

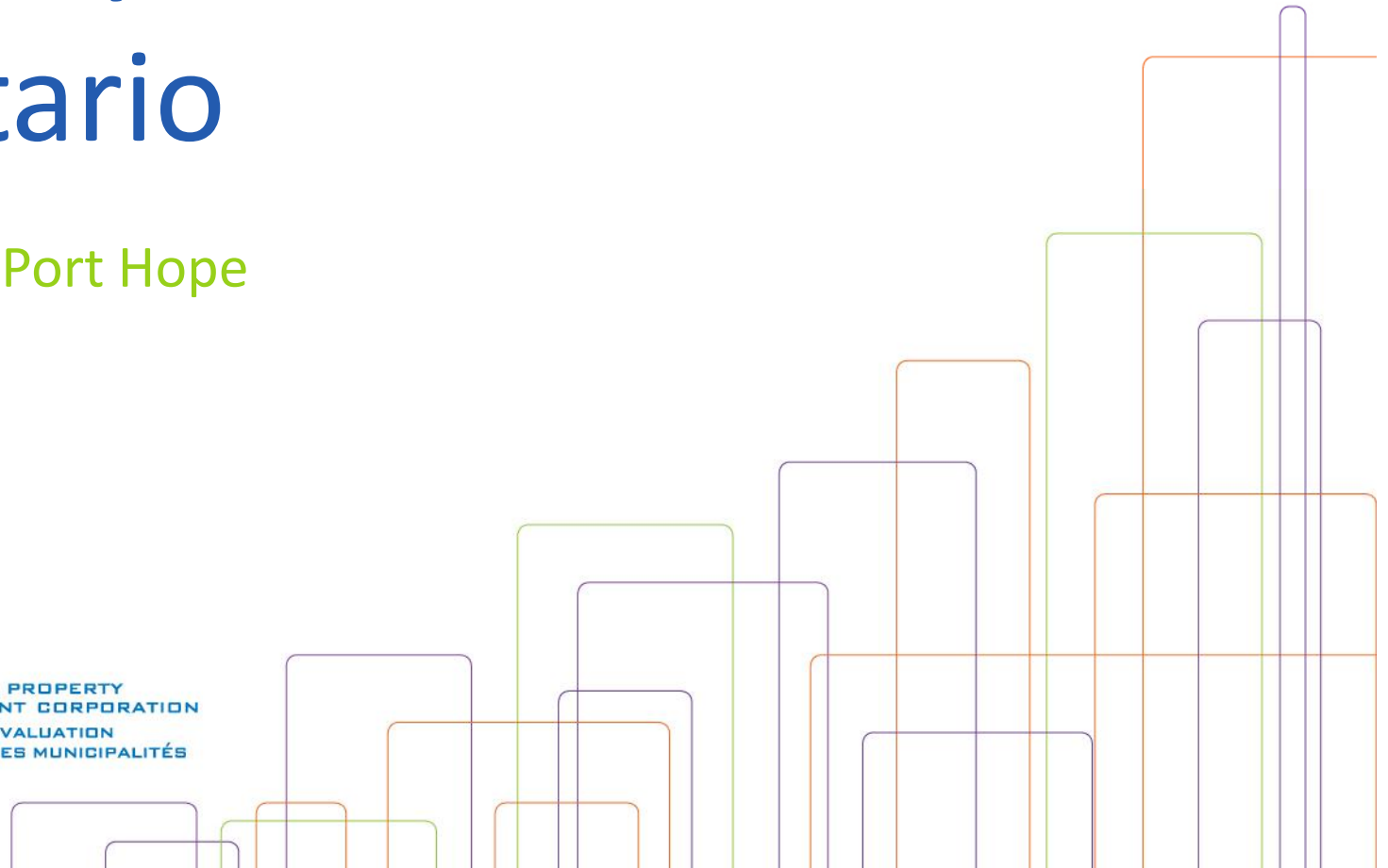
Understanding property assessment in Ontario

Municipality of Port Hope

February 4, 2016



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Property Assessment and Property Taxes

