

The Land Economist

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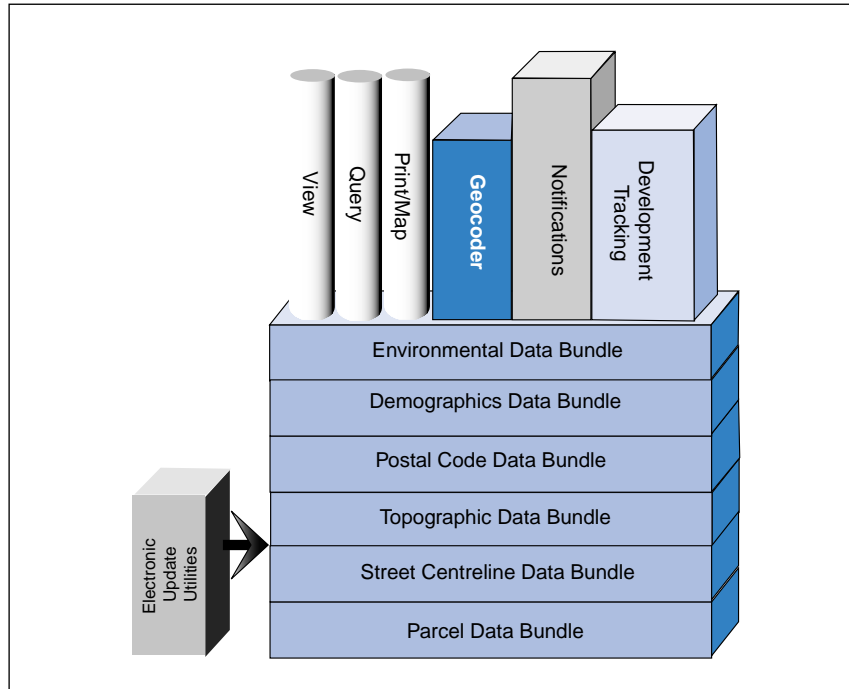
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MATERIAL COURTESY OF TERANET

Land registration with a difference

Ten years after its 1991 founding to convert and automate Ontario's land registration system, Teranet has computerized information on 3.1 million of the 4.5 million land parcels in Ontario. Approximately 80% of the parcels in the new City of Toronto are automated and available — it's primarily the more complex information in the old city that's yet to be completed. However, targeted completion has slipped nine years to 2008, and the original cost of \$275 million has climbed beyond \$700 million.

The company, half owned by the Province of Ontario, offers professionals dealing with land information an opportunity to avoid physically going to government offices, says Mike Power, Teranet's director of land information services. "What you would have had to stand in line to do before, you can now do with a few key strokes."

It also offers far more than just registry information, he told participants at the Association's February dinner meeting. There is mapping information created using data from the Ministries of Natural Resources, Transportation and Revenue, as well as from municipalities, a relationship with the Ministry of Consumer and Commercial Relations to provide access to the business registration and very soon personal property security registration, another with the Ministry of the Attorney General to provide writs accessibility — among others.

"People kept telling us they wanted to be able to do a postal code analysis or a topographic analysis," Power said. So Teranet has integrated that information, and provided access through a web-based geoserver. Now, it is offering "portal opportunities" to associations, allowing their members to key into its databases, as well as various targeted information products and business-to-business opportunities.

The electronic information system is said to be among the largest property-based systems in the world — and is currently marketing its expertise internationally. For more information: mpower01@teranet.on.ca

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New rules for 2001-2002 property taxation

by Michael J. Real, PLE

Bill 140, the Continued Protection for *Property Taxpayers Act, 2000* received Royal Assent on December 4, 2000.

Previous property tax legislation has proven to be complex and Bill 140 is no different. It is going to have a very significant impact on the world of assessment and taxes, particularly for 2001 and 2002 taxation.

Fundamentally, the continuation of the capping regime in Ontario means that in some municipalities it will take a long time to reach Current Value Assessment level taxes and, therefore, fair taxation. Some key provisions are outlined below:

Caps on Tax Increases

- Property caps are continuing under this new legislation.
- Municipalities are still required to limit the assessment-related tax increases on commercial, industrial and multi-residential properties to 5 per cent per year.
- Toronto will have until February 28 of each year to choose if they will continue the 2.5 per cent cap. If they do not choose this option the 5 per cent limit will apply.
- Any municipal tax changes, if applicable, are chargeable over and above this limit.

