, the information becomes an input into provincial decisions to limit municipal taxing decisions in some way (e.g., to set maximum tax rates) or otherwise change the operating or taxing environment of municipalities.

Given the diverse nature of both municipalities and industry in this province, a system focused at the local level with municipal decisions about such matters as fair and competitive tax policies and a tolerable degree of municipal risk allow for customization of tax policy decisions to fit local, and often unique, situations. This would argue for use of the new information as inputs into municipal tax policy decision-making.

On the other hand, decisions at a local level can and do lead to considerable diversity between jurisdictions, which can result in quite different taxation for properties in different locations. This raises questions about fairness and equity across jurisdictions, particularly where the properties may be similar, or where they are competitors.

While fairness measures and best practices guides used as inputs in municipal taxing decisions may narrow the diversity between jurisdictions, they are unlikely to eliminate differences entirely. Consequently, some would argue that leaving the tax policy decisions at the municipal level, even with better measures of fairness and best practices guidance, does not go far enough towards maintaining equity and fairness in the system. While broadly based tax rate limitations were seen by some on the Committee as the solution, others felt they were not warranted. Even though there was much discussion about tax rate limitations, no agreement could be reached among the participants, so no recommendation was put forth by the Committee.

Support: Best Practices

Regardless of the information gaps and the need to do further work and analysis, the Committee felt that more could be done now to support good municipal tax policy decision-making, based on current knowledge, information, practices and tools.

In particular, the Committee saw value in disseminating good practices, through development of guides. These guides could set out advice related to principles, policies and processes around municipal tax rate setting and could also be used as a means to encourage use of tools such as revitalization tax exemptions, to encourage strong partnerships and dialogue between industry and municipalities, and to promote greater awareness about municipal risk associated with dependence on industrial taxation and ways to manage that risk.

Recommendation #1: Develop best practices guides to support good municipal tax policy decision-making.

Support: Revenue

The Committee recognized that industrial taxes are part of a larger revenue system, and that any changes that are made to property taxes for industrial properties would impact other parts of the system. For example, reducing industrial property taxes will create either a need for service or expenditure reductions and/or a need to recover additional revenue from other sources. Given the limited taxation authorities of municipalities, reduction in property taxes in one property class often lead to increased property taxes in other property classes. Where these shifts are significant, they may be unmanageable, particularly over the short-term, and this will act as a barrier to change.

New sources of revenue for municipalities could relieve pressure on property taxes and help minimize the shifting of taxes, facilitating positive changes to industrial property taxes if these are warranted to meet equity or other tax policy objectives.

However, the Committee failed to reach agreement on whether new revenue was needed, and if it were, what levels or sources of revenue would be appropriate. Recently, the Province committed to working with UBCM to ensure local governments have the resources they need to provide the services citizens want. This work may provide some resolution to this issue.

Support partnerships, agreements and dialogue between industry and local government at a local and regional level

The Committee discussed numerous successful partnerships between industry and local governments, including agreements authorized under existing legislation (e.g., under the

revitalization tax exemption provisions), and those that are authorized by customized legislation (e.g., tax sharing agreements).

The Committee considered agreements to be of benefit in the context of improving relations between industry and local governments, and as a means to improve certainty and predictability of property taxes over time. In addition, the Committee felt that agreements represent an opportunity to create a better alignment between tax revenue and servicing requirements related to an industry and its employees, through inter-jurisdictional or regional tax sharing and servicing arrangements.

Given the significance of these benefits, the Committee's recommendations in relation to agreements focus on ways to further empower and encourage various types of agreements. The Committee did recognize potential negative implications of agreements, including the impairment of a future Council's ability to make taxing decisions, and the potential inequities between taxpayers subject to an agreement and those that are not. On balance, the Committee felt that the benefits afforded by agreements outweighed these implications and that any negative implications could be managed through appropriate guidance materials.

Recommendation #2: Develop best practices for the establishment and use of revitalization tax exemption bylaws as part of the tax policy best practices guide.

Recommendation #3: To allow for creative local and regional solutions, consider development of tools that would allow a local government to make an agreement with another local government respecting the amount or level of taxation for specified industrial properties and the division of that tax revenue among signatories to the agreement (e.g., Elk Valley Property Tax Sharing Agreement). Consider methods that may be used to demonstrate industry support for these agreements.

Consider changes to improve consistency and fairness of major industrial property assessments and to improve local government tax collection and recovery provisions

Assessment

Major Industrial Properties are unique in that they are assessed under a different methodology than other properties in BC – the improvements are assessed on a regulated cost less depreciation basis, whereas most other property assessment is based on market values.

These properties are also placed in a separate assessment class, and there are relatively few taxpayers in that class. Municipalities have the ability to set tax rates by class, and industrial properties often attract higher tax rates than properties in other classes.

The Committee had considerable discussion about whether assessing these properties on a market basis would improve equity, and also whether the properties, once they were assessed at market, could be moved to a more generalized business class, thereby further improving equity.

A cross-jurisdictional analysis of assessment and classification methodology showed that of the other jurisdictions compared, most assessed major industrial properties on a market approach and tended to have fewer property classes. Industrial properties were consequently often included in the same class as business and commercial properties.

However, in all circumstances market values were difficult to determine and all systems reviewed appear to include some form of regulated or cost approach to estimate market. This would likely also be required if market assessment were used for these properties in BC. Sales data is scarce and since sales usually involve the entire company or significant portions of its assets, it is difficult to determine with any degree of reliance what proportion of the transaction cost relates to the purchase of the land and improvements being assessed.