MPAC assesses all properties in Ontario every four years

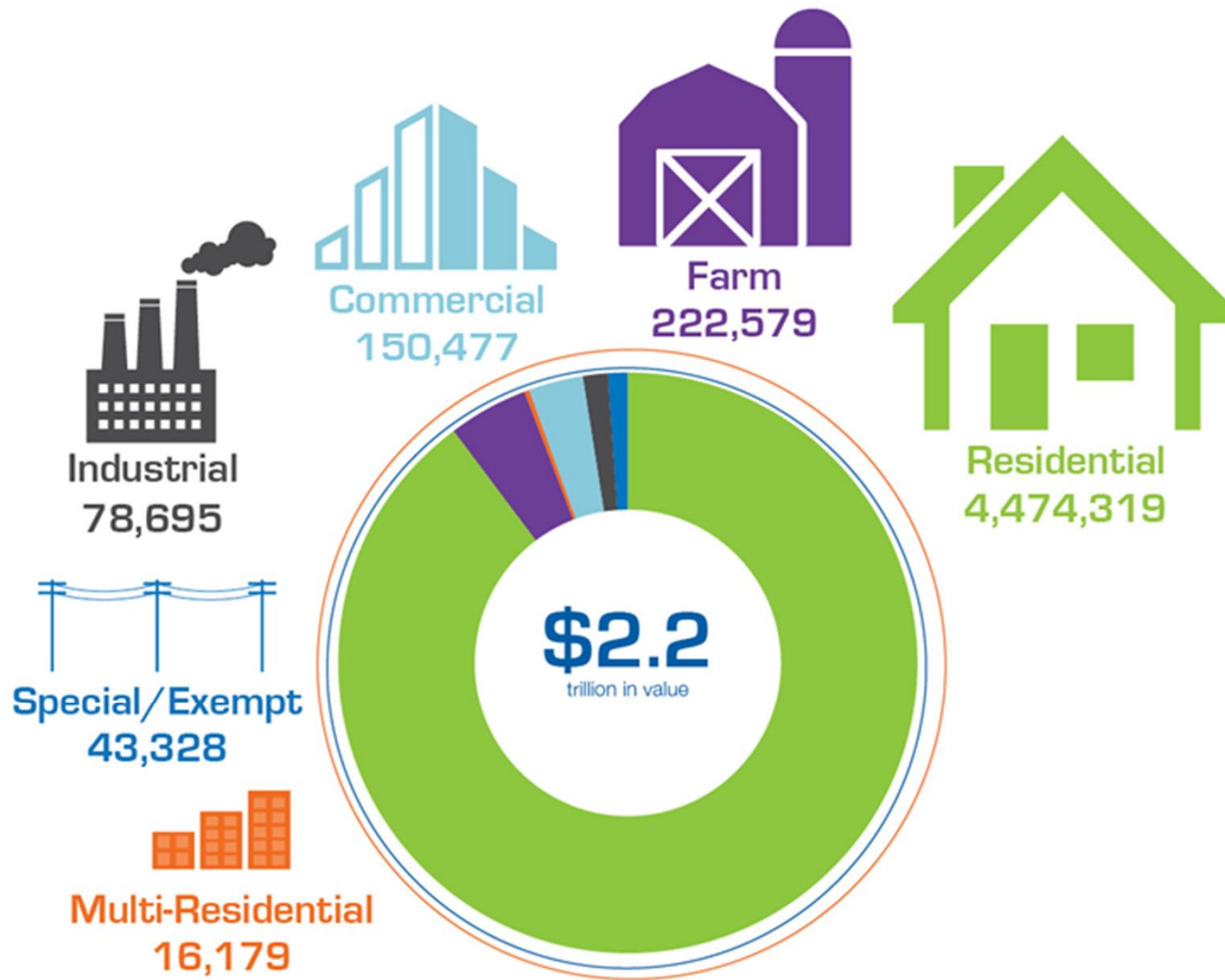


To establish assessed value, MPAC reviews sales of **comparable properties** in the neighbourhood

Municipalities use the assessment base to calculate **property taxes** to pay for local programs and services



