



MUNICIPAL
PROPERTY
ASSESSMENT
CORPORATION



METHODOLOGY GUIDE

VALUING MARINAS IN ONTARIO

Valuation Date: January 1, 2016

AUGUST 2016



MUNICIPAL PROPERTY ASSESSMENT CORPORATION

August 22, 2016

The Municipal Property Assessment Corporation (MPAC) is responsible for accurately assessing and classifying property in Ontario for the purposes of municipal and education taxes.

In Ontario's assessment system, MPAC assesses your property value every four years. This year, MPAC is updating the value of every property in the province to reflect the legislated valuation date of January 1, 2016.

MPAC is committed to provide Ontario property owners, municipalities and all its stakeholders with the best possible service through transparency, predictability and accuracy in values. As part of this commitment, MPAC has defined three levels of disclosure of information in support of its delivery of this year's assessment update. This Methodology Guide is the first level of information disclosure.

This guide provides an overview of the valuation methodology undertaken by MPAC when assessing marina properties for this year's update ensuring the methodology for valuing these properties is well documented and in alignment with industry standards.

Property owners can access additional information about their own properties through aboutmyproperty.ca. Login information for aboutmyproperty.ca is provided on each Property Assessment Notice mailed this year. Additional information about MPAC can be accessed at mpac.ca.

A handwritten signature in black ink, appearing to read "Antoni Wisniowski".

Antoni Wisniowski

President and Chief Administrative Officer

A handwritten signature in black ink, appearing to read "Rose McLean".

Rose McLean, M.I.M.A.

Chief Operating Officer

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1.0 Introduction

The Municipal Property Assessment Corporation (MPAC) – mpac.ca – is responsible for accurately assessing and classifying property in Ontario for the purposes of municipal and education taxation.

In Ontario, property assessments are updated on the basis of a four-year assessment cycle. The next province-wide Assessment Update will take place in 2016, when MPAC will update the assessments of Ontario's nearly five million properties to reflect the legislated valuation date of January 1, 2016. Assessments updated for the 2016 base year are in effect for the 2017–2020 property tax years. Ontario's assessment phase-in program prescribes that assessment increases are phased in over a four-year period. Any decreases in assessment are applied immediately.

It is important to ensure that the valuation methodology applied is capable of providing a realistic estimate of current value at the relevant valuation date, which, in turn, enables all stakeholders to understand the valuation process and have confidence in the fairness and consistency of its outcome.

This Methodology Guide has been prepared for the benefit of MPAC assessors, property owners and their representatives, municipalities and their representatives, Assessment Review Board members, provincial officials, and the general public.

This guide outlines the valuation process to be followed by an assessor, including steps that require appraisal judgment. It is incumbent upon the assessor to make informed decisions throughout the valuation process when arriving at estimates in current value.

1.1 Properties Covered by This Methodology Guide

This Methodology Guide applies to marinas in Ontario. A marina is a boat basin that provides docking and other services to pleasure crafts. It is a structure that allows vessels to be docked for loading and unloading and is usually constructed parallel to a shoreline.

There are three marina categories:

- recreational marinas (where boaters use their boats for pleasure or non-commercial activities)
- yacht clubs (recreational marina with large buildings for members to use)
- boatyards (which offer significant repairs and services for large boats, yachts and commercial fishing vessels)

The following MPAC property codes are used to categorize the various types of marinas in Ontario:

- 492 Marina – a waterfront commercial facility for the maintenance, storage, service and/or sale of watercraft
- 493 Marina - a commercial facility for the maintenance, storage, service and/or sale of watercraft that is not on the waterfront

It should be noted that these are general guidelines that vary depending on the specific circumstances of a particular property.

An assessor may also make reference to additional Methodology Guides for properties that do not fall precisely within the description of one of the property codes listed above.

1.2 Legislation

The main legislation governing the assessment of properties in Ontario for property tax purposes is contained in the Assessment Act.¹

The Act contains important definitions and states that all property in Ontario is liable to assessment and taxation, subject to some exemptions from taxation. Section 19(1) of the Act requires that land be assessed at current value, which is defined to mean, in relation to land, “the amount of money the fee simple, if unencumbered, would realize if sold at arm's length by a willing seller to a willing buyer.” Marinas are included in the definition of “land,” which is defined in the Act to encompass not only buildings and structures placed upon, in, over, under and affixed to land but also land covered with water.