The Committee was also cognisant of the historical context to the current methodology. The regulated approach was put in place in the late 1980's in response to significant and lengthy assessment appeals that had had a considerable destabilizing effect on the system. That change has been largely successful in producing stable, predictable assessments over time and in reducing the number and significance of assessment appeals. A change to market valuation has the potential to undo some of the benefit derived from regulated valuations, including increasing the rate of appeals and their consequent impact in relation to de-stabilization of the assessment base.

The Committee felt that while a movement to market valuations could improve equity, this improvement should not be made at the expense of stability, and has therefore recommended a cautious approach to a movement towards market valuation for these properties.

Recommendation #4: Consider adjusting the closure allowance contained in the Depreciation Regulation, for plants that are permanently closed or have been closed for three years, to 95% from the current maximum of 90%.

Tax Collection and Recovery

Municipalities require tax revenue to manage their operations and are vulnerable if unpaid taxes are significant. In addition, municipalities are required to pay over taxes imposed on behalf of other public authorities (e.g., regional districts) even if those taxes have not been collected, which adds to their fiscal strain. The problem is exacerbated where it is financially more attractive to taxpayers to withhold payment. Further, municipalities have limited collection remedies other than a tax sale at the end of a three-year period, which, in the case of industrial properties, has the added complication of the environmental liabilities associated with these types of properties.

The Committee recognized that tax collection and recovery provisions were relevant to all properties, and that changes for only industrial properties were not appropriate. Consequently, the recommendation in relation to tax collection and recovery proposes work be undertaken in relation to all property classes.

Recommendation #5: Develop options to improve municipal tax collection and recovery provisions, including: ensuring that the penalty and interest provisions do not provide an incentive to withhold taxes, review of requirements for municipalities to pay taxes imposed on behalf of other public bodies, and alternatives and/or improvements to tax sale provisions.

Provide a forum for ongoing dialogue and advice at a province-wide level

Early discussions considered the establishment of a Commission or other formal body which could serve a variety of functions including developing guidance materials (e.g., best practices guides), potentially acting in a dispute resolution capacity, and facilitating discussions between municipalities and industry.

As the Committee advanced in its deliberations, however, it became apparent that further development work would be required in relation to a number of its recommendations and

that an on-going committee with representatives from industry, local government and the Province could support this development work.

Further, as the committee discussed the advantages of a healthy, open and on-going dialogue between local government and industry, it realized that this sort of dialogue at a province-wide scale could reap similar rewards.

Recommendation #6: Create an on-going body consisting of representatives from local government, industry and the provincial government to provide advice and recommendations on local government major industrial property taxation matters.

PART III: NEXT STEPS AND CONCLUSIONS

The Major Industrial Properties Steering Committee was formed with a mandate to develop options and recommendations for the BC Provincial Government and the Union of BC Municipalities in keeping with the project purpose of providing tools to help achieve healthy, sustainable communities with healthy, sustainable industry. This report is the culmination of that work.

Some related work has been implemented since the Committee finished its deliberations. These include the Expert Tax Panel review of business tax competitiveness and the joint UBCM/Provincial study of the effects of municipal taxation on significant business decisions of industrial enterprises.

Throughout the committee work, it became readily apparent that all interest groups, the Province, UBCM and local government and industry, benefit from dialogue with respect to their interests and needs. Through working together and understanding the challenges faced, solutions that benefit all parties can be achieved. In the near term, all agree that it is most important to continue the dialogue that has been initiated to better understand each others' challenges and needs and find ways to work together for the benefit of the province as a whole.

APPENDIX 1

2011 Major Industrial Tax Rate and Assessed Value

Municipality	Major Industry Tax Rate	Major Industry Assessed Value	Municipality	Major Industry Tax Rate	Major Industry Assessed Value
100 Mile House	54.14645	17,367,300	New Westminster	29.4588	47,606,500
Barriere	11.07657	2,557,500	North Cowichan	45.2093	140,000,500
Burnaby	43.7265	161,950,500	North Van. (C)	27.5	111,961,000
Campbell River	40.44305	58,536,500	North Van. (D)	42.48617	221,775,000
Canal Flats	16.56543	3,177,000	Northern Rockies	16.6037	5,118,359
Castlegar	27.1904	87,561,000	Pitt Meadows	35.1047	3,388,600
Chase	4.84	26,286,000	Port Alberni	53.1288	100,719,100
Chetwynd	18.0003	58,962,600	Port Alice	27.90018	29,466,300
Clearwater	10.4883	6,104,000	Port Edward	32	309,800
Clinton	10.7877	13,272,500	Port McNeill	4.84	3,736,400
Coldstream	26.8888	8,265,700	Port Moody	57.4521	95,655,400
Comox	15.5303	29,000	Powell River	21.30575	105,605,300
Coquitlam	49.8661	14,304,600	Prince George	47.89847	242,914,700
Dawson Creek	18.5	5,423,400	Prince Rupert	42.16284	98,582,100
Delta	30.1458	246,969,800	Princeton	35.06575	8,166,000
Elkford	55.82405	71,669,400	Quesnel	66.19045	25,290,400
Esquimalt	31.26056	15,225,900	Radium Hot Spring	24.4479	3,262,200
Fort St. James	55.112	12,743,100	Revelstoke	28.975	9,988,900
Fort St. John	26.4255	43,046,300	Richmond	12.9651	107,536,400
Fraser Lake	32	62,412,600	Salmon Arm	55.0093	9,751,400
Golden	22.6729	9,530,000	Slocan	37.07155	3,562,700
Grand Forks	38.1974	12,078,600	Smithers	51.78497	10,233,800
Houston	52.64	29,345,000	Spallumcheen	23.4518	21,766,000
Hudson's Hope	16	926,100	Sparwood	55.82405	91,955,500
Kamloops	73.3	92,018,200	Squamish	27.5	13,537,000
Kelowna	11.733	31,083,000	Stewart	33.5599	2,022,000
Kitimat	92.4542	156,789,900	Surrey	11.68848	17,623,300
Ladysmith	91.9373	10,289,100	Taylor	38.57	47,789,700
Lake Cowichan	78.47742	612,800	Terrace	55.711	2,532,000
Langley (District)	9.4812	24,487,700	Trail	37.3374	78,099,500
Lillooet	25.3873	915,500	Tumbler Ridge	54.2595	72,679,669
Logan Lake	11.6806	109,746,700	Vancouver	31.46583	95,140,100
Lumby	16.3058	2,918,400	Vanderhoof	32.3143	25,236,400
Lytton	41.6	884,000	Victoria	13.5454	4,108,000
Mackenzie	29.035	71,917,000	Wells	13.098	632,500
Maple Ridge	34.2734	17,829,000	West Kelowna	10.73799	14,654,000
Merritt	61.2679	19,109,300	West Vancouver	13.2193	2,590,000
Midway	40.6265	2,446,000	Williams Lake	88.42579	27,297,600
Nanaimo	22.6248	98,277,900			