Increases to Tenants Limited

- As in prior years, tenants that occupied their current premises prior to January 1, 1998 will continue to be protected by a cap.
- Landlords will be required to limit a tenant's tax increase to 5 per cent per year over the amount charged in the previous year.

- Any municipal levies added by the municipality may be added over and above this cap. (Cap in Toronto may be 2.5 per cent if the city chooses this option.)

Vacant Buildings

- Implementation of "real-time vacancy."
- All buildings will be shown as fully occupied on the assessment roll; it will be up to the property owner to make an application to the municipality for a tax rebate for vacant space.

Bill 140 will have a very significant impact

- Deadline for filing application is Feb. 28 of the following year.
- Property owners may appeal to the Assessment Review Board within 120 days if they disagree with the amount of the rebate.

Vacant and Excess Land

- Vacant and excess land properties will no longer be required to make application to have the lower vacant tax rate applied — it will be applied automatically.

New Construction and Other Property Changes

- The treatment of new construction and property changes under Bill 140 is very similar to that under Bill 14; however, there have been some changes in an attempt to create a more comprehensive system.

- Starting in 2001, eligible properties are:
 - Newly-constructed, commercial, industrial and multi-residential properties;
 - Commercial, industrial or multi-residential properties which undergo a renovation or addition that increases the assessed value of the property by 50 per cent or more;
 - Property that used to be exempt from taxation and becomes taxable in the commercial, industrial or multi-residential class;
 - Property that changes classification from an unprotected class into a protected class or between protected classes;
 - Commercial, industrial and multi-residential land that undergoes subdivision or severance; and
 - Properties that moved into the commercial, industrial or multi-residential classes in 1998, 1999 or 2000 due to a change in use or because they ceased to be exempt from taxation.
- For these eligible properties, taxes will be based on the lower of the property's current value assessments or the property's current value assessment adjusted downward to reflect the average level of taxation of up to six similar properties in the vicinity.
- The property owner may appeal to the Assessment Review Board within 90 days to request that up to six different properties be used as comparable properties.

A different kind of energy efficiency

Over the past few years, mainstream awareness of the ancient Chinese system of Feng Shui has grown quite dramatically in North America.

Katherine and Russ Loader, a husband and wife team practicing Feng Shui in the Greater Toronto area, say the system has been used by corporate heavyweights such as Loblaws, British Airways and The Body Shop in building and interior design. It is also featured regularly in design and lifestyle magazines.

Katherine first got interested in Feng Shui when her architectural draftsman/contractor husband developed a life-threatening illness. Today, they work together in the practice.

Nearly 70 per cent of their consultations are for business and corporate clients. They have also advised on approximately 500 houses. In November, they spoke to the Association of Ontario Land Economists' dinner meeting.

"Feng Shui, which literally means 'wind' and 'water', is about the energy moving between humans and their environment," Katherine explained.

"Quantum physics tells us that all physical matter is energy vibrating. Our homes and offices are energy, just as we are. They are not separate from us. They influence us and are a direct reflection of who we are."



"As acupuncture affects the energy flow in the body," Russ added, "Feng Shui affects the energy flow in the home or work space."

The goal is to maintain harmony and balance, removing blockages of energy and directing it towards areas of your life and work that you want to enhance and strengthen.

The pair gave a brief history of different approaches to Feng Shui over time, from examination of topography and water, to compass-based systems, and the newer approach they practice, which derives in part from Tibetan Tantric Buddhism.

They showed a diagram of how the major sectors of a room or building relate to different sectors of a person's life (health, career, relationships, wisdom, etc.) Physical design of the space, placement of furniture, use of colour, decoration, etc. can all influence energy flows, they explained.

For example, it makes sense to put professional certificates, bright colours and lights in the 'fame' sector of your space.

They pointed to disorganized clutter as a major energy blockage. "This is becoming a big sickness here in North America," Katherine said.