The Minister of Finance filed Ontario Regulation 430/15 on December 18, 2015, which added additional rules affecting the valuation and classification of properties on which a third-party sign (billboard) is located. To comply with the regulation, the income attributable to a third-party sign will not be included in the valuation of any property for assessment purposes.

1.3 Classification

MPAC’s role is to accurately assess and classify all properties in Ontario in accordance with the Assessment Act and regulations established by the Government of Ontario.

¹ Assessment Act, R.S.O 1990, c A.31: <https://www.ontario.ca/laws/statute/90a31>.

Marinas are included in the Commercial Property Class in accordance with Section 5(1)1 of Ontario Regulation 282/98, which includes “land and vacant land that is not included in any other property class.”² A marina property could have various tax and unit classes depending upon the ownership and occupancy of the land.

If a portion of the property is used for other purposes, it may be necessary to value those components separately and sum the component values to achieve the correct total current value. It may also be necessary to apportion the total value of the property between the various uses to ensure that the appropriate tax rate is applied to the relevant parts of the property.

1.4 The Use of This Methodology Guide

This Methodology Guide is intended to:

- Ensure MPAC’s assessed values for these properties are fair, accurate, predictable and transparent.
- Provide direction to assessors and clear explanations to municipalities, taxpayers and Assessment Review Board members.
- Ensure that MPAC’s methodology for valuing these properties is well documented and aligns with industry standards.
- Explain the thought process/decision-making process that an assessor should undertake to apply the valuation methodology.
- Ensure a consistent approach to valuing these property types.
- Support MPAC assessors in conducting their due diligence in:
 - applying Ontario’s legislation and regulations
 - adhering to industry standards for market valuation in a mass appraisal environment

It should be noted that this Methodology Guide is not intended to be a substitute for an assessor’s judgment in arriving at a market value–based assessment (i.e., current value) for a particular property. However, given that the Methodology Guide explains industry standards for property assessment, conforms to valuation industry norms, and adheres to provincial legislation and regulation, MPAC assessors are expected to follow the procedures in the Methodology Guide and be able to clearly and satisfactorily justify any deviations from it.

² Ontario Regulation 282/98, GENERAL: <https://www.ontario.ca/laws/regulation/980282>.

1.5 Consultation and Disclosure

MPAC is committed to providing municipalities, taxpayers and all its stakeholders with the best possible service through transparency, predictability and accuracy. In support of this commitment, MPAC has defined three levels of disclosure as part of its delivery of the 2016 province-wide Assessment Update.

- **Level 1** – Methodology Guides explaining how MPAC approached the valuation of particular types of property
- **Level 2** – Market Valuation Reports explaining how the methodology outlined in Level 1 has been applied at the sector level for the purposes of each assessment
- **Level 3** – Property Specific Valuation Information available to property taxpayers, their representatives and municipalities

2.0 The Valuation Process

The valuation process always begins with a determination of the highest and best use of the subject property.

Any reliance upon this guide is made only after the assessor has determined that the highest and best use of the subject property is that of a marina.

Assessors determine the value of a property using one of three different approaches to value:

- the direct (sales) comparison approach
- the income approach
- the cost approach

2.1 Outline

In the **direct (sales) comparison approach**, value is indicated by recent sales of comparable properties in the market. In considering any sales evidence, it is critical to ensure that the property sold has a similar or identical highest and best use as the property to be valued.

In the **income approach** (or, more accurately, the income capitalization approach), value is indicated by a property's revenue-earning power, based on the capitalization of income. This method requires a detailed analysis of both income and expenditure, both for the property being valued and other similar properties that may have been sold, in order to ascertain the anticipated revenue and expenses, along with the relevant capitalization rate.

In the **cost approach**, value is estimated as the current cost of reproducing or replacing improvements of the land (including buildings, structures and other taxable components), less any loss in value resulting from depreciation. The market value of the land is then added.

MPAC uses the cost approach to value marinas. This approach separately values improvements and land to produce a current value for the property.

The cost approach for marina properties requires the following steps to value the marina building(s):

1. Determine replacement cost new (RCN) of marina building improvements.
2. Determine physical depreciation.

3. Determine functional obsolescence.
4. Determine external obsolescence.
5. Determine net improvement value.

The following steps determine the value of the marina site improvements:

1. Determine RCN.
2. Determine physical depreciation.
3. Determine functional obsolescence.
4. Determine external obsolescence.
5. Determine net improvement value.