APPENDIX 2

Assessment Comparison Across Jurisdictions – Industrial Properties

Province/ Jurisdiction	Basis for Assessment	Methodology for Assessing Properties	Property Classification	Industrial Property Assessment Valuation Rules
<p>Alberta</p>	<p>Market Value - The amount that a property might be expected to realize if it is sold on the open market by a willing seller to a willing buyer. Municipal Government Act s. 1</p> <p>Annual reassessment, Dec. 31 valuation date.</p>	<ul style="list-style-type: none"> There are two types of property: <ol style="list-style-type: none"> Regulated property, including farmland, well sites, linear property, etc., for which rates are prescribed. All other property, which is assessed at market value. No prescribed methodologies are associated with this property. <i>Municipal Government Act, Part 9</i> Market value must be arrived at by the individual assessor. Some municipalities have enough sales to warrant a sales comparison approach while others must rely on the cost approach for the same type of property. In conjunction with the Alberta Assessors' Association, the government has put out a best practices manual for market value properties, "Market Value and Mass Appraisal in Alberta". 	<ul style="list-style-type: none"> Four property classes exist: <ol style="list-style-type: none"> Residential Non-residential Farm Land Machinery and equipment Municipalities may divide residential into sub-classes on any basis it considers appropriate. Municipalities may divide non-residential into vacant non-residential and improved non-residential. <i>Municipal Government Act, s. 297</i> 	<p>In Alberta, industrial property assessment is partly regulated. Land and improvements are assessed at market value.</p> <p>A regulated standard for assessment is applied to Machinery and Equipment, Railway, and Linear Property. Linear property includes electric power systems, telecommunications systems, and pipelines and wells. The rates and procedures for assessing regulated property are contained in the Minister's Guidelines for each respective property type. The Minister's Guidelines are like a modified cost manual, containing rates and depreciation standards.</p> <p>Relevant Legislation: http://municipalaffairs.alberta.ca/mc_property_assessment_and_taxation_legislation.cfm</p>
<p>British Columbia</p>	<p>Actual Value - The market value of the fee simple interest in land and improvements. Assessment Act, s. 19</p> <p>Annual reassessment, July 1 valuation date.</p>	<ul style="list-style-type: none"> To determine actual value, the assessor may, except where the Act has a different requirement, consider present use; location; original cost; replacement cost; revenue or rental value; selling price of the land and improvements and comparable land and improvements; economic and functional obsolescence; and any other circumstances affecting the value of the land and improvements. <i>Assessment Act, s. 19(3)</i> Lines and cables of a telecommunications corporation, pipe lines of a pipe line corporation and track of a railway corporation are valued using rates established through regulations of the Assessment Commissioner. These rates are based on the average current cost of the existing improvements, may allow for physical depreciation, and may be expressed in terms of an amount (a) per customer served by the improvements or (b) per kilometer of the improvements. In this case, the 	<ul style="list-style-type: none"> Nine property classes exist: <ol style="list-style-type: none"> Residential Utilities Supportive Housing Major Industry Light Industry Business/Other Managed Forest Land Recreational property/Non-profit Farm <i>Assessment Act, s. 19(14)</i> & the Prescribed Classes of Property Regulation There is no freedom to subdivide these classes and set different rates. Note that in 1999, the government amended the <i>Local Government Act</i> to allow municipalities to set classes for "parcel taxes". This is a component of property taxes, which is a small tax per parcel unit or by frontage or by parcel 	<p>The valuation of major industrial properties is through the use of regulated cost manuals for improvements (i.e. the "British Columbia Assessment Authority Major Industrial Property Manual" prescribed under section 20(5) of the <i>Assessment Act</i>).and market value for the land. Machinery and equipment are not assessable in BC.</p> <p>Other industrial properties are assessed by one of the following valuation methods depending on the property's location:</p> <ol style="list-style-type: none"> Capitalized Net Operating Income (NOI) - primary method Cost or DCA Methods in rural and remote (unincorporated) areas only when information to support an income valuation is not available.

