

INTERNATIONAL RESEARCH SYMPOSIUM

Amsterdam, The Netherlands · December 4 - 5, 2024

ASSESSMENT INNOVATION &
COLLABORATION WITH A FOCUS ON AI

Simplifying the Complex: Mixed Use Properties in a Mass Appraisal Environment

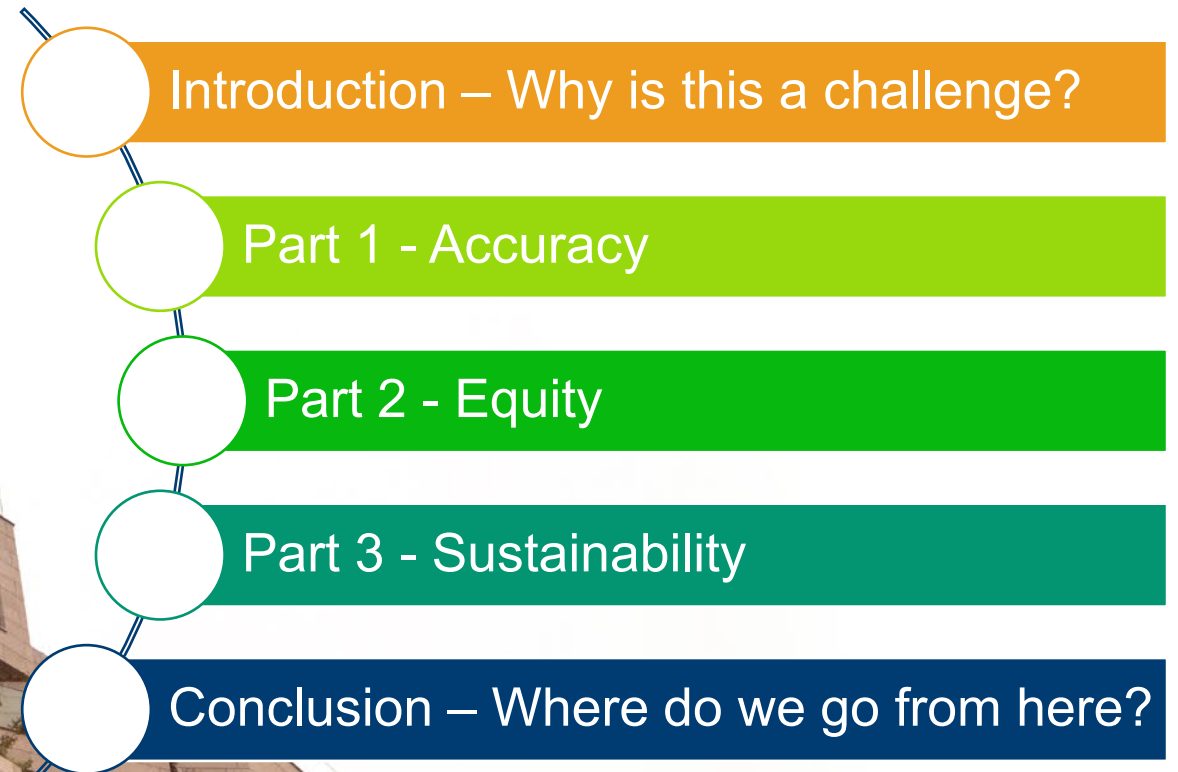
Lee May CAE, M.I.M.A.
MPAC, Ontario, Canada
Shelley Graham MRICS,
MPAC, Ontario, Canada





Mixed Use Properties in a Mass Appraisal Environment

Overview



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About the Municipal Property Assessment Corporation (MPAC)

Ontario, Canada



Ontario Government

Establishes the province's assessment and taxation laws, sets the valuation date and determines education tax rates.



MPAC

Calculates, captures and distributes assessments for all properties and buildings across Ontario.



Municipalities

Determine revenue requirements, set municipal tax rates and collect property taxes to pay for municipal services.



Property Owners

Pay property taxes for community services and education taxes to help fund elementary and secondary schools in Ontario.

About the Municipal Property Assessment Corporation (MPAC)

Ontario, Canada



Business

Value - \$488.07B

Count – 226.02K



Farm

Value - \$143.18B

Count – 469.61K



Residential

Value - \$2.25T

Count – 5.05M



Total

Value - \$2.88T

Count – 5.75M

Value Base Date = January 1, 2016



Why is this a challenge?

