REGULATED INDUSTRIAL PROPERTY ASSESSMENT (RIPA)-OCTOBER 16, 2018

RIPA 2.0

- At the table: representatives from industry and assessment.

- Issues being tackled:
  - Preamble/interpretation section
  - Construction “Beginning” and “End”
  - Additions/removals/changes
  - Interference issues (brownfield)
  - Reporting requirements
  - Company overhead
  - Labour cost determination

- Commitment to iterative process.

- Short timeline.

RIPA - WHAT'S NEXT

- Ongoing committee work
- Received the Labour Cost Standardization report and recommendations
- Bringing it all together (April/May)
- Recirculated for comment (May/June)
- Recommendation to Minister (targeted for July 2018)
- Implementation Goal - January 2019

MAIN CHANGES

- **Advantages**
- Exhaustive list of Excluded Costs: RIPA has provided clarity by adding **a** definition of total project cost and excluded cost, which removes some uncertainties that existed in the past.
- **Disadvantages**
- Annual Capital Expenditures/Alterations: In the past some maintenance capital was included in the assessment. RIPA only allows the annual construction cost to be assessed if the output of a plant is increased or improved.
- Travel within the site: The CCRG allowed time to travel as an included cost for assessment purposes, but RIPA has this as an excluded cost. This will result in a loss of assessment.
- Pre-construction costs: In the past some of these costs were allowed, now they are all excluded.

FINANCIAL/ASSESSMENT IMPLICATIONS

- Parkland County currently has one property that was completed under the CCRG (Keephills 3).
- Grandfathering: It appears that it will be recommended that grandfathering will be allowed.
- No impact studies or testing have been completed at this point.
- Draft regulation, more changes maybe coming in the last quarter or 2018 prior to the Minister signing off for 2019 assessment year.
- Outside of annual maintenance this will have no affect on Parkland County except for new construction of Regulated Industrial properties.

A HISTORY OF INDUSTRIAL PROPERTY ASSESSMENTS

REGULATED INDUSTRIAL ASSESSMENT → SPAG → CCRG → RIPA

REGULATED INDUSTRIAL ASSESSMENT

- The 1993 Alberta Tax Reform Commission made recommendations to update the property assessment and tax system in Alberta to better ensure equity and fairness.

- Along with the 1995 enactment of the MGA, Market Value became the standard for most property in the province.

- However, due to the difficulty in determining market value, specific property types – linear, M&E and farmland – remained regulated.

1998 MLA COMMITTEE REVIEW

- In 1997, an MLA committee was set up; committed to reviewing issues relating to regulated industrial property assessment.

- The committee released a report in 1998 making a number of recommendations. Among them:

  – Standardized procedures and rates should be used for regulated property, wherever possible, to maximize administrative efficiencies.

  – Existing rates and factors should be updated and continue to be updated on a regular cycle.

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SPECIAL PROPERTY ASSESSMENT GUIDE (SPAG)

- SPAG was an offshoot of the 1984 manual.
- Before 1995, all property was assessed using a regulated process.
- SPAG was a “best practice guide” and not regulated.
- After Alberta moved to market value, concerns were raised that SPAG was no longer consistent with assessment legislation.
- In 2000 SPAG was reviewed

REGULATED INDUSTRIAL ASSESSMENT → **SPAG** → **CCRG** → **RIPA**

CONSTRUCTION COST REPORTING GUIDE (CCRG)

- The 2000 review resulted in the CCRG
- CCRG goals:
  - Consistency with assessment legislation
  - Consistency with accepted industrial terminology
  - Administratively efficient
  - Able to be used for complex properties and also in the development of regulated rates.
- Unlike SPAG, the CCRG was regulated.
- Over time, an interpretive guide was developed to assist with CCRG application.

REGULATED INDUSTRIAL ASSESSMENT → SPAG → **CCRG** → RIPA

2005 RATE REVIEW

- In 2005, Alberta underwent a comprehensive review of the regulated assessment models.
- The 2005 rate review was a multi-year project that looked at all regulated industrial asset types
- M&E posed specific problems:
  - Rates for light oilfield (pumps, tanks, separators) existed
  - Data and scope issues in expanding rate schedule beyond Light Oilfield
- M&E recommendations included:
  - Updating rates for light oilfield but no expansion of schedule
  - Development of a province-wide inventory of detailed M&E data would be necessary for further rate and depreciation development, and full impact analysis

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ISSUES WITH THE CCRG

Concerns that have been raised:

- CCRG doesn't adequately define what is normal or typical.
- Preconstruction activities are excluded, but when does preconstruction end and construction begin?
- Similarly, what is "post construction"?
  - What about modifications and alterations?
  - Installations that occur during regular maintenance?
- The CCRG interpretive guide is sometimes more confusing than helpful.
- CCRG speaks to the inclusion of indirect costs, but to what extent?

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2015/6 TECHNICAL DISCUSSIONS

- Objective: clarity
- Concurrently, MGA review and the beginning of the regulation review.
- At the CCRG table: Assessors, Municipal Groups, Industry Groups.
- Appeared to be points of consensus.
- Group requested time offline to discuss further.
- Result:
  - Industry submission + AAA submission + Other Input = RIPA 1.0

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RESULT: RIPA 1.0 DRAFT

- Remove ambiguity wherever possible
- Merge CCRG and IG
- Parameters around pre and post construction
- Emphasis on full reporting
- Make clear that alterations and modifications are included
- Central issue “what is normal”
  - The “Edmonton Area”
    - ↳CCRG interpretation
    - ↳Scheduled rates for M&E
    - ↳Technical discussions
  - Idea: seek a third party source of data

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60 DAYS OF CONSULTATION:

Feedback:

- Labour calculation was not workable because of the nature of contracts and reporting.
- Where were indirect costs in the labour calculation?
- Transportation cost calculation wasn't clear.
- To ask for full reporting of maintenance costs was onerous.
- Concern over impact on assessed values.

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