Assessment Comparison Across Jurisdictions – Industrial Properties

Province/ Jurisdiction	Basis for Assessment	Methodology for Assessing Properties	Property Classification	Industrial Property Assessment Valuation Rules
		<p>average current cost is the cost to construct or install the existing improvements. The right of way lands for these types of improvements are also valued using Commissioner's rates. <i>Assessment Act, s. 21</i></p> <ul style="list-style-type: none"> • There are also special rates set by Commissioner's regulation for the valuation of farm and forest land. 	<p>area.</p>	
<p>Manitoba</p>	<p>Market value - The amount that the property might reasonably be expected to realize if sold in the open market...by a willing seller to a willing buyer. Municipal Assessment Act, s. 17(1)</p> <p>Biennial reassessment, April 1 reference date.</p>	<ul style="list-style-type: none"> • Valuation methodology is left to the discretion of the assessing authority with the exception of statutory properties (railways, pipelines, gas distribution systems), which are regulated under <i>The Municipal Assessment Act, ss. 19 & 31</i> 	<p>Residential (less than 5 dwelling units) Residential (5 or more dwelling units) Residential (owner-occupied condominiums and co-operative housing) Farm Designated Higher Education Property Institutional Pipeline Railway Other Designated Recreational Property</p> <ul style="list-style-type: none"> • Municipalities set one rate that is “portioned” against all properties within their jurisdiction. 	<p>Large single use industrial facilities seldom trade in the market place and valuation can be therefore be quite difficult to value as sales seldom take place and often when sales do take place the industrial properties that do sell are either a product of very poor economic conditions within the industry (currently the forestry industry) or the facilities are often old and functionally obsolete. Functionally obsolete can be dealt with on a site specific basis but what often happens is property owners or agents will attempt to use the sales of functionally obsolete facilities to drive values for more modern facilities which really are not comparable but the task of defence can be difficult as sales of good facilities are typically non-existent.</p> <p>Manitoba’s approach to value on large fully functional industrial facilities is typically the cost approach. At each general assessment they typically meet with the large facilities while preparing the new assessments and review on an individual basis the ongoing functionality of the facility as well as the economics of the applicable industry to at attempt to arrive at appropriate levels of depreciation. Adopting this approach has over the years has helped to avoid any significant ongoing appeals. They have had to deal with some very large appeals over the years but it is definitely not the norm. Over the last 10 or 15 years, Manitoba has dealt with a total of approximately 15 large industrial appeals.</p> <p>There is not a special class for industrial property in Manitoba and all commercial/ industrial properties fall into the same class so there is not an opportunity for municipalities to deal with this kind of change by way of specific tax tools – other than a phase in of decrease or increase options for 2 years, however, this is not a</p>

Assessment Comparison Across Jurisdictions – Industrial Properties

Province/ Jurisdiction	Basis for Assessment	Methodology for Assessing Properties	Property Classification	Industrial Property Assessment Valuation Rules
				<p>common practice.</p> <p>On occasion, there has been significant fall out with municipalities because of prolonged tribunal proceedings. Many times the large industrial properties are the largest ratepayer within a municipality and the impact on the tax base is significant.</p>
<p>New Brunswick</p>	<p>Real and true value - Real and true value is not defined in the <i>Act</i>, but is generally considered to be market value. Assessment Act, s. 15</p> <p>Annual reassessment, January 1 valuation date.</p>	<ul style="list-style-type: none"> Administrative policy, instead of legislative and regulatory provisions, determines assessment methodology. Assessments are determined and defended on one of the cost, income or sales method of valuation. The approach taken depends on the type of property and information available. 	<ul style="list-style-type: none"> Local (Municipal) rates are set by the municipality or by the Minister of E&LG in LSDs for Residential (Owner Occupied and Non-Owner Occupied) properties. Non-Residential Municipal rates are set at 1.5 times the Residential rate. 	<p>Heavy Industrial Properties – in the late 1990's, a project reviewed assessments, producing large increases for a significant number of properties. This prompted a phase in of increases larger than 15% from 2003 to 2005. All heavy industrial properties have been assessed at real and true value since 2006.</p>
<p>Newfoundland & Labrador</p>	<p>Actual value - That value being the market value of the fee simple interest in the real property. Assessment Act, s. 2, 17</p> <p>Triennial reassessment, January 1 base date</p>	<ul style="list-style-type: none"> Where a tax is imposed on real property by the city or a council, all the real property in the city or a municipality, whether or not it is subject to taxation, shall be assessed in accordance with this (<i>Assessment</i>) <i>Act</i>, but if the real property is not assessed the failure to assess that real property does not affect the validity of the assessment of the remaining real property in the city or a municipality. 	<ul style="list-style-type: none"> There is one commercial tax rate and one residential tax rate; however, property can be assessed as partly residential and partly commercial. <i>Assessment Act</i>, s. 3 	<p>Newfoundland does not have a category for heavy industrial property, but there is legislation that allows for valuation of special purpose property.</p> <p>Machinery and equipment is not valued, nor is linear property.</p>
<p>Nova Scotia</p>	<p>Market Value - The amount which in the opinion of the assessor would be paid if it were sold...in the open market by a willing seller to a willing buyer. Assessment Act, s. 42</p> <p>Annual reassessment, January 1 base date.</p>	<ul style="list-style-type: none"> There is no legislated or regulated methodology. The income approach is usually used for rental properties like apartments, hotels, shopping centres, office buildings, strip malls, etc. The cost approach is usually used for industrial properties and special purpose buildings. The market sales approach is usually used for condominiums; both cost and market sales are used to assess residential and resource properties. 	<ul style="list-style-type: none"> There is one residential/resource rate and one commercial rate set by each municipality. <i>Assessment Act</i>, s. 26 	
<p>Ontario</p>	<p>Current Value</p>	<ul style="list-style-type: none"> There is no legislated or regulated methodology. 	<p>The following classes of real property are</p>	<p>Assessing Small Commercial and Industrial Properties:</p>