"It begins as a symptom of what is happening in your life and becomes part of the problem itself — leading to stagnant energy."

And they gave a few examples of how physical shortcomings (a bathroom in the 'wealth' sector, for example) can be overcome.

"The mere act of altering the physical spaces in which we live and work is a very powerful generator of change," Russ said.

For more information, see the Loaders' website: www.powerofplace.com

Corrections to the Frozen Listing

- The municipality can make corrections to the frozen assessment listing up to the end of 2001. This is of particular importance since 2001 and 2002 taxes will be based on 2000 taxes.
- An appeal can be made to the Assessment Review Board if the error has not been satisfactorily adjusted.

Gross Leases

- Landlords are no longer required to send gross lease tenants a "notice of intent to require payment".

Rebates to Charities

- Municipalities are required to provide rebates to registered charities occupying commercial and industrial property.
- Half the rebate to the charity must be made within 60 days after receipt of the application; the remaining rebate due must be made within 120 days.

The foregoing is a brief synopsis of some highlights from the new legislation. Readers who would like a

full version of the legislation can go to the Ontario Government web page: www.ontla.on.ca/library/bills/140371.htm

Michael Real is a realty tax consultant with Colliers International Realty Advisors Inc., and serves on the Council of the Association of Ontario Land Economists. Parts of this article draw on an overview prepared by Diane Ross, manager of legislative design with the Ministry of Finance.

Land: a hedge against inflation?

Yes, but ...

by Rob Bianchin PLE

Traditional wisdom has always considered real estate to be a significant hedge against inflation. In a recent study we tested the performance of improved and unimproved real estate and compared it to the Consumers Price Index, stocks, and bonds. The results were somewhat surprising.

For this comparative analysis, we examined long-term statistics, including average sale prices in the Province of Ontario, Toronto Real Estate Board average MLS sale prices, the Statistics Canada Land Index for the Toronto CMA, bond prices and the TSE 300 index.

1980-1999 in Ontario and Toronto

During the period from 1980 through 1999, the average sale price in the Province of Ontario increased to \$178,199 from \$64,761. This is an overall increase of 175 per cent or 5.47 per cent compounded annually.

The same initial amount of \$64,761 would have escalated to only \$136,620 indexed by the CPI, or 111 per cent. The compounded CPI rate is 4.01 per cent per annum over this period, a rate 1.46 points below the Ontario average sale price statistics.

When we compared MLS statistics for the Greater Toronto Area with the overall Ontario MLS data, we found similar trends, although Toronto experienced more dramatic swings in value. For example, from 1980 to 1989 Ontario prices increased by 183 per cent while the average price in Toronto increased by 265 per cent. However, from the peak in 1989 the average price in Ontario declined by only 2.99 per cent, while Toronto's average price plummeted by 19.5 per cent before starting to rise again.

28-year totals strong

Figure 1 shows the longer-term relationship between Toronto house prices and the CPI. From its 1971 level of \$31,822, the average TREB MLS sales price increased to \$235,783 in 1999. This totals 641 per cent over this 28-year period, for a compounded rate of 7.41 per cent. The same amount indexed by the CPI rate would have increased to \$141,200, a total of 344 per cent, for a compounded rate of 5.47 per cent.