The assessor considers the land value as follows:

1. Determine the land value for marina land.
2. Add values for other purposes (e.g., excess land).
3. Determine current value assessment.

2.2 Approach

There are three main phases in the valuation process used by MPAC:

- data collection
- analysis of the data collected
- valuation

2.3 Data Collection

The data required for marina valuations come from a number of sources:

- MPAC conducts periodic inspections of marinas.
- MPAC also collects information about sales and transfers of marinas.
- There are a number of guides and other published information about marinas.

MPAC generally collects the following types of data for marinas:

- general data
- financial data
- property description
- sales data
- gross leasable area (GLA)
- boat slip and storage rental revenue (regular and seasonal)
- boating services, repairs and supplies, fuel, food revenue
- other income
- operating costs (administration, utilities, property maintenance, etc.)

Marina land is categorized according to the following uses:

- tableland/upland
- water lots/submerged land usable
- water lots/submerged land unusable
- vacant/excess land
- conservation land
- residential site

Marina site improvements may include:

- breakwaters/piers
- jetties
- boat slips
- boat storage (indoor or outdoor)

- fuel facilities
- water supply (municipal or other)
- sewage disposal system
- pump out
- other recreational facilities

Marina structures may include:

- marina office
- boat service facilities
- boat supply facility
- food outlets/restaurant
- retail outlets
- washrooms
- laundry facility
- lockers
- storage sheds

Confidentiality

As outlined above, it is important to be aware that, in order to enable MPAC to produce an accurate valuation of the property concerned, information needs to be obtained from a variety of sources.

This will include information from MPAC's records, from the owner or operator of the property, from the municipality in which the property is located, from the assessor's visit to the property, and from other sources.

All stakeholders in the property tax system have an interest in ensuring that the current value provided by MPAC is correct; in order to achieve this, it is necessary for all parties to cooperate in the provision of information.

It is appreciated that some of the information outlined above may be of a commercially sensitive nature. MPAC recognizes the need to ensure that any information provided to it is properly safeguarded and only used for the purpose for which it is supplied. Assessors must appreciate the nature of this undertaking and ensure data is treated accordingly.

If, after an appeal has been filed, MPAC receives a request for the release of actual income and expense information, or other sensitive commercial proprietary information, the usual practice is to require the person seeking the information to bring a motion before the Assessment Review Board (ARB), with notice to the third parties, requesting that the ARB order production of the requested information. The release of such information is at the discretion of the ARB and commonly accompanied by a requirement for confidentiality.

The Assessment Act outlines in section 53(2) that disclosed information may be released in limited circumstances “(a) to the assessment corporation or any authorized employee of the corporation; or (b) by any person being examined as a witness in an assessment appeal or in a proceeding in court involving an assessment matter.”

2.4 Data Analysis

Having carried out the data collection outlined previously, the assessor needs to analyze it and reach a conclusion regarding the appropriate valuation method to use and how it should be applied.

As already indicated, for the purposes of this Methodology Guide, it is assumed that the assessor will conclude that there is insufficient evidence available to enable either the direct comparison approach or income approach to be adopted. For that reason, the assessor will be adopting the cost approach and using the data collected to ensure that the cost approach is properly applied.

2.5 Valuation

Having undertaken the necessary steps outlined above, the assessor should now be in a position to apply the appropriate valuation model.

2.6 Validating the Results

Once the assessor has completed the valuation, it is necessary to carry out a series of checks to ensure that all relevant parts of the property have been included in the valuation, there has been no double-counting of any adjustments made for depreciation, the resulting valuation has been compared with any market evidence that may be available in relation to similar properties, and the final valuation is in line with the valuation of other similar properties in Ontario.

3.0 The Valuation

3.1 Cost Approach Overview

The theory behind the cost approach to value follows the principle of substitution: the value of a property is equal to the amount it would cost to replace it with a substitute of equal utility.

There are two principle tasks in estimating market value using the cost approach: value the land and value the improvements.

Value the Land

Land value is usually established through analysis of comparable market sales data.

Value the Improvements

A valuation of improvements includes the following steps:

1. Collect the physical and descriptive data about the marina site. Inspect the buildings and other improvements, quantify areas, note conditions and analyze their utility.
2. Quantify the building areas from plans and layouts, or, if necessary, during the property inspection.
3. Using MPAC's automated cost system (ACS), estimate the cost new of the assessable improvements as of the valuation date.
4. Deduct from cost new value an amount reflecting all forms of depreciation, which may include physical (age-life depreciation), functional obsolescence (curable or incurable) and external obsolescence (economic and/or locational obsolescence).