Expansion of Mixed Use in Ontario

- 1,300 – 1,500 large mixed-use properties with 2 or more distinct income streams
 - Multi-storey buildings with floor plates greater than 10,000 square feet
- Approximately 60 regional mall sites; 1/4 currently have mixed-use development proposals
 - Mostly medium-to-high density residential infilling (rental and/or strata)
 - Development timelines projected to vary from a few years to a few decades
- Another 100+ enclosed community mall sites available
 - Current development plans in major urban centres (i.e. Toronto)

Why is this a challenge?

Defining Mixed Use Properties

- Three or more significant revenue-producing uses (such as retail, office, residential, institutional, hotel, and/or entertainment/cultural/recreation) which in well-planned projects are mutually supporting
- Significant physical and functional integration of project components (and thus a relatively close-knit and intensive use of land), including uninterrupted pedestrian connections
- Development in conformance with a coherent plan, which frequently stipulates the type and scale of uses, permitted densities and related items

Business Geography and New Real Estate Market Analysis, Grant Ian Thrall, p.216-217

Why is this a challenge?

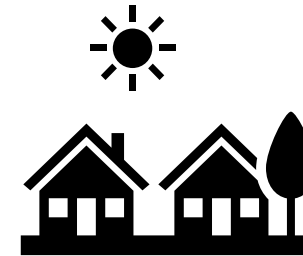
Key Differences



Single Property Appraisal

“The systemic appraisal of properties one at a time. Commonly referred to as a fee appraisal or bank appraisal, which normally determines a value of a particular property as of a given date.”

*Glossary for Property Appraisal and Assessment
Third Edition, IAAO, p124*



Mass Appraisal

“The process of valuing a group of properties as of a given date and using standard statistical methods, employing common data, and allowing for statistical testing.”

Standard on Mass Appraisal, IAAO, p5

Why is this a challenge?

Balancing Market Value and Equity



Why is this a challenge?

Planning and Approval Processes

- Official Plan Amendments
 - Official and secondary plans
- Rezoning (often site-specific)
 - How the land is to be used?
 - Where buildings can be located?
 - How high can the buildings be?
 - Allowable uses
- Site Plan Approvals
 - For each building, public space
- Informed by public engagement

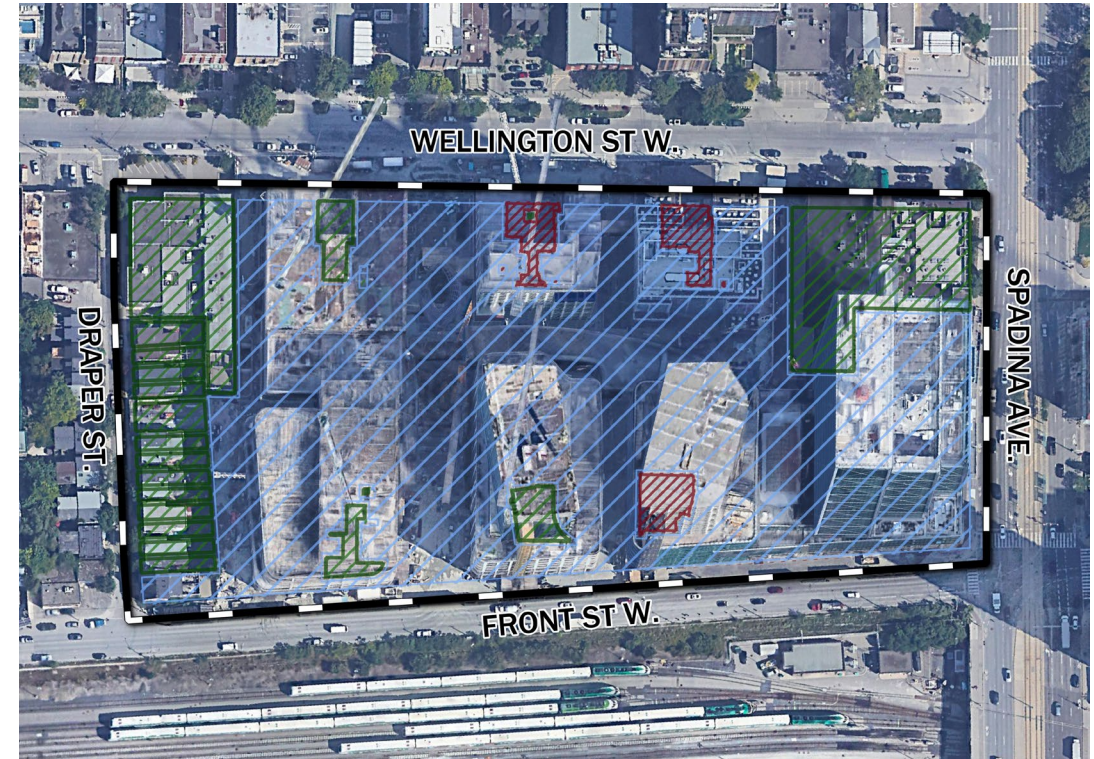
Municipalities in Ontario



Why is this a challenge?