Assessment Comparison Across Jurisdictions – Industrial Properties

Province/ Jurisdiction	Basis for Assessment	Methodology for Assessing Properties	Property Classification	Industrial Property Assessment Valuation Rules														
	<p>Assessment - means, in relation to land, the amount of money the fee simple, if unencumbered, would realize if sold at arm's length by a willing seller to a willing buyer. Assessment Act, s. 1</p> <p>Quadrennial reassessment, January 1 valuation date.</p>	<p>The Ontario Property Assessment Corporation determines the methodology used. There are traditionally three recognized methods of valuation: cost, sales comparison and income. Certain types of property tend to be assessed according to one of these approaches. For example, industrial property tends to be assessed using the cost approach, commercial tends to be assessed using the income approach, and residential tends to be assessed using the sales comparison approach. There are also specific instances where types of property are dealt with differently than most. For example, farms are valued based on similar farm sales (current use)</p> <ul style="list-style-type: none"> The Minister has authority to prescribe assessment methodology. The Minister also has authority to prescribe that the current value of eligible land be based only on current use if the land would otherwise have a higher current value because of other uses to which the land could be put. The Minister has not exercised either authority. <i>Assessment Act</i>, s. 19 	<p>prescribed for the purposes of the Act:</p> <table border="0"> <tr> <td>1. Residential</td> <td><i>Optional Classes:</i></td> </tr> <tr> <td>2. Multi-residential</td> <td>8. New multi-residential</td> </tr> <tr> <td>3. Commercial</td> <td>9. Office Building</td> </tr> <tr> <td>4. Industrial</td> <td>10. Shopping Centre</td> </tr> <tr> <td>5. Large industrial</td> <td>11. Parking lots and vacant land</td> </tr> <tr> <td>5. Pipeline</td> <td>12. Large Industrial</td> </tr> <tr> <td>6. Farm</td> <td>13. Professional</td> </tr> </table> <p>Sports facility 7. Managed Forests <i>Assessment Act</i>, s. 7 and <i>Regulation 282/98</i></p> <ul style="list-style-type: none"> There are also subclasses for the purposes of providing tax reductions. <ol style="list-style-type: none"> Up to three subclasses for farm land awaiting development for each of the following classes of real property, <ol style="list-style-type: none"> the residential property class, the multi-residential property class, the commercial property class, the industrial property class. A subclass for vacant land for each of the following classes of real property, <ol style="list-style-type: none"> the commercial property class and such other classes of real property prescribed by the Minister for the purposes of this subparagraph, the industrial property class and such other classes of real property prescribed by the Minister for the purposes of this subparagraph. A subclass for excess land for each of the following classes of real property, <ol style="list-style-type: none"> the commercial property class and 	1. Residential	<i>Optional Classes:</i>	2. Multi-residential	8. New multi-residential	3. Commercial	9. Office Building	4. Industrial	10. Shopping Centre	5. Large industrial	11. Parking lots and vacant land	5. Pipeline	12. Large Industrial	6. Farm	13. Professional	<p>In addition to recent sales, MPAC looks at the key features of every property. All structure and site characteristics are considered when assessing the value of a small commercial or industrial property.</p> <p>When assessing small commercial and industrial properties that do not sell often on the open market, or in areas of the province (i.e., rural areas) where there is low sales activity, MPAC uses the cost approach.</p> <p>The cost approach is based on the theory that an informed purchaser would not pay more for a property than it would cost to produce a substitute of equal utility, assuming no costly delay in construction. It is often referred to as the “bricks and mortar” approach and includes several steps.</p> <p>First, a current value for unimproved land is determined using the sales comparison approach.</p> <p>Then, the replacement cost of fully functional modern improvements comparable to existing buildings is calculated. MPAC uses its up-to-date construction cost database together with the physical property information, such as building size and construction materials, to determine a replacement cost.</p> <p>Next, all accrued depreciation to the existing property is determined from physical, functional and economic conditions, both within and external to the property.</p> <p>Finally, the land value is added to the building cost and depreciation is deducted, resulting in a current value assessment for the property. The calculations are then compared to actual sales to ensure the accuracy and quality of the overall product.</p> <p>The cost approach can be applied to properties that are</p>
1. Residential	<i>Optional Classes:</i>																	
2. Multi-residential	8. New multi-residential																	
3. Commercial	9. Office Building																	
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Assessment Comparison Across Jurisdictions – Industrial Properties

Province/ Jurisdiction	Basis for Assessment	Methodology for Assessing Properties	Property Classification	Industrial Property Assessment Valuation Rules
			such other classes of real property prescribed by the Minister for the purposes of this subparagraph, ii. the industrial property class and such other classes of real property prescribed by the Minister for the purposes of this subparagraph. <i>Assessment Act, s. 8</i>	structurally diverse (e.g., industrial buildings), where rental data is typically not available, or as a supplement to other approaches to value.
Prince Edward Island	Market value - The most probable sale price indicated by consideration of the cost of reproduction, the sale price of comparable properties and the value indicated by rentals or anticipated net income. <i>Real Property Assessment Act, s. 3(2)</i> Annual reassessment, January 1 base date.	<ul style="list-style-type: none"> • There is no legislated or regulated methodology. 	<ul style="list-style-type: none"> • Municipalities may establish a single rate of tax to be levied against commercial realty; and • Either a single rate of tax to be levied against non-commercial realty, or two or more rates of tax to be levied against two or more classes or types of non-commercial realty. 	
Quebec	Actual value - The exchange value in the free and open market, that is, the price most likely to be paid at a sale by agreement made in the following conditions: (a) the vendor and the purchaser are willing, respectively, to sell and to purchase the unit of assessment, as they are not compelled to do so; and (b) the vendor and the	<ul style="list-style-type: none"> • An assessor shall assess each unit of assessment using the most relevant method or methods, depending on the nature of the unit. • Assessors must use the Quebec Manual when they use the cost approach. 	<ul style="list-style-type: none"> • There is only one general real property tax. Municipalities can levy the following taxes on non-residential property: <ol style="list-style-type: none"> 1. Business Occupancy Tax, which is based on the rental value and charged to the occupant. 2. Non-residential surtax, which is based on the assessed value and charged to the owner. 3. Non-residential tax, which is based on the assessed value and charged to the owner. 	In the case of an industrial site, the documentation can sometimes be quite voluminous. Building dimensions and years of construction should be checked, and care should be taken to ensure that no immovables are included which the law specifies are not to be entered on the assessment roll. Once this basic verification has been completed, it will be necessary to determine whether the value entered on the roll was established according to recognized valuation rules. Several methods can be used to arrive at an immovable's real value, including the parity method, the income method and the cost method. The assessor must also take into consideration all the various obsolescence factors (physical, functional and economic) affecting the immovable.