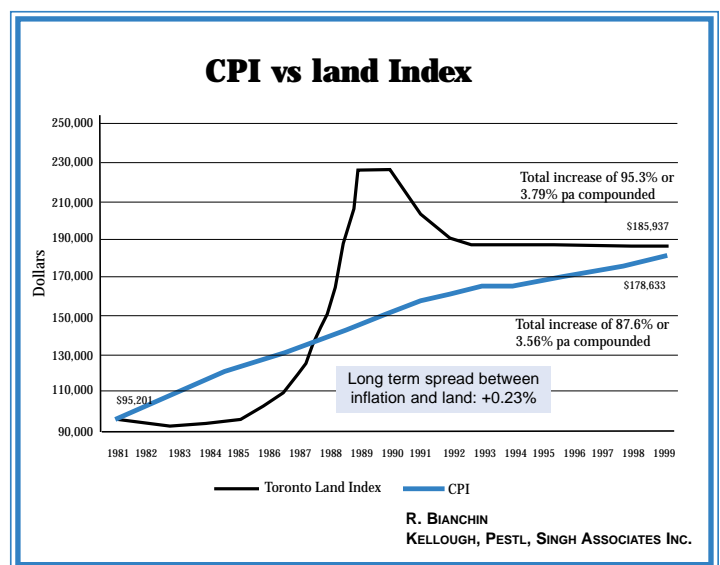
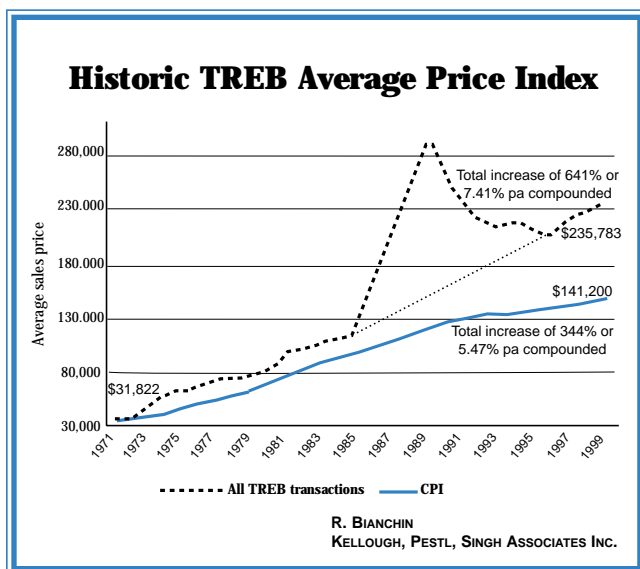
These data indicate that Toronto's average real estate sale price outpaced the CPI by a rate of about 1.9 points per annum on a compounded basis. On face value this may not sound impressive but it beat inflation by 35 per cent!

Lots lag behind homes

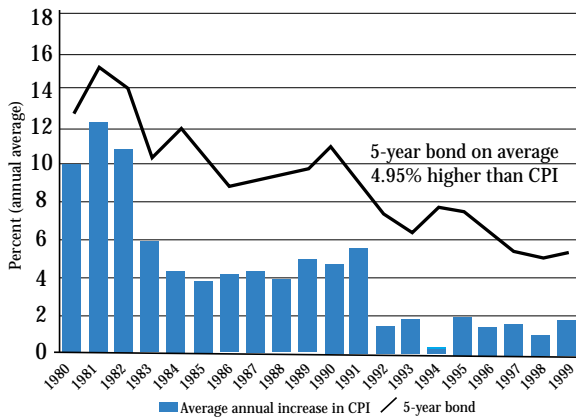
We also examined vacant house lot prices, using the Land Index as compiled by Statistics Canada. Figure 2 is a comparison graph of the Land Index as compared with the CPI. It shows that \$95,201 invested in a lot in 1981 would have appreciated to \$185,937 by 1999. This is an increase of 95.3 per cent, or a compounded rate of 3.79 per cent. The same amount increasing at the CPI would have appreciated to \$178,633. This is an increase of 87.6 per cent or a compounded rate of 3.56 per cent per annum.

These data indicate house lots in the Greater Toronto Area have increased at a rate of only 0.23 points per annum above the CPI.

It appears the long term escalation in lot value has exceeded the CPI; however, it has not kept pace with the escalation of improved property values.



CPI vs 5-year Bond



R. BIANCHIN
KELLOUGH, PESTL, SINGH ASSOCIATES INC.

Real rates of return

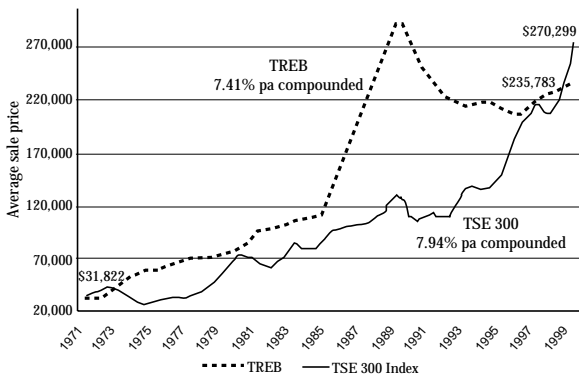
Based on the above data, the long term Real Rate of Return (ROR) on real estate ranges from 0.23 per cent to 1.9 per cent per annum — far lower than that of alternate investments such as bonds, which have historically yielded a ROR of about 5 per cent (see Figure 3.)

