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Property Assessment & Property Tax Management Strategies



AltusGroup

Introduction to Property Assessment



Assessment cycle is generally 2 years in length



Current cycle is 3 years (2020 – 2022)



Valuation date for current assessment cycle is April 1, 2018



The property assessment is based on the present physical condition of the asset

Multi-Residential Assessment Base

Total	2019	2020	% change
Assessment Base	\$8,049,005,892	\$9,118,727,001	13.3%
Taxes	\$99,307,739.73	\$108,744,745.78	9.5%

*Valuation date for 2019 assessments is April 1, 2016

**Valuation date for 2020 assessments is April 1, 2018

Totals are for Residential 1, 2, & 3 property classes where the use codes are RESAP, RESAM, CMCMU, or CMRRH.

Winnipeg Tax Year Over Year Comparison

Taxes Per Rental Suite Category	2019	2020	% change
High rise (6+ storeys)	\$1,376	\$1,483	7.8%
Low rise (1-5 storeys)	\$1,153	\$1,278	10.8%

Statistics are derived from group averages and vary depending on individual properties. Averages are taken from a sampling of 1727 multi-residential properties.

Winnipeg Tax Year Over Year Comparison

Taxes Per Rental Suite Category	2019	2020	% change
Year built pre 1946	\$878	\$936	6.6%
Year built 1946-1959	\$904	\$1,059	17.1%
Year built 1960-1979	\$1,095	\$1,196	9.2%
Year built 1980-1999	\$1,511	\$1,645	8.9%
Year built 2000-2014	\$2,712	\$2,952	8.8%
Year built 2015+	\$2,917	\$3,078	5.5%

Statistics are derived from group averages and vary depending on individual properties. Averages are taken from a sampling of 1702 multi-residential properties.



- “Value” is a defined term under the legislation that has been interpreted by the Boards to mean a fee simple valuation
- Multi-family properties are typically valued using the income approach
- Stabilized net operating income (NOI) is capitalized to calculate an assessed value using this approach
- The most common issue when calculating a stabilized NOI for non-profit housing concerns the stabilization of expenses and appropriate expense ratios

Capitalization Rate

Assessment cap rates derived using model-generated NOIs divided by time adjusted sale prices

Assessed 2018 cap rates

ranged from

5% to 6.75%

Valuation date: April 1, 2016



Assessed 2020 cap rates

ranged from

4% to 7.3%

(most between 4.9% to 5.3%)

Valuation date: April 1, 2018

Grouped by age and size

Tax Implications - Capitalization Rate

Site specific calculations

- Actual stabilized NOI when calculating cap rate
- Adjustments to base cap rate to reflect specific characteristics of subject property

Exclusion of properties purchased with intent to renovate or convert to condominium

- Purchased for prospective use or NOI
- Should not use the in place NOI to determine cap rate

Age range

- Assessor cutoff between 1974 & 1975
- Largest group of apartments were built in 1970s and the apartments constructed in this decade are very similar, so Altus did not accept an age cutoff of 1974, but rather applied a cutoff of 1980 instead
- New stock puts pressure on older properties relating to rents, vacancy, and level of R&M



Capitalization Rate Adjustments

Several adjustments to capitalization rates have been made for 2012 and subsequent assessment cycles

- Municipal Board increased several capitalization rates between 75 and 100 bps for the 2012 assessment cycle
- Altus Group has achieved several adjustments in subsequent assessment cycles, with increases in capitalization rates of between 25 bps and 50 bps for numerous asset classes
- Altus Group secured increases in the 2020 capitalization rates for some non-profit housing properties of between 70 bps and 100 bps in many cases, reflecting the higher risk profile of these assets



Repair & Maintenance versus Capital Expenditures

What factors typically influence what is considered an expense versus a capital expenditure?

- Quantum of the expenditure
- Recurrence of the expenditure/expected life of the expenditure
- Does the expense genuinely improve the asset beyond its condition prior to the work? If so, then it would be considered capital
- An expenditure that is much higher in a particular year for certain types of work that would otherwise be R&M may be an indicator of capital for that year