Assessment Comparison Across Jurisdictions – Industrial Properties

Province/ Jurisdiction	Basis for Assessment	Methodology for Assessing Properties	Property Classification	Industrial Property Assessment Valuation Rules
	<p>purchaser are reasonably informed of the condition of the unit of assessment, of the use that can most likely be made of it and of conditions in the real estate market. Municipal Taxation Act, s. 43</p> <p>Triennial assessment, base date is July 1st, 1 ½ years prior to the 1st year of the triennial roll.</p>		<p>A legislative amendment adopted in 2000 made it possible for municipalities to set property tax rates that vary according to the type of immovable. A different tax rate can now be set depending on whether an immovable belongs to: 1) the category of non-residential immovables; 2) the category of industrial immovables;... and a unit of assessment can belong to more than one category. Thus an immovable may be considered partly residential and partly non-residential, in which case it will be included in one of twelve (12) subcategories, called classes, each with a different tax rate. Similarly, a unit of assessment can be classified as partly industrial and partly non-residential, in which case it will be designated as belonging to one of three (3) classes. The rates of taxation for the various categories and classes are set in relation to what is referred to as the basic rate, which in fact corresponds to the rate for the residual category. There are very complex rules for establishing all the different rates, which are determined on the basis of the product obtained by multiplying the municipality's aggregate taxation rate by a coefficient which varies from municipality to municipality.</p>	
<p>Saskatchewan</p>	<p>Fair value - Fair Value is determined in accordance with the formulas, rules and principles established in the Saskatchewan Assessment Manual. Urban Municipality Act, s.</p>	<ul style="list-style-type: none"> • All properties must be valued in accordance with the formulas, rules and principles established in the Saskatchewan Assessment Manual. • Section 239.01(1) of <i>The Urban Municipality Act</i>, 1984, section 285.1(1) of <i>The Rural Municipality Act</i>, 1989, and section 194.01(1) of <i>The Northern Municipalities Act</i> state that, "in determining the 	<ul style="list-style-type: none"> • Municipalities may establish one rate. However, they have authority to establish mill rate factors for any or all of the property tax classes established by the province: <ul style="list-style-type: none"> - range land; - agricultural; 	<p>SAMA's 2009 revaluation will use a regulated property assessment valuation standard for heavy industrial property. Legislation also requires that assessments are to be calculated using mass appraisal, be of the applicable base date, with equity being a dominant and controlling factor.</p> <p>The assessed value for heavy industrial property is based on a</p>

Assessment Comparison Across Jurisdictions – Industrial Properties

Province/ Jurisdiction	Basis for Assessment	Methodology for Assessing Properties	Property Classification	Industrial Property Assessment Valuation Rules
	<p>1984.</p> <p>Quadrennial reassessment, base date - June 30, 2006 for 2009-2012 tax years.</p>	<p>value of land or improvements, none of the assessor, the board of revision or the appeal board shall employ or take into consideration any technique or method of appraisal based on the use of income or benefits.”</p>	<ul style="list-style-type: none"> - residential; - commercial and - industrial. 	<p>depreciated replacement cost system. The cost approach is also used to value other properties such as commercial and residential properties. However, there is no recognition of economic obsolescence in the valuation of heavy industrial properties.</p> <p>Land deemed to be primary industrial land is valued with the rate schedules set out in the Saskatchewan Assessment Manual. Land not deemed to be primary industrial land is valued at a market value standard.</p> <p>The depreciated replacement cost of heavy industrial buildings and structures are based on average construction costs, and consideration of both physical deterioration and functional obsolescence. The replacement cost new is calculated using standard commercial construction cost tables set out in the Manual.</p> <p>Heavy Industrial Property Revaluation 2009 Infosheet</p>
<p>United Kingdom</p> <p>Valuation Office Agency</p>	<p>Rateable value is the open market annual rental value of the property on certain assumptions.</p> <p>Open Market: The basis of valuation for a dwelling which is not used for any business purpose is the amount which, subject to certain assumptions, it would have sold for on the 'open market' by a 'willing vendor' on 1 April 1991 in England and 1 April 2003 in Wales.</p> <p>Non-domestic properties are revalued every 5 years.</p>	<p>Council Tax came into effect on 1 April 1993. However, the process of valuing every domestic property in England and Wales for banding purposes started some time before this. Therefore, a valuation date prior to 1 April 1993 was adopted so that all properties would be valued on a common footing. Even if your property was built after 1 April 1993, the property is banded according to what its value would have been on 1 April 1991. This means that recent sale prices are not necessarily a good guide to the correct band for a property.</p> <p>England</p> <p>Band A ... up to £40,000 Band B ... £40,001 to £52,000 Band C ... £52,001 to £68,000 Band D ... £68,001 to £88,000 Band E ... £88,001 to £120,000 Band F ... £120,001 to £160,000</p>	<p>Domestic Non-Domestic/Business Mixed Use</p> <p>Property used for both domestic and business purposes include: working at or from home, public houses, shops with living accommodation or farms. There is a separate basis of valuation for such dwellings which are described as 'composite'. The valuation is subject to the same assumptions that apply to other dwellings. It also takes account of the business part and is required to reflect that portion of the value of the whole property which can reasonably be attributed to domestic use.</p>	<ul style="list-style-type: none"> • The rental valuation method is used by the VOA to value warehouses and other industrial properties. This method assesses the rateable value based on evidence of actual rents agreed between landlords and tenants, broken down to a price per square metre. • The building's gross internal area is measured and then the price per square metre applied to arrive at the rateable value. They also factor in the availability of additional facilities such as car park spaces or air conditioning. • If there are multiple occupiers of an industrial unit, the VOA values the area let to each occupier. <p>Measurement uses gross internal area (GIA)</p> <p>Rateability attaches to the occupier of property, rather than the property itself. Rateable value x national non-domestic rate multiplier = amount of rates payable.</p>