About MPAC

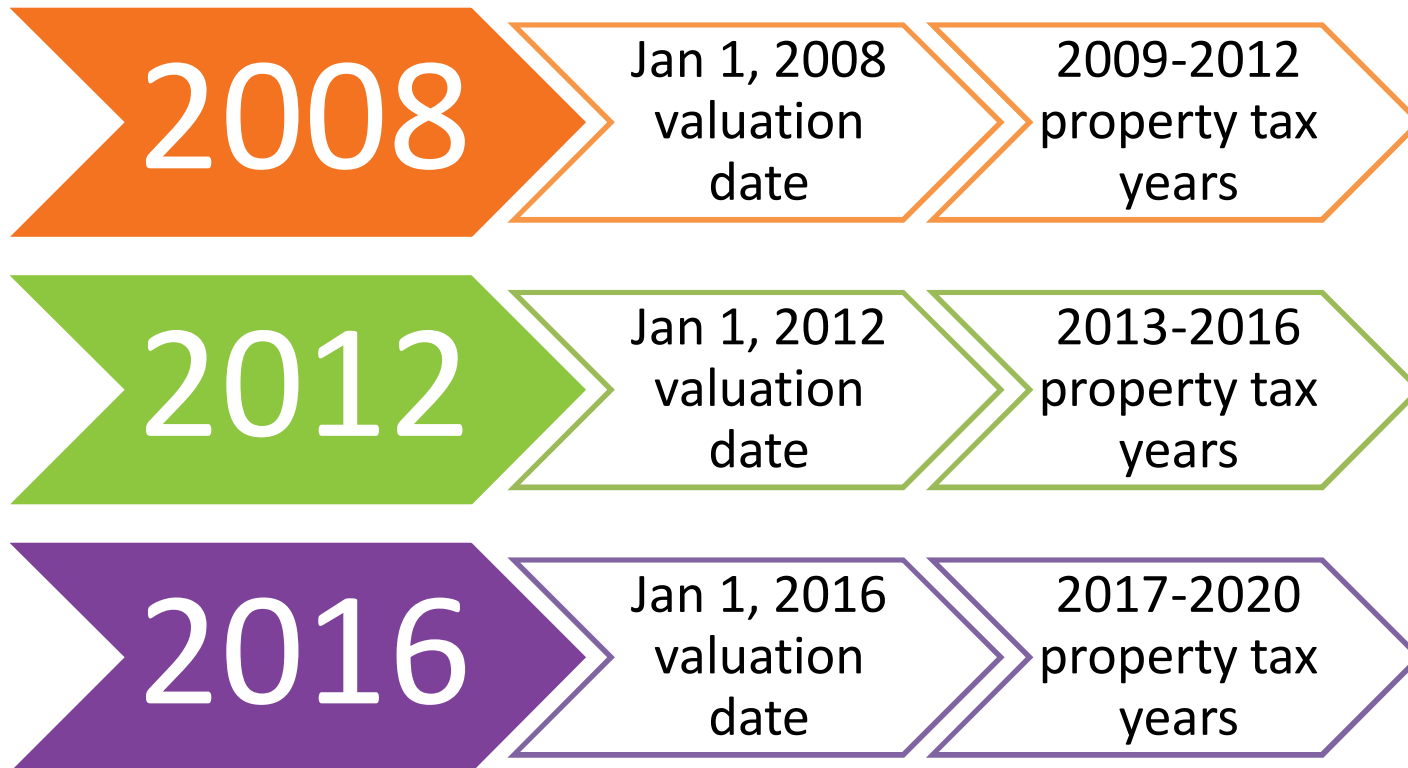


2013 Annual Report

Ontario's Assessment Cycle

The chart below shows each year that MPAC has delivered a province-wide assessment update. Each legislated valuation date and the applicable tax years are also shown.

The four-year cycle and phase-in program was introduced in 2008.