Legal Title vs Development

- One or many parcels
- Value independently or as one asset?
- Some properties would not exist otherwise
 - Air rights
 - Pedestrian access only
- Various stages of lineage
 - Parent parcels
 - Sibling parcels
 - Child parcels



Why is this a challenge? – Case Study: The Well (Toronto, ON)

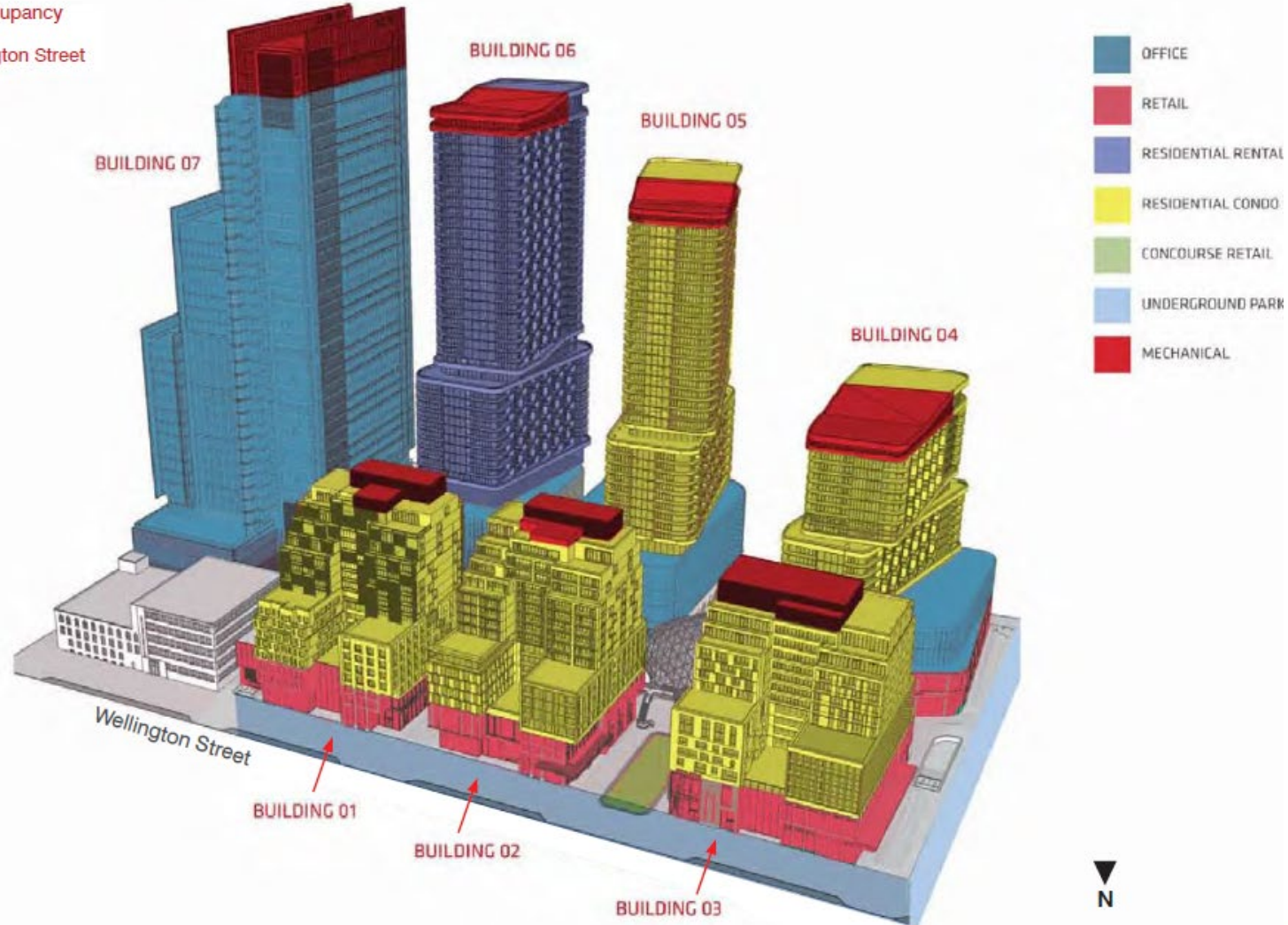


The Well is an ambitious mixed-use project located in downtown Toronto, Ontario with over:

- 1.1 million square feet of office
- 0.5 million square feet of retail and food services over a 3-level podium and concourse
- 1,700 residential units (townhouse & condominiums)
- 1,900 vehicle + 2,200 bicycle parking spaces over 4 underground levels.