However, it is also interesting that the TSE 300 index from 1971 to 2000 marginally outperformed real estate with a return of 7.94 per cent per annum (a rate only 0.53 points higher than the price increases indicated by the TREB statistics). While this is true for the overall period, real estate consistently outperformed the TSE 300 up until the 1990s (see Figure 4).

Note: This article only considers very broad indicators and the conclusions herein are not necessarily reflective of leveraged real estate, development land, or income-producing properties.

Rob Bianchin is a consultant with Kellough, Pestl, Singh Associates Inc., appraisers, business and real estate economists.

TSE 300 vs TREB



R. BIANCHIN
KELLOUGH, PESTL, SINGH ASSOCIATES INC.

What do you think of OPAC?

On December 12, the province appointed MPP Marcel Beaubien to conduct a review of the Ontario Property Assessment Corp. He will look into:

- OPAC's operational structure, including the composition of the Board of Directors
- the working relationship between OPAC and the provincial government, and
- the regulation which defines property classifications.

OPAC is a municipal corporation established in 1998 when the province downloaded its responsibilities for assessment.

Comments should be sent as soon as possible to: Review of Property Assessment Process, 7 Queen's Park Cres., 5th Floor, Frost Building South, M7A 1Y7, (416) 327-0238.

Keep April 4th open

MAUREEN FARROW,
well-known economist, and
president of Economap Inc.,
will speak to the

**Association of
Ontario Land Economists
at their dinner meeting
on April 4th.**

**Keep an eye on your mail for
further details.**

Proposal aims to protect Oak Ridges Moraine

by Linda Pim

Located just north of the Greater Toronto Area, the Oak Ridges Moraine sits squarely in the path of the most rapid urban expansion in Canada.

It is also the headwaters for dozens of rivers. It is still 28 per cent forested and has been identified by the Canadian Wildlife Service of Environment Canada as one of the six most important areas for forest bird species in southern Ontario.

Broad public discussion in the GTA has confirmed the importance of greenlands for wild habitat protection and human recreation, and of farmlands for growing food domestically.

Diverting Growth

The GTA will no doubt continue to grow — but there is no need to compromise the precious natural features of the Moraine and the prime agricultural lands of the GTA by enlarging the existing urban development boundaries.

The City of Toronto has shown a better alternative. Its planners proposed, in a June 2000 report, that “the City can be part of the solution [to sprawl] by welcoming more growth in a form that promotes a better quality of life”.

Although the City has been forecast to increase by 540,000 people by 2030, the planners “advocate a more ambitious growth target for the City over the next 30 years of perhaps as many as 1,000,000

more residents. Population growth that goes to Toronto is growth that saves the Moraine.

Economic Benefits and Public Support

Keeping the GTA economically competitive requires efficient operation of infrastructure such as transportation networks. With better anti-sprawl planning, development would no longer be driven by land speculators, leaving governments to deal with traffic gridlock and more air pollution.

A high proportion of GTA residents, plus upper- and lower-tier municipalities, environmental and farm organizations are united in calling for effective development controls for the Moraine to replace the existing vague and permissive provincial guidelines. The Federation of Ontario Naturalists (FON) proposes an Oak Ridges Moraine Greenway — a solution that hinges on a strong provincial commitment to curb sprawl. The intent is to retain existing communities, farms, forests, wetlands, water recharge areas and other natural features.

Scenario for ‘Greenway’

A flexible legislative route to the Greenway exists through the Ontario Planning and Development Act (OPDA). Much of the groundwork, including public consultation and scientific research, was completed for the 1994 Oak Ridges Moraine Strategy, and more recent science from many sources has improved the 1994 database.