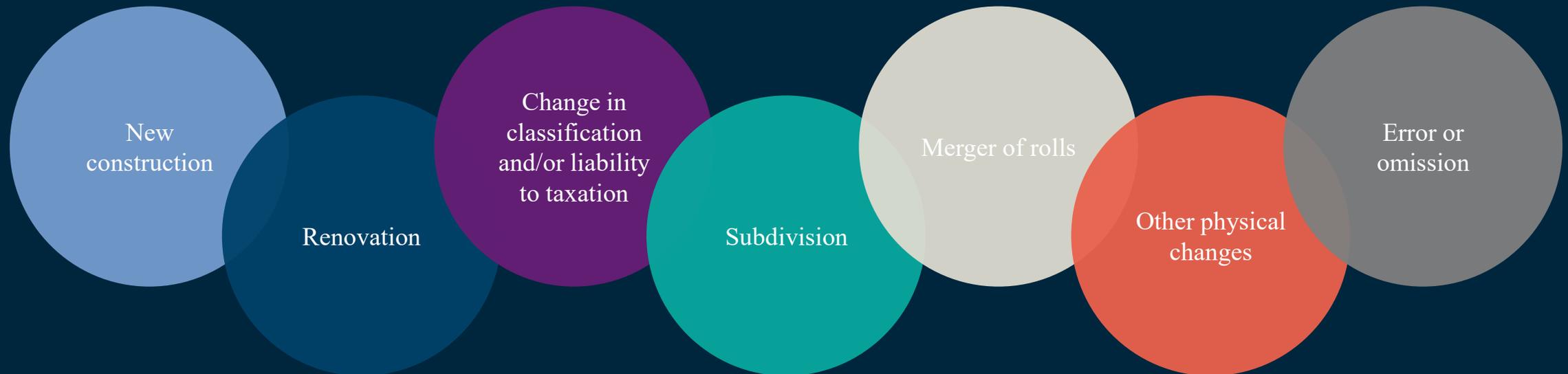
Tax Implications – Repair & Maintenance



- R&M accounts for a large portion of a property's expenses
 - Want to ensure accurately represented on a site specific basis
- Within a given age category, higher R&M per suite tends to be associated with higher rents
- For each R&M expense category, the expense amount is stabilized based upon data over several years to provide a more accurate indication of the most likely long-term costs related to that item
- That stabilized amount is applied in the valuation as the expense that will be required to maintain the rental income

Supplementary Assessments

Reasons for issue:



- 20 day appeal window
- The Assessor may amend the current assessment roll for the purpose of correcting an “error or omission,” but this does not include a change of opinion concerning the assessed value



- Application of revised assessment can be retroactive to the previous calendar year via section 341(1) of the City of Winnipeg Charter

Example: renovated apartments

- Potential for increase in property’s effective age – impact on applied cap rate
- Potential for above-guideline rental increases – impact on effective gross income & NOI
- Potential for decreased expenses – impact on NOI
- These lead to a higher assessed value, which results in higher taxes

City of Winnipeg Requests for 2020 Calendar Year Information

- The City Assessor sent requests for 2020 calendar year information on April 15, 2020
- Stated deadline to respond is May 6, 2020 as per statute
- Requests for extension to file replies should be requested immediately if it is not possible to respond by May 6th
- Requests for extension can be sent via email to 311@winnipeg.ca



Preparing Replies to the Assessor's Request for Information (RFI)

The RFI involves three main sections for multi-family properties:

1. Property operating statement (2020 or fiscal year nearest April 1, 2021)
2. Property characteristics/amenities form
3. Rent roll (as of December 2020)



There is a new Supplemental Questionnaire for 2020 concerning pandemic-related issues

Some questions require judgement – e.g. has the impact of the pandemic on the property been “minor”, “moderate” or “significant”

It is prudent to provide as much information as possible, including increased expenses, decreased revenues, and other impacts

NEW Provincial Education Property Tax Rebate

- The provincial government announced a new education property tax rebate with the 2021 budget
- Residential properties, including apartment buildings, will receive a 25% rebate of the school division taxes payable in 2021
- No application is required
- The rebate will be sent directly to taxpayers by the province in the month in which the property taxes are payable
- Property owners continue to pay their education taxes as levied on the property tax bill
- The province has stated that it intends to increase the rebate to 50% for residential properties for 2022



2022 Assessment Appeals

- The deadline to file appeals of 2022 realty assessments of Winnipeg properties is June 29, 2021
- Deadlines to appeal properties in other municipalities in Manitoba will be from mid-August to late November
- Valuation date for the 2022 assessment is April 1, 2018, based on current physical condition of the asset
- Appeals may be filed for 2022 even if an appeal was already completed for 2020 or 2021
- Some municipalities charge filing fees for appeals, so a thorough review of the 2022 assessment prior to the deadline is extremely important



Thank you

Kerry Reimer

Senior Director
Property Tax

kerry.reimer@altusgroup.com

Rod Slaughter

Vice President
Property Tax / Research, Valuation & Advisory

rod.slaughter@altusgroup.com

Jarrett Storey

Consultant
Property Tax

jarrett.storey@altusgroup.com

Marcelo Navarro

Senior Consultant
Property Tax

marcelo.navarro@altusgroup.com

Ryan Oliveros

Senior Analyst
Property Tax

ryan.oliveros@altusgroup.com