Assessment Comparison Across Jurisdictions – Industrial Properties

Province/ Jurisdiction	Basis for Assessment	Methodology for Assessing Properties	Property Classification	Industrial Property Assessment Valuation Rules
	Domestic properties were due to be revalued in April 2007, but was postponed.	Band G ... £160,001 to £320,000 Band H ... £320,001 and above	Certain types of property are exempt from business rates. Exempt types of property include: - agricultural land and buildings, including fish farms - use of buildings for the training or welfare of disabled persons - buildings registered for public religious worship and church halls. Other types of property, such as property occupied by charities, may be eligible for rate relief	
<p>Wisconsin, USA Wisconsin Department of Revenue Wisconsin Property Assessment Manual</p>	<p>Fair Market Value - The two commonly-used methods of valuing property in Wisconsin are "assessed" and "equalized." Assessed valuation is property value as determined by the local municipal assessor on January 1 in any given year. Equalized valuation results when the Department of Revenue (DOR) applies an adjustment factor to the assessed value. The adjustment factor incorporates, among other elements, actual property sales in the municipality during the past year and is meant to ensure each type of property has comparable value regardless of local</p>	<p>Residential property is assessed as it existed on January 1. For valuation, the assessor estimates the fair market value of the property. This is done by performing a physical inspection of the property, analyzing sales data, and making any necessary market adjustments.</p> <p>Commercial properties are assessed as they existed on January 1. Properties that are defined as "manufacturing" are not assessed at the local level, but rather by the Wisconsin Department of Revenue.</p> <p>When valuing commercial property, factors taken into consideration are location and analysis of comparable sales. Incomes and expenses and the costs of construction may also be examined. In any case, the goal is to determine the property's estimated market value.</p>	<p>Class 1 – Residential Class 2 – Commercial Class 3 – Manufacturing Class 4 – Agricultural Class 5 – Undeveloped Land Class 5m – Agricultural Forest Class 6 – Productive Forest Class 7 – Other</p>	<p>Guide to Wisconsin Manufacturing Property Assessment</p> <p>Market value – statutorily prescribed standard for valuing real property. It is what a property would ordinarily sell for at arm's-length sale on the open market.</p> <p>Section 70.32(1) of the statutes says the assessor should consider recent arms-length sales of the property to be assessed, if according to professionally acceptable appraisal practices those sales conform to recent arms-length sales of reasonably comparable property. When there is no recent sale of the subject property that conforms to sales of comparable properties, the assessor should consider sales of comparable properties. Where there is no recent sale of the subject property or comparable properties, the assessor should consider other relevant data. This includes: costs, depreciation, replacement value, non arms-length sale of the property, sales of like property, income, industrial conditions, location, occupancy, book value, amount of insurance, and other factors.</p> <p>The main benefit to classification as a manufacturing property is that machinery and equipment used exclusively and directly in the manufacturing process is exempt. Machinery and equipment used for nonmanufacturing purposes, furniture, fixtures, and office</p>

Assessment Comparison Across Jurisdictions – Industrial Properties

Province/ Jurisdiction	Basis for Assessment	Methodology for Assessing Properties	Property Classification	Industrial Property Assessment Valuation Rules
	<p>assessment practices. Most state computations use equalized value, otherwise known as "fair market" value. Fair market value can be further defined as the value that would be agreed upon between a willing buyer and a willing seller in an "arm's length" transaction where neither is required to act.</p>			<p>equipment, and other personal property, such as supplies or leasehold improvements, are still taxable</p>
Oregon	<p>Real Market Value (RMV) – Oregon law says the assessor must value all property at 100 percent of its real market value. RMV is typically the price your property would sell for in a transaction between a willing buyer and a willing seller on January 1, the assessment date for the tax year.</p>			<p>The Department of Revenue has the responsibility for the appraisal and valuation of all industrial properties in the state of Oregon which have an improvement value of more than \$1,000,000. This currently includes 885 sites with a market value of more than \$15 billion. The industrial groups include, but are not limited to, electronic/high tech, wood/paper, food processing, primary and secondary metals, chemical, plastics, and printing.</p>
Washington	<p>Commercial property is assessed each year at full market value, which is defined as the amount a buyer, willing but not obligated to buy, would pay to a seller willing but not obligated to sell.</p> <p>The three methods used to determine real property value include:</p>	<p>In Washington State, both real and personal property are assessed for property tax purposes. Personal property refers to assets used in conducting a business. The chief characteristic distinguishing personal property from real property is mobility, meaning it can be moved from one place to another.</p> <p>Unless specifically exempt, all tangible personal property is taxable, including items such as:</p> <ul style="list-style-type: none"> ▪ office equipment, communication equipment, supplies and materials not held for sale or not components of a product 	<p>As with residential property, the valuation of commercial property is divided into land and improvements. The assessor first establishes land value, which state law requires valued as if it is vacant. This value is determined using the market approach, which analyzes sales of comparable bare land.</p> <p>The next step is to establish the value of the improvements (buildings, etc.). All three techniques are applied, if appropriate, in appraising improved commercial and industrial properties. While the cost and</p>	