Phase-in Example

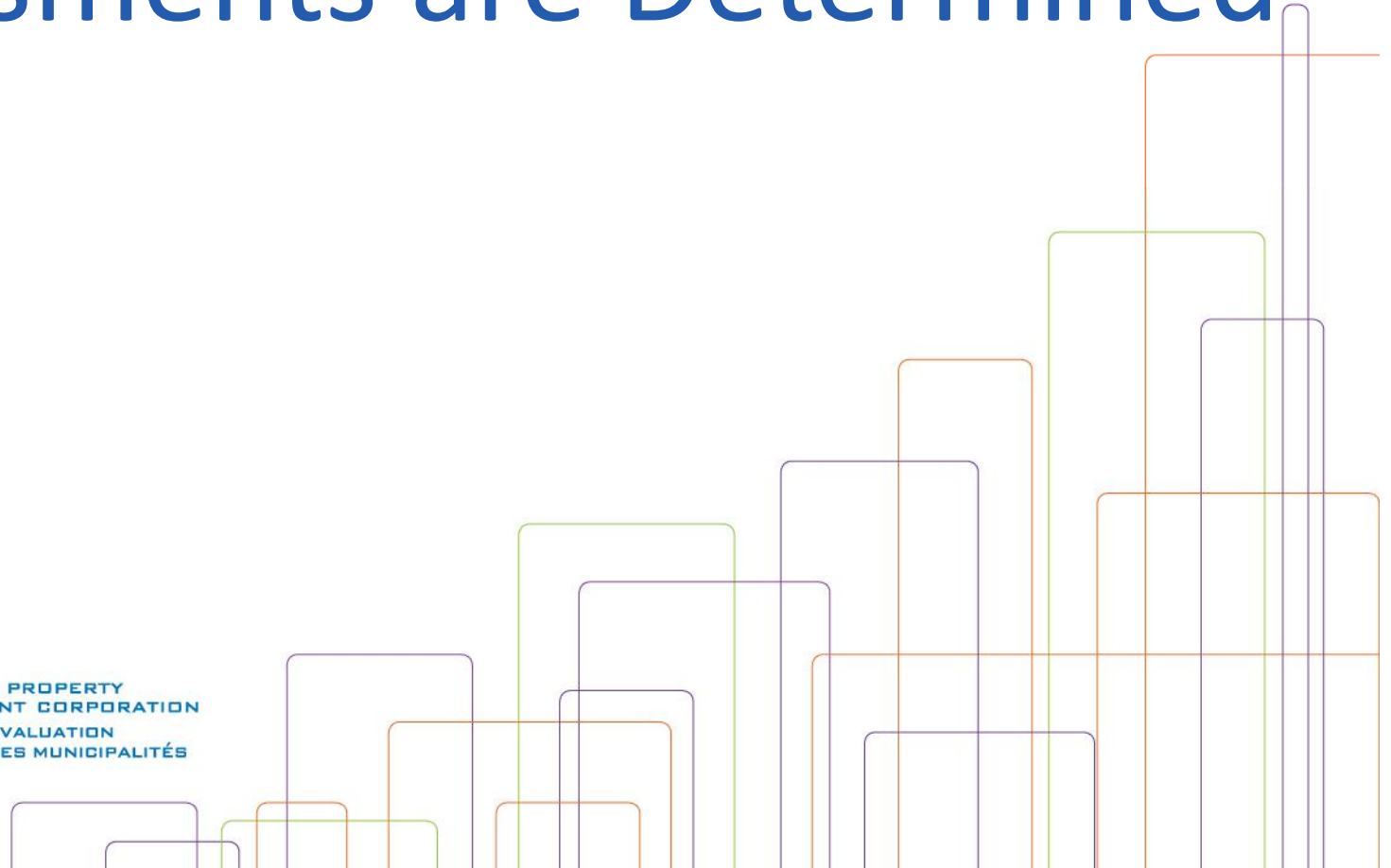
Under the *Assessment Act*, assessment increases are phased-in over four years for all property types.
A decrease in assessment is applied immediately.

Property Classification	Residential
Your property's value on January 1, 2012	\$250,000
Your property's value on January 1, 2008	\$220,000
Over this four-year period, your property value changed by	\$ 30,000
<i>Assuming property characteristics stay the same, the property assessment will increase by \$7,500 each year.</i>	
2013 \$227,500	2014 \$235,000
2015 \$242,500	2016 \$250,000