Here’s how it would work

- First, the Minister of Municipal Affairs and Housing announces an area-specific Provincial Policy Statement (PPS) for the Oak Ridges Moraine as provided under the Planning Act. It defines the planning area, describes the government’s intentions, and lays out proposed policies for Moraine protection during an interim period. After public consultation, the Moraine PPS is submitted to Cabinet for approval.
- Second, with the Moraine PPS in place, the Minister announces the preparation of a provincial land use plan under the OPDA.
- Third, to provide protection from approval of new developments while the Greenway Plan is in preparation, the Minister issues an interim control zoning order using his powers under section 47 of the Planning Act. It would be in effect for one year and could be extended another year.

The order would apply only to new development proposals outside current urban boundaries and would not change existing zoning and approved developments.

- Fourth, the government writes a draft Greenway Plan and consults the public. With so much of the science, public education and consultation complete, and public motivation so high, it will be possible to move promptly to Cabinet

The Legislative Beat *continued from page 8*

Construction Labour Reform

Labour Minister Chris Stockwell stick-handled the contentious *Labour Relations Amendment Act (Construction Industry), 2000* through the legislature late last year.

On the residential side of the industry, it is hoped that the reforms will prevent the kind of consecutive strikes seen in the Toronto area during the summer of 1998. In the coming spring round of collective bargaining,

if there is no agreement by June 15th, the dispute will be referred to binding arbitration. All new agreements would be

for a term of three years, with a common expiry on April 30, 2004.

In the Industrial, Commercial and Institutional sector, a number of large contractors had argued that province-wide wage rates made it difficult to bid against non-union companies in certain parts of Ontario.

The new Act allows amendments to the province-wide agreement to be negotiated with local unions; if this is not possible, an arbitrator could make changes to the collective agreement. In addition, the legislation allows an ICI employer discretion to select up to 75 per cent of the workers on a

project. Of those, up to 40 per cent may come from outside the geographic area where the work is located.

SuperBuild

Through SuperBuild, the Ontario Government is investing in priority infrastructure. Any project identified as a priority through the Ministry of the Environment inspection process will be treated as the municipality’s top priority. Large urban municipalities apply through the Millennium Partnerships initiative.





PHOTO COURTESY OF ONTARIO NATURALISTS

approval under section 4(6) of the OPDA. Once the Plan is approved, the development moratorium is lifted.

- Lastly, the province creates a mechanism to implement the Greenway Plan. A planning board could be created consisting of representatives of the Province, regional governments, downstream municipalities, conservation authorities, the public at large, and organizations such as the Federation of Ontario Naturalists, Save the Oak Ridges Moraine (STORM) Coalition, the Urban Development Institute, and the Ontario Federation of Agriculture.

Line in the sand

The southern edges of the Oak Ridges Moraine constitute a practical “line in

the sand (and gravel)” to contain sprawl and direct growth to already-serviced areas.

Premier Mike Harris has recently indicated his government’s concern about controlling urban sprawl. Through the Oak Ridges Moraine Greenway Plan, the FON has handed the Province a practical way to show its commitment to curbing sprawl and to leaving a green legacy in southern Ontario. We look forward to working with Queen’s Park to make it happen!

Linda Pim is a biologist who is coordinator of conservation policy at the Federation of Ontario Naturalists. The FON has been involved with the Oak Ridges Moraine since the early 1990s.

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Smaller municipalities (less than 100,000 population), and in some cases non-governmental or private sector organizations, apply under the Ontario Small Town and Rural Development (OSTAR) program. SuperBuild has received 420 applications for OSTAR projects. In last year’s budget, \$1 billion and \$0.6 billion, respectively, was set aside for these initiatives.

The Province has also allocated \$300 million for sports, culture and tourism infrastructure over five years. To be eligible, municipalities must demonstrate compliance with drinking water

regulations under Operation Clean Water. Cabinet looks for innovative approaches in proposals, such as partnerships between two tiers of local government or between public and private sectors.

A Guide to Public-Private Partnerships for Infrastructure Projects was released by SuperBuild in November 2000. This Guide focuses on the criteria that must be weighed when considering P3 approaches. The Guide stresses that P3 is not one approach but a range of possible options:

- (1) service or management contracts,
- (2) design-build construction projects,

- (3) design-build-operate-transfer concessions,
- (4) design-build-own-finance-operate-transfer concessions and
- (5) divestiture.