Why is this a challenge? – Case Study: The Well (Toronto, ON)

Building Occupancy
View
From Wellington Street



Why is this a challenge? – Case Study: The Well (Toronto, ON)

- Multiple Uses (income streams)
 - Office, retail, residential, parking, public parkland, and publicly accessible privately-owned open space
- Physical and functional integration of development/buildings
 - Significant publicly accessible areas including urban parkland
 - Pedestrian-friendly design interconnecting all 7 buildings
- Local zoning/planning
 - 2014 Provincial Policy Statement and 2017 Growth Plan designates the site within an *Urban Growth Centre*
 - 2015 Official Plan Amendment redesignated the lands from *Regeneration Areas* to *Mixed Use Areas*
 - 2017 Zoning By-Law Amendment established the permitted uses and development standards for the site

How do we ensure accuracy?

Data



How do we ensure accuracy?

Benchmarking



How do we ensure accuracy?

How do assessors keep on top of this ever-changing property type?



How do we ensure accuracy?

How do assessors keep on top of this ever-changing property type?



How do we ensure accuracy? – Case Study: The Well (Toronto, ON)

■ Ensuring Accuracy (example)

- Single cap rate

Component	NOI	Cap Rate	Est. Value
Property	\$90.24 M	4.50%	\$2.005 B

- Many cap rates

Component	NOI	Cap Rate	Est. Value
Office	\$27.17 M	5.25%	\$517.44 M
Retail	\$22.56 M	4.50%	\$501.39 M
Residential	\$35.99 M	3.25%	\$1,107.25 M
Parking	\$ 4.52 M	4.75%	\$95.26 M
TOTAL	\$90.24 M		\$2.221 B

How do we ensure accuracy? – Case Study: The Well (Toronto, ON)

■ Ensuring Accuracy (example)

- Blended cap rates

Component	NOI / Weight	Cap Rate	Wtd. Cap	Est. Value
Office	\$27.17 M/ 30%	5.25%	1.58%	
Retail	\$22.56 M/ 25%	4.50%	1.13%	
Residential	\$35.99 M/ 40%	3.25%	1.30%	
Parking	\$ 4.52 M/ 5%	4.75%	0.24%	
TOTAL	\$90.24 M/100%		4.24%	\$2.128 B

- Comparison

Cap Rate(s)	NOI	Cap Rate	Est. Value
Single	\$90.24 M	4.50%	\$2.005 B
Many - separate	\$90.24 M	3.25%-5.25%	\$2.221 B
Many - blended	\$90.24 M	4.25%	\$2.128 B

What about equity?

Leverage Tools and Technology

- Flexible Computer Assisted Mass Appraisal (CAMA) system
 - Data structured appropriately, business-controlled valuation equations
 - Valuation equation able to call data appropriately and apply calculation (it is just math 😊)
- Data governance, quality management
 - In-system safeguards, checks and security
 - Consistent and quality data is the foundation (keep it safe)
- Multiple approaches
 - Monitor and compare various approaches
 - Compare results across population and sub-groups

What about equity?

Guidance for Assessors

- Directives
 - Formalize decisions and post
- Provide formal training
 - General valuation approaches
 - Complex property training
 - Support for formal directions
- Forum for questions
 - Access to subject market experts
 - Regular touch-points (i.e. scrums)
 - Integrated into how we work (not just during an assessment update)

What about equity? – Case Study: The Well (Toronto, ON)

- Demonstrating equity – by component

Comparable Component Cap Rates	
Office (Class A+)	5.25%
Retail (TIER 1 Regional Mall)	4.50%-5.00%
Residential (High Rise A)	3.25%

3 rd Party Reported Cap Rates	
Office (Class A+)	4.25% - 5.25%
Regional Mall	4.50% - 5.50%
Apartment (High Rise A)	3.25% - 4.75%