How Current Value Assessments are Determined

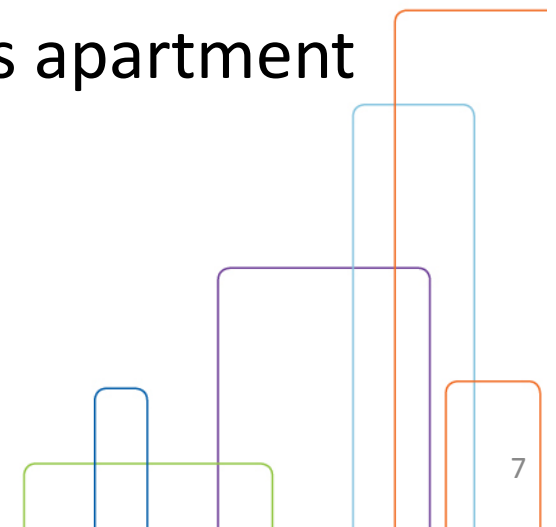


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Data Collection

- “ Land title documents registered at Ontario Land Registry Offices;
- “ Building permits issued by local municipalities;
- “ Discussions and correspondence with property owners and on-site inspections;
- “ Dedicated re-inspection programs; and
- “ Income and expense information for commercial, industrial and rental properties (such as apartment buildings or hotels)





Current Value

Most probable price a property should sell for in a competitive and open market.

MPAC derives a median sale price which will incorporate the range of market sales



Sale Price

Price a buyer and seller agree to in a particular transaction.

Only an **indication** of market value.

Range of sale prices possible for a particular property



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Direct Comparison Approach

Recognized as the preferred methodology to value residential properties

Based on the sale prices of comparable properties

Adjustments made for differences between the subject and comparables



Establishing Residential Values

Five major factors account for **approximately 85%** of residential property values



Location

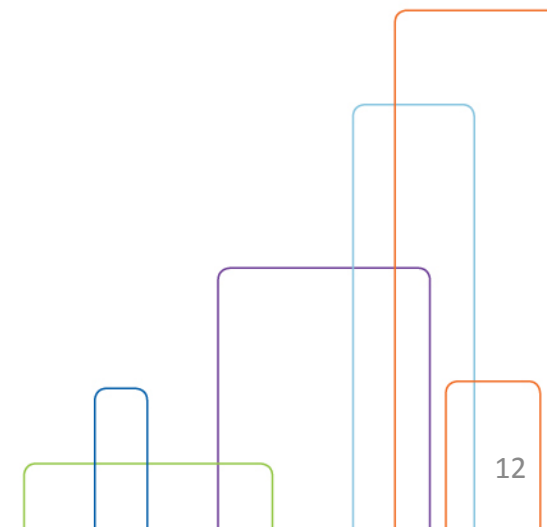
- “ MPAC analyzes every property and land sale transaction in Ontario
- “ MPAC divides the province into approximately 140 market areas and then further divides each of those areas into neighbourhoods and sub-neighbourhoods to evaluate the degree to which location influences the market area.

As examples, for waterfront properties MPAC typically looks at the entire lake or a group of similar lakes. For condominiums, each condo plan is typically considered its own neighbourhood.

Establishing Residential Values

Other Key features that affect value include:

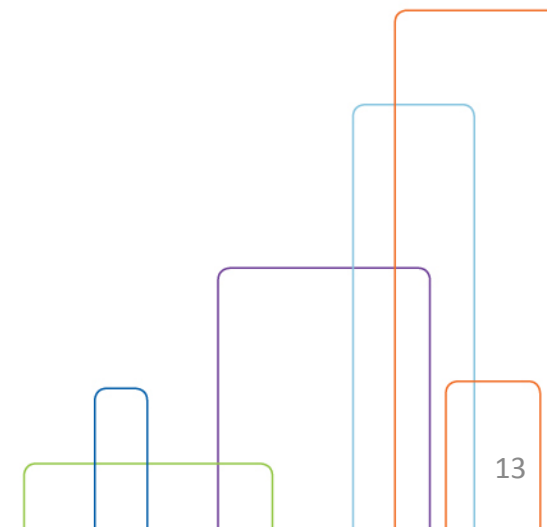
- “ secondary structures such as garages, boathouses and pools;
- “ type of heating
- “ air conditioning
- “ number of bathrooms; and fireplaces



Establishing Residential Values

Site features can also increase or decrease the assessed value of a property. These include:

- “ traffic pattern;
- “ proximity to a golf course, hydro corridor, railway or green space; and
- “ whether or not the property is located on a corner lot.