Assessment Comparison Across Jurisdictions – Industrial Properties

Province/ Jurisdiction	Basis for Assessment	Methodology for Assessing Properties	Property Classification	Industrial Property Assessment Valuation Rules
	<ol style="list-style-type: none"> 1. Market: Sales comparisons 2. Cost: Reproduction or replacement cost new, less accrued depreciation 3. Income: Capitalization of market rents 	<ul style="list-style-type: none"> ▪ tools, furniture, rugs and fixtures used in a business ▪ leased or rented equipment, leasehold and tenant improvements, and lessee-owned improvements on public land ▪ machinery and equipment used in agriculture, construction, manufacturing and logging ▪ signs, billboards, poster panels, display samples not held for sale ▪ commercial vessels not subject to excise tax, off road vehicles, drag racers and similar competition vehicles not licensed 	income approach are most often used, the appraisal method used will be the one that offers the best evidence of market value.	
Yukon	Land – Fair Value Improvements – assessed at a value equivalent to their replacement cost Assessment and Taxation Act		Residential Non-residential Agricultural	
NWT/Nunavut	Assessed Value – the value given to assessed property in accordance with this Act or the regulations. Property Assessment and Taxation Act Property Classes Regulation	The total assessed value of property is based on the value of the land and improvements. Land value in the GTA is based on land development costs. Land development costs include such things as the cost of building new roads or providing services like water, sewer and electricity to a lot. GNWT regulations provide guidelines for determining land development costs in each region of the NWT. Improvements are assessed a value that is equal to two-thirds of the depreciated replacement cost new. A number of factors are considered when assessing the value of improvements, including age, size, type of structure, quality of materials, design, general condition and others.	Class 1 – comprised of i) commercial property principally used for the sale of goods or services, and ii) vacant land zoned for commercial purpose; Class2 – comprised of i) industrial property principally used for manufacturing, processing, other than mining and hydrocarbon processing, or other industrial purposes, and ii) vacant land zoned for industrial purposes. Class 3 – property principally used for the extraction and processing of hydrocarbons Class 4 – property principally used for the extraction and processing of minerals, including mining and quarrying, but not the extraction and processing of hydrocarbons; Class 5 – property principally used for a pipeline;	

Assessment Comparison Across Jurisdictions – Industrial Properties

Province/ Jurisdiction	Basis for Assessment	Methodology for Assessing Properties	Property Classification	Industrial Property Assessment Valuation Rules
			<p>Class 6 – property principally used for i) the production, transmission, delivery or furnishing of electricity, ii) the transmission, or distribution of closed circuit television or communications, iii) a railway, or iv) the distribution of natural gas primarily for retail sale to the public, but not including a pipeline;</p> <p>Class 7 – i) property principally used for residential purposes, where there is only one dwelling unit and that unit is not a mobile unit, ii) property that is vacant land and not zoned for commercial or industrial purposes, and iii) property that is not described in any other property class;</p> <p>Class 8 – property principally used for residential purposes, where there is only one dwelling unit and that unit is a mobile unit;</p> <p>Class 9 – property principally used for residential purposes, where the ratio of dwelling units to the parcel on which the dwelling units are located is greater than one but less than 40 dwelling units per hectare;</p> <p>Class 10 – property principally used for residential purposes, where the ratio of dwelling units to the parcel on which the dwelling units are located is equal to or greater than 40 but less than 150 dwelling units per hectare;</p> <p>Class 11 – property principally used for residential purposes, where the ratio of dwelling units to the parcel on which the dwelling units are located is equal to or greater than 150 dwelling units per hectare.</p> <p>Class 12 – institutional property operated</p>	

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Province/ Jurisdiction	Basis for Assessment	Methodology for Assessing Properties	Property Classification	Industrial Property Assessment Valuation Rules
			<p>on a non-profit basis (principally used for a health facility, nursing home, home for the aged, school, fire hall, library or museum, or a church or cemetery;</p> <p>Class 13 – recreational property operated on a non-profit basis principally used for an arena or curling rink, golf course, park, sports field, play lot or tennis court, community hall or a multi-purpose recreational facility</p> <p>Class 14 – agricultural property principally used for: i) the planting, growing and sale of trees, shrubs or sod, ii) the raising or producing of crops, livestock, fish, pheasants, poultry or eggs, iii) the raising of animals for their fur, iv) beekeeping, or v) dairying;</p> <p>Class 15 – property i) located within 50km of the boundary of a municipal taxation area, ii) having all-season road access to the municipal taxation area, and iii) which would, but for the establishment of this class, be described by any of classes 7 to 11;</p> <p>Class 16 – property i) located within 50km of the boundary of a municipal taxation area, ii) having all-season road access to the municipal taxation area, and iii) which would, but for the establishment of this class, be described by either of classes 1 and 2.</p>	