Subject Component Cap Rates	
Office (Class A+)	5.25%
Retail (TIER 1 Regional Mall)	4.50%
Residential (High Rise A)	3.25%

Subject Cap Rate Estimates	
Single	4.50%
Separate components	3.25%-5.25%
Blended components	4.25%

What about equity? – Case Study: The Well (Toronto, ON)

- Demonstrating equity – by component

Subject	Units	Cap Rate	Value/Unit
Office	1.1M SF	5.25%	\$470/SF
Retail	0.5M SF	4.50%	\$1,003/SF
Residential	1,700	3.25%	\$651,323/Unit
Parking	1,900	4.75%	\$50,135/Space

Comps	Cap Rates	Value/Unit
Office	5.25%	\$463-\$530/SF
Retail	4.50%-5.00%	\$990-\$1,251/SF
Residential	3.25%	\$525,723-\$671,098/Unit
Parking	3.25%-5.25%	\$40,292-\$53,457/Space

- All applied cap rates are within range of applied comparable property components
- Value per unit is within range of comparable property component values per unit

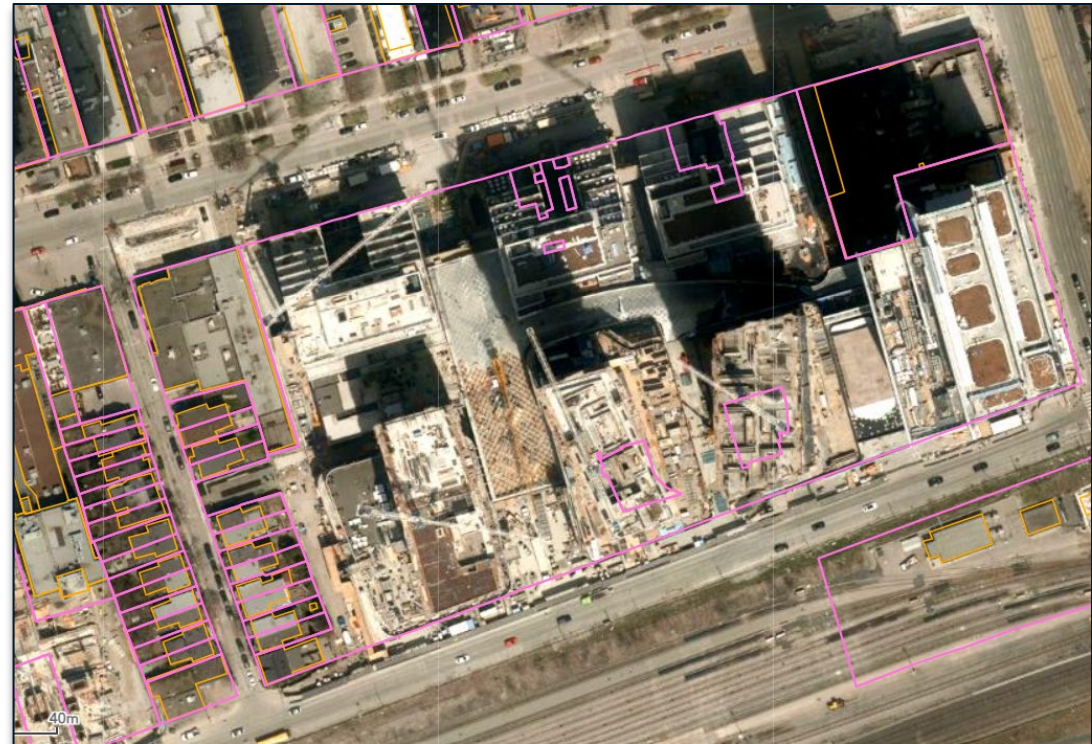
What about equity? – Case Study: The Well (Toronto, ON)