Income Approach

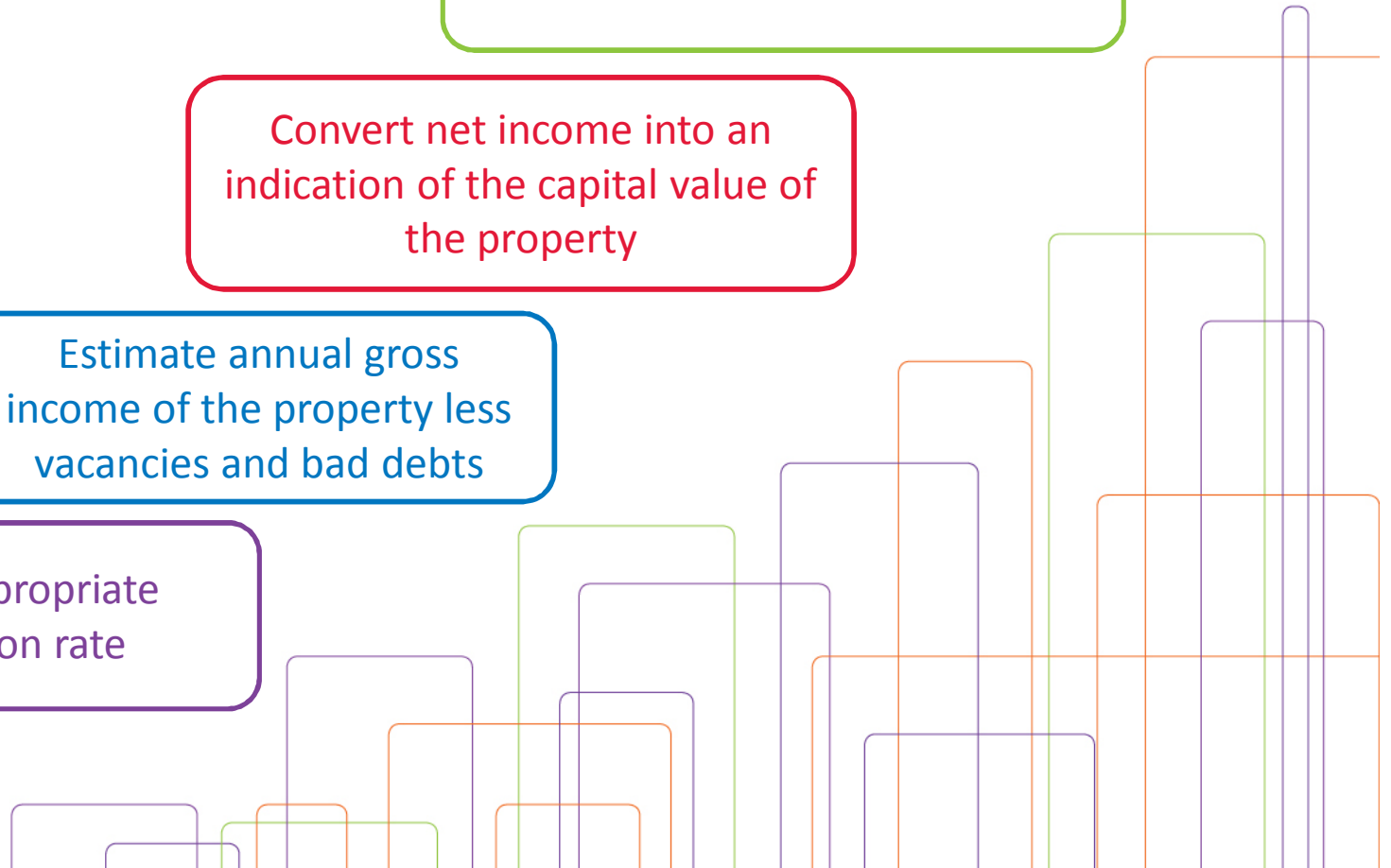
Estimate total annual operating expense

Calculate net operating income

Convert net income into an indication of the capital value of the property

Estimate annual gross income of the property less vacancies and bad debts