The resulting value will be an estimate of the contribution of the improvements to the market value of the subject, depreciated for all causes.

Final Value

The sum of land value plus improvement value is the estimated market value of the real estate at the subject location.

3.2 Land Valuation

The valuation of most marinas will include the consideration of the following types of land:

- waterfront
- tableland/upland
- submerged land or water lots
- land that may be subject to restrictions on use

Waterfront valuation methods include:

- direct (sales) comparison approach
- income approach

Wherever possible, the direct comparison approach (based on actual sales of land for marinas) will be utilized in determining land values. If there are no sales of land for marinas in the vicinity the assessor will have reference to other sales of land and make the appropriate adjustments to account for any differences between the sold properties and the subject properties.

If the waterfront land is leased, the income approach may be used if there is sufficient market data available for analysis

An example of how the value of land is incorporated in the valuation of a marina on the cost approach is shown in Appendix 1.

3.3 Marina Site Improvements

Various site improvements are essential to the functioning of a marina. They may include:

- breakwaters/piers
- jetties
- boat slips
- boat storage (outside)
- fuel facilities

- water supply (municipal or other)
- sewage disposal system
- pump out
- water facility
- other recreational facilities

An example of the way in which site improvements are included in a valuation on the cost approach is shown in Figure 3.3.

Figure 3.3 – Marina Site Improvements

Use	Year Built	RCN	Good	Depreciation	RCNLD
Jetty Type 1- South Side 1	1990	\$141,729	50%	\$70,865	\$70,865
Jetty Type 1 - South Side 2	1990	\$35,432	50%	\$17,716	\$17,716
Jetty Type 1 - South Side 3	1990	\$35,432	50%	\$17,716	\$17,716
Jetty Type 1 - South Side 4	1990	\$35,432	50%	\$17,716	\$17,716
Jetty Type 1 - North Side 1	1990	\$35,432	50%	\$17,716	\$17,716
Jetty Type 1 - North Side 2	1990	\$35,432	50%	\$17,716	\$17,716
Jetty Type 2 - A Dock	1990	\$294,771	50%	\$147,386	\$147,386
Jetty Type 2 - B Dock	1990	\$372,792	50%	\$186,396	\$186,396
Jetty Type 2 - C Dock	1990	\$464,505	50%	\$232,253	\$232,253
Jetty Type 2 - D Dock	1990	\$228,733	50%	\$114,367	\$114,367
Pumping Dock	1990	\$31,898	50%	\$15,949	\$15,949
Boardwalk 1	1990	\$18,885	50%	\$9,443	\$9,443
Boardwalk 2	1990	\$89,347	50%	\$44,674	\$44,674
Light House	1970	\$46,902	50%	\$23,451	\$23,451
Totals:		\$1,866,706		\$933,361	\$933,361

3.4 Establishing Cost New

Three approaches can be used to establish cost new:

- historical construction cost – useful for relatively new marinas (5 to 10 years)
- reproduction cost – used more often in analyzing unusual and/or special purpose building improvements
- replacement cost – applied in the analysis of typical building improvements and marina improvements

Depending on the functional utility of the marina, MPAC's assessor will select the most relevant option for the subject property.

As shown in Figure 3.5, typical building improvements at a marina include:

- marina office
- boat service facilities
- boat supply facility
- food/restaurant
- retail outlets
- washrooms
- laundry facility
- lockers
- storage sheds

Figure 3.5 also provides an illustration of how replacement cost new (RCN) is calculated for the various site improvements at a marina.

3.5 Deducting Depreciation /Obsolescence

Depreciation may include physical deterioration due to age, condition and/or use of the property. Depreciation may also include obsolescence.

Obsolescence reflects the abnormal depreciation that arises in some properties due to functional and/or externally generated economic problems.

Functional obsolescence can be the result of numerous factors, including poor or outdated designs, inadequate areas, excess operating costs, etc. Obsolescence is not related to the age of the property but to its ability to adequately perform its intended functions.

To determine whether obsolescence exists in a property, ask the question: “Could the existing facility be replaced with a more modern, efficient substitute, and if so, what would constitute this modern facility?”

Knowledge of current trends and building designs for marinas are important in recognizing obsolescence. Functional obsolescence can usually be recognized through poor design and layout, poor or inferior construction and the existence of excess operating costs.

