

July 1, 2006

## TWO-YEAR FREEZE ON PROPERTY ASSESSMENT

The McGuinty government has finally come out of hiding on the assessment issue after criticizing the Conservatives for several years for introducing a flawed Current Value Assessment system in 1999 but doing absolutely nothing about it. Finance Minister Sorbara's announcement of a two-year freeze on assessment for the municipal taxation years of 2007 and 2008 will be welcomed undoubtedly by all municipal residential taxpayers in Ontario. However, what gives me cause for concern is what is not going to happen during the two-year moratorium. Consider the following. Premier McGuinty said in Ottawa just a few months ago when asked to comment on the problems created by our Current Value Assessment system that it's not a case of a leaking roof needing repair, it's a case where the entire foundation has crumbled.

Given the Premier's public recognition that we need a new assessment system, look carefully at Minister Sorbara's announcement. He says that the Municipal Property Assessment Corporation (MPAC) will use this two-year window to become compliant with Ombudsman Marin's 22 recommendations made public just a few months ago. Minister Sorbara makes no promise to address the core issue during the two-year freeze.

To allow MPAC a two-year window of opportunity to clean up their act could be time well spent. Since the Provincial Government is responsible for appointments of Presidents and C.A.O.'s of provincial Crown corporations, it may want to look at the helm of MPAC. You would think that this corporation should have known that there were serious problems within its organization. Steps should have been initiated long ago to obviate such problems rather than wait for an outside arbiter to make public the embarrassing list of shortcomings of this corporation – and all of this at considerable public expense. Ombudsman Marin's Report (Getting it Right) is a scathing indictment on "the integrity of decision-making at MPAC". How could such an arrogant culture permeate all levels of operation in MPAC, unless of course the corporation is rudderless and essentially out of control? Make no mistake, if an investigation in the private sector were to unveil as much mismanagement as did the Ombudsman's Report, the entire cadre of senior management would have been replaced. Many are clamouring for MPAC to be dismantled and uploaded to the Ministry of Finance from whence it came. MPAC has irreparably prejudiced its justification for being entrusted with the responsibility for assessment. Why should municipalities be strapped with paying MPAC's \$160 Million each year without any accountability whatsoever to the municipalities that pay for every nickel they spend. Clearly, assessment is a provincial responsibility.

The Provincial Government is completely sidestepping the root cause of the wave of outrage from all parts of Ontario. The system is fundamentally unfair, and several cities and towns are now seriously considering a municipal tax revolt!

Let us not lose sight of the fact that MPAC has no authority whatsoever to make changes to the assessment system. That responsibility lies exclusively with the Provincial Government of the day. If the McGuinty Government were genuinely concerned about redressing the injustices that our assessment system has caused this year, (i.e. municipal tax increases as high as 200% in 2006), why did it not allow M.P.P. Tim Hudak's Private Member' Bill to come to the floor of the Legislature for a third and final reading prior to adjourning for the summer months? What the government has done is kill the bill by letting it die on the Order Paper. Tim Hudak's Bill already had a successful first and second reading thanks to support from some Liberal and NDP members. Had the Bill become law, it would have:

- a) Imposed a 5% cap on increases to all residential property assessments (somewhat akin to the protective 5% cap on municipal tax increases for all industrial and commercial property owners which has existed since 1999.
- b) Allowed a \$25,000. exemption for home repairs without triggering an increase to property assessment.
- c) Granted all seniors and the disabled to be exempt from paying taxes on the first \$10,000. of assessment of their principal residence.

One has to conclude that this newly announced temporary freeze on assessment is nothing short of a carefully orchestrated smokescreen designed to neutralize the assessment issue for two years in order to take the Government beyond next year's provincial elections. It sidesteps the real issue of direly needed systemic changes to the Assessment Act that should see the removal of real estate sales as the yardstick that determines annual increases in assessment. This year's outrageous assessment increases throughout Ontario are attributable solely to inflationary real estate sales. Sales are volatile, frivolous, unpredictable and inflationary. The system is substantially unfair, especially for pensioners, senior citizens on fixed incomes and young families who happen to live in an area where real estate values begin to soar through no fault of their own. They now find themselves forced to sell their homes as the repercussions from their increased assessments are no longer tolerable. These increased property assessments trigger outrageous spikes in municipal taxes in most instances.

Property owners should be cautious in accepting the two-year freeze at face value. If you improve your property during this moratorium, expect MPAC to establish a new assessment that could be as damaging as those established prior to the introduction of the two-year freeze.

Howard Hampton's NDP Task Force on Assessment is winding down its hearings and we will soon have the benefit of its findings. That Task Force has traveled to many parts of the province to meet with stakeholders who have become victimized by the current system.

I have had the privilege of being a member of a small non-profit Think Tank for the past year entitled "The Citizens Tax Reform Group" based in Northumberland. We have developed a new system called "Fixed Value Assessment" (FVA). This system relies on the square footage of a home as the determinant for assessment purposes – not the

potential value of a home if it were sold on the open real estate market. The value of one square foot is determined by averaging all the values of homes as well as all of the square footage of homes in any given geographical area. This system, once implemented would stabilize assessments for years to come as once the value is established, it would not change unless changes were made to the square footage of the home. Municipal tax increases would then be fairly distributed across each municipality against a stable Assessment Roll without the frivolousness and arbitrariness of the present system. With such predictable and stabilized assessments there would no longer be a requirement for the annual reassessments of a staggering 4.4 million properties. FVA would be absolutely transparent and user friendly as anybody who can multiply could assess his/her house. Presently, a computerized program analyzes 200-300 data elements for each one of these properties. In the absence of such demanding requirements, MPAC could probably dispose of half of its 1,500 work force and meaningfully reduce the expenditures of \$160 million per annum levied against 445 municipalities across Ontario. Our proposal has been sent to the Liberal legislators stressing that enormous economies of scale would be generated by our new system. We are currently running a pilot project to test the applicability and cost effectiveness of the plan. Our group is of the opinion that a new system could be achieved within a budget of \$300,000. to \$500,000. and be implemented within six to twelve months.

Ontario is burning... it's time to quit fiddling. Premier McGuinty, why not revamp the present "crumbling foundation" of Current Value Assessment... the Assessment Act, not just MPAC.

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