Select an appropriate capitalization rate



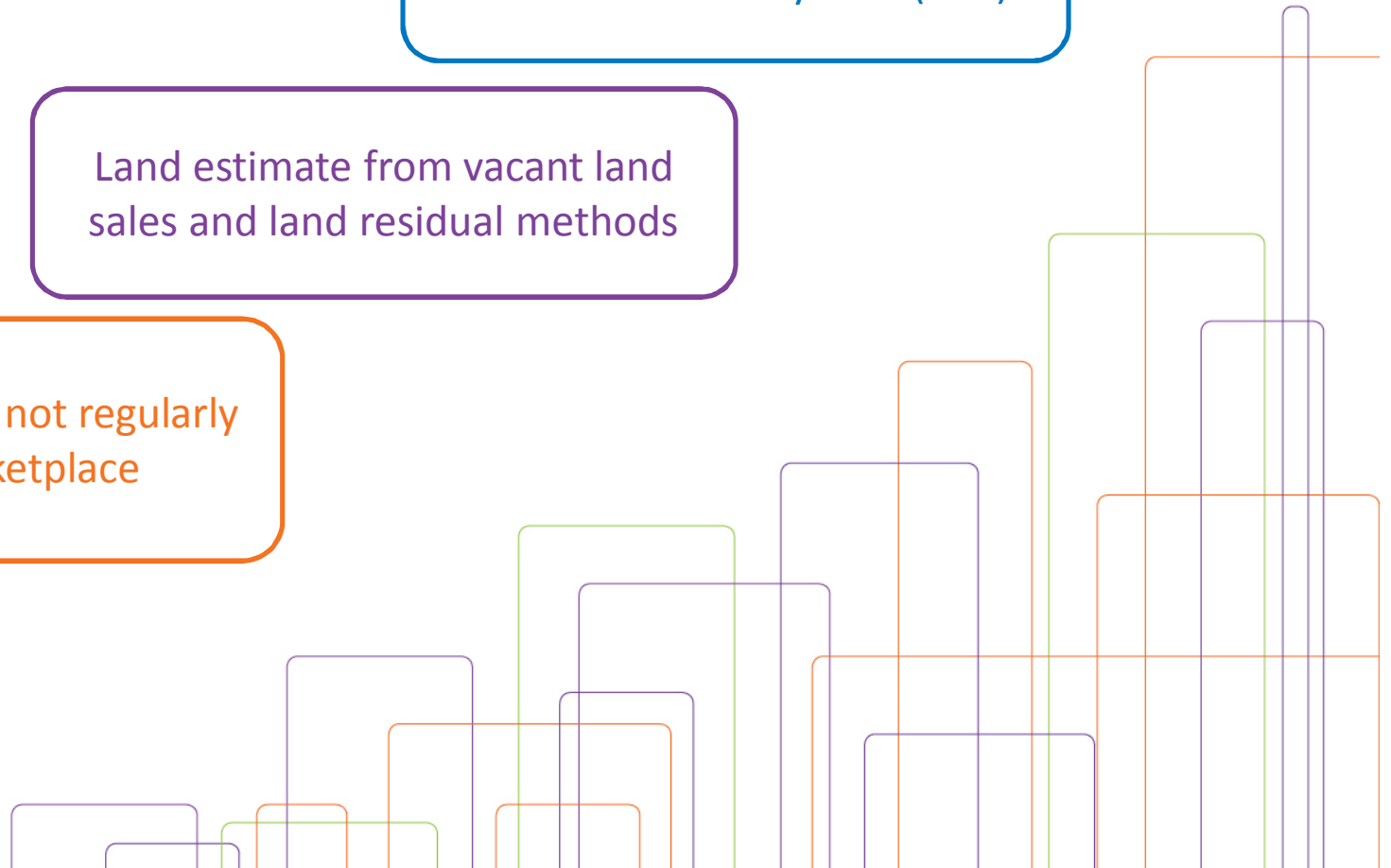
Cost Approach

Replacement cost of the improvement less depreciation plus the land value

Values calculated by an Automated Cost System (ACS)