External obsolescence is the result of a change of circumstances outside the control of the marina owner. This could be a large-scale factor such as economic recession or a more localized factor such as a new marina being constructed nearby that takes away some of the business from the marina being valued.

There are a variety of methods that can be used to quantify depreciation. However, while it is important to quantify all aspects of depreciation, it is equally important not to double count for the same aspect of depreciation while using the various approaches.

After the amount and degree of depreciation have been determined and quantified (if any), the end result should reflect the replacement cost new of the building improvements less any depreciation (RCNLD) found in the improvements.

Figure 3.5 – Value of Building Improvements at Marina

Building use	Height(ft.)	Area(sf)	Year Built	Cost/sf	RCN	% Good	RCNLD
Assembly hall/lounge	12	4791	1920	\$99.82	\$478,238	20%	\$95,647
STG-1 Storage Shed	8	1151	1975	\$20.88	\$24,033	35%	\$8,411
STG-2 Storage Shed	8	800	1975	\$26.95	\$21,560	35%	\$7,546
STG-3 Storage Shed	8	800	1975	\$26.95	\$21,560	35%	\$7,546
STG-4 Boat Storage	12	1051	1975	\$26.72	\$28,083	35%	\$9,829
STG-4 Boat Storage	12	1000	1920	\$22.69	\$22,690	20%	\$4,538
STG-6 Crane House	12	1080	1975	\$24.48	\$26,438	35%	\$9,253
Totals		10,673			\$622,602		\$142,77

3.6 Market Value Conclusion

Adding the value of the land to the value of the building and site improvements produces the market value of the property based on the cost approach analysis.

3.7 Current Value Assessments

The final step in the process is to consolidate a current value assessment for the property. Once the determination of value has been completed using the cost approach, the assessor will consider whether there is any other value in the real estate that has not been captured, or any other adjustment that may be required. An example of such a factor may be excess land.

Excess Land

Excess land is land that is surplus to current needs. The value of excess land depends on its location within the site and how well it suits future developments. Such surplus land is valued separately and added to the current value assessment arrived at for the marina.

Before arriving at an excess land conclusion, a site inspection is required to ensure that additional development would be possible. The determination of excess land involves a review of current zoning by laws as well as the current coverage and configuration of the property. The rate to be applied to value excess land is typically derived using market sales studies of vacant land sites.

A simplified example of a marina valuation, using the values derived for site and building improvements already calculated in this guide, is shown in Appendix 1.

3.8 Conclusion

This guide sets out how MPAC assessors approach the valuation of marinas for property assessment purposes.

Although it outlines the general approach adopted, it does not replace the assessor's judgment and there may be some cases where the assessor adopts a different approach for justifiable reasons.

For further information about MPAC's role, please visit mpac.ca.

Appendix A: Sample Valuation – Marina

Roll Number Address									
Marina Name									
Assessed Owner									
LAND RATE USED		% Adjustment			Acres		Rate/Acre		Value
Commercial Land Value Per Acre									\$1,524,600
Commercial Land Value Per Sq Ft									\$35
LOTSIZEAND USE									
Unit of Measure								Acres	
Park Land								0.00	
Marina Land								10.02	
Marina Use Waterlot								11.25	
Waterlot not usable								0.00	
LAND VALUE CALCULATIONS									
Land Value Parkland	\$1,524,600	x	50%	x	Acres	0		\$762,300 /ac	= \$0
Land Value Marina	\$1,524,600	x	50%	x	Acres	10.02		\$762,300 /ac	= \$7,638,246
Commercial Land Value is reduced by 50% to arrive at "Provincial Recreation Land Value" for the above calculation									
WATERLOT VALUE CALCULATION									
	\$1,524,600	x	50%	x	Acres	11.25	x	50%	\$381,150 /ac = \$4,287,938
"Provincial Recreation Land Value" is reduced by 50% to arrive at "Water Lot Areas leased to yacht clubs/marinas"									
WATERLOT VALUE NOT USABLE CALCULATION									
	\$1,524,600	x	50%	x	Acres	0	x	50% x 20%	= \$0
"Not usable water lot" value is 20% of usable water lot value									
TOTAL LAND VALUE									
								\$11,926,184	
SITE IMPROVEMENTS									
Yard Work								\$933,361	
Structure RCNLD								\$498,084	
TOTAL ASSESSMENT									
CVA								\$13,357,629	
As Assessed								\$13,357,629	