David Lindsay, who was appointed by the Premier to spearhead this five-year initiative, has said that the \$10 billion Provincial commitment can be used to lever at least another \$10 billion from the private sector and other partners.

Andy Manahan is Development Promotion Representative, Universal Workers Union, Local 183.

The Legislative Beat

Spring Session

The Ontario Legislature will resume sitting on March 19.

Red Tape Reduction Act

The *Red Tape Reduction Act, 2000* received Royal Assent on December 6th. Omnibus Bill 119 contains more than 200 amendments to acts across 15 ministries. For example, the Act expands recognition of electronic records — and expedites the reduction in forms required in Ontario's land registry system to just four (from 100+ previously).

As many Land Economist members are aware, users can now access the system electronically to obtain forms.

A permanent Red Tape Commission, established in May 2000, is charged with eliminating non-essential procedures, forms, licences, and regulations. Its website is www.redtape.gov.on.ca

Limitations Cap

On December 12, then-Attorney General Jim Flaherty introduced legislation to revise time limits for lawsuits. If passed, the new *Limitations Act* (Bill 163) would set a general limitation period of two years from discovery of a right of action for most civil court proceedings. For most cases involving hidden damages or defects, it would also impose an ultimate cap of 15 years from the date of the act or omission, beyond which no legal action would be allowed. This is more than the 10-year period that was proposed under another bill introduced in the early 1990's but is comparable to reform in other jurisdictions. (See Vol. 30, No. 1.) There would be no ultimate cap on environmental claims.

Social Housing

The *Social Housing Reform Act, 2000* passed December 12, allows for the transfer of social housing from the province to municipalities and district social service boards. Municipalities now have administrative responsibility although the province will continue to renew mortgages, set and monitor stan-



by Andy Manahan PLE

dards and flow federal funds for social housing to the local level.

Board Changes

Former Tory Cabinet Minister and Mayor of East York Dave Johnson started work on November 20, 2000, as Chair of the Ontario Municipal Board, the Board of Negotiation and the Assessment Review Board. At the beginning of November, the three Boards were brought together under the Ministry of the Attorney General.

Performance Measurement for Municipalities

In conjunction with their year 2000 financial information returns, municipalities will be required to provide the Ministry of Municipal Affairs and Housing with information on the efficiency and effectiveness of service delivery in nine core service areas: garbage, sewage, water, transportation, fire, police, local government, land-use planning and social services.

Among the 35 performance measures, the Minister has asked for information such as operating costs per capita for members of council, as a percentage of total municipal operating costs. Only two simple land use measures are included at this time:

- (1) the percentage of new lots approved that are located in settlement areas (a 100 per

cent figure indicates that all development is occurring within approved official plans), and (2) the percentage of agriculturally designated land that is preserved during the year.

Advisory Panel on Brownfields

The panel submitted its report to the Minister in December, with recommendations on how to expedite redevelopment of brownfield sites through financial incentives and a streamlined planning approvals process.

At a recent seminar, environmental lawyer Dianne Saxe indicated that there are still

liability barriers to cleaning up major brownfield sites such as Toronto's waterfront. Certain municipalities have refused to issue building permits for remediation projects, because of concerns that they may attract liability under Ontario's Building Code (which requires that all laws be satisfied before permit issuance.)

Fortunately U.S. experience has proven that concerns can be overcome through mechanisms such as incentive contracts, where joint venture partners get to keep about a third of any cost savings achieved through measures they identify.

Environment Commissioner's Report

Last October, new Commissioner Gord Miller released his report. One of the major recommendations, in part stemming from the Walkerton contaminated water tragedy, is to have Ontario ministries that share responsibility for groundwater management work together to develop a comprehensive strategy on this issue.

Another recommendation is to have the Ontario Realty Corporation follow the requirements of the Class Environmental Assessment during the sale of government lands. This would include environmental studies and public consultation, particularly for sales of environmentally significant lands.

See The Legislative Beat on page 6