Land estimate from vacant land sales and land residual methods

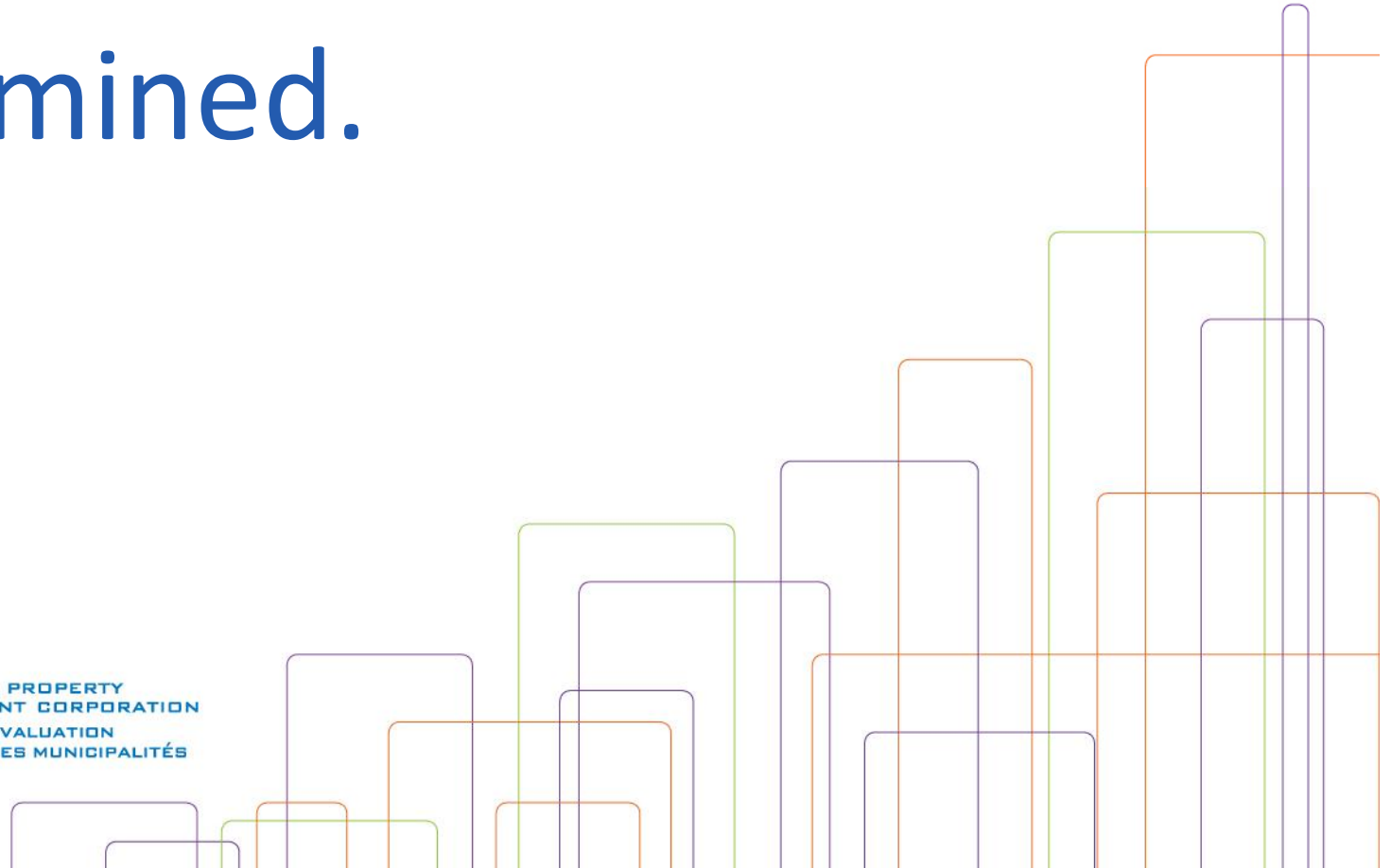
Properties that do not regularly trade in marketplace



Accessing Information on How Assessments are Determined.



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Industrial Wind Turbines

Newly-Built Homes, Additions & Renovations

When will my new home be assessed?
When will my taxing authority be notified of these changes to my property?

Ontario Assessed?

When assessing a property's assessed value, MPAC analyzes sales of comparable properties in your area. This Comparative Value Assessment (CVA), is used by most assessment jurisdictions in North America. In Ontario, the CVA is one of the key features that affect market value. When assessing residential properties 200 different

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