- Demonstrating equity – by timeline
- Aerial photos during construction

2018



2022

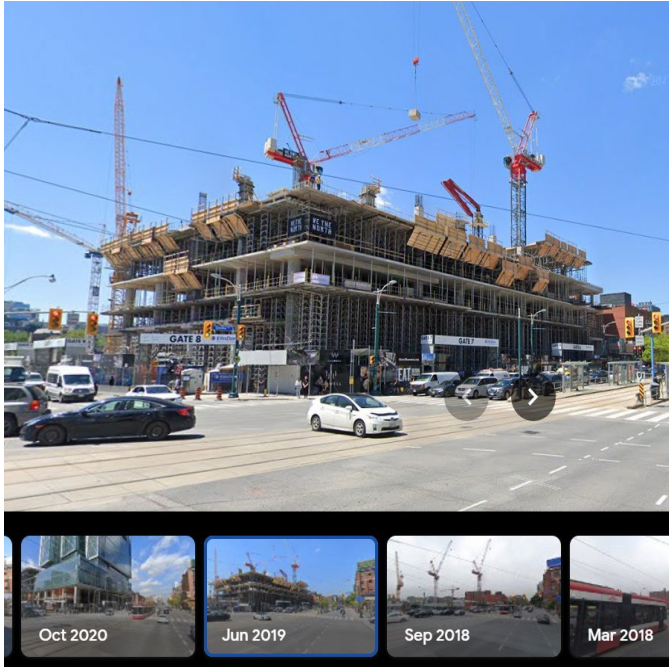


Is it sustainable?

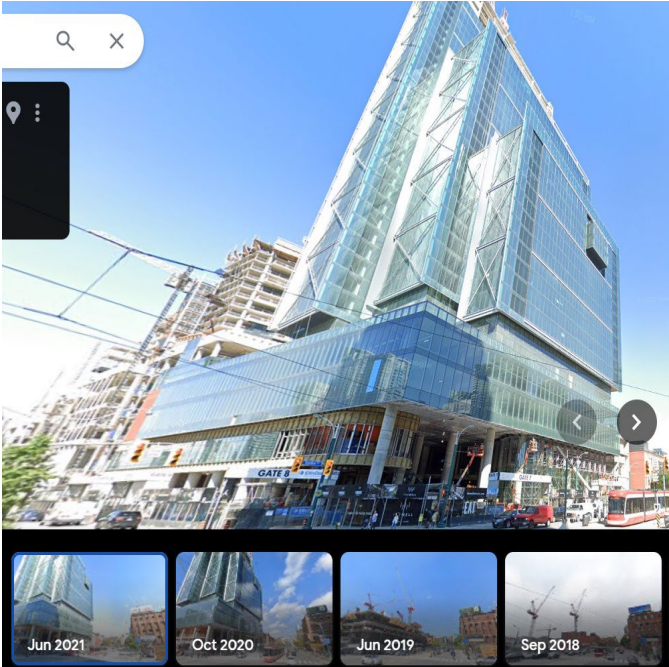
Can (should) we repeat this?

- How successful can we be defending our approach?
 - Think beyond your jurisdiction
 - Leverage friends and colleagues
 - Learn from the battle scars of other (collaborate!)
- Is it efficient?
 - Ensure your CAMA system is flexible and responsive
 - Leverage open data where possible
- How do we ensure assessors are up to date on market shifts and current developments?
 - Continuous training and engagement on emerging trends (before they show up at our door)

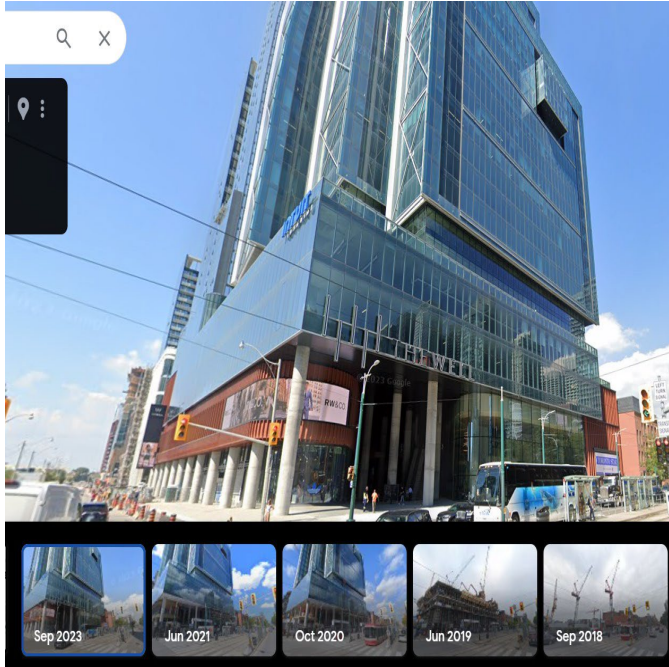
Is it sustainable? – Case Study: The Well (Toronto, ON)



2019



2021



2023

Where do we go from here?

Key Learnings

- And what did we learn?
 - Need to balance accuracy and consistency to be successful
 - Need to leverage our technology (system driven application)
 - Be open-minded and flexible (assumptions do not always equal market reality)
 - Get a little help from friends (we don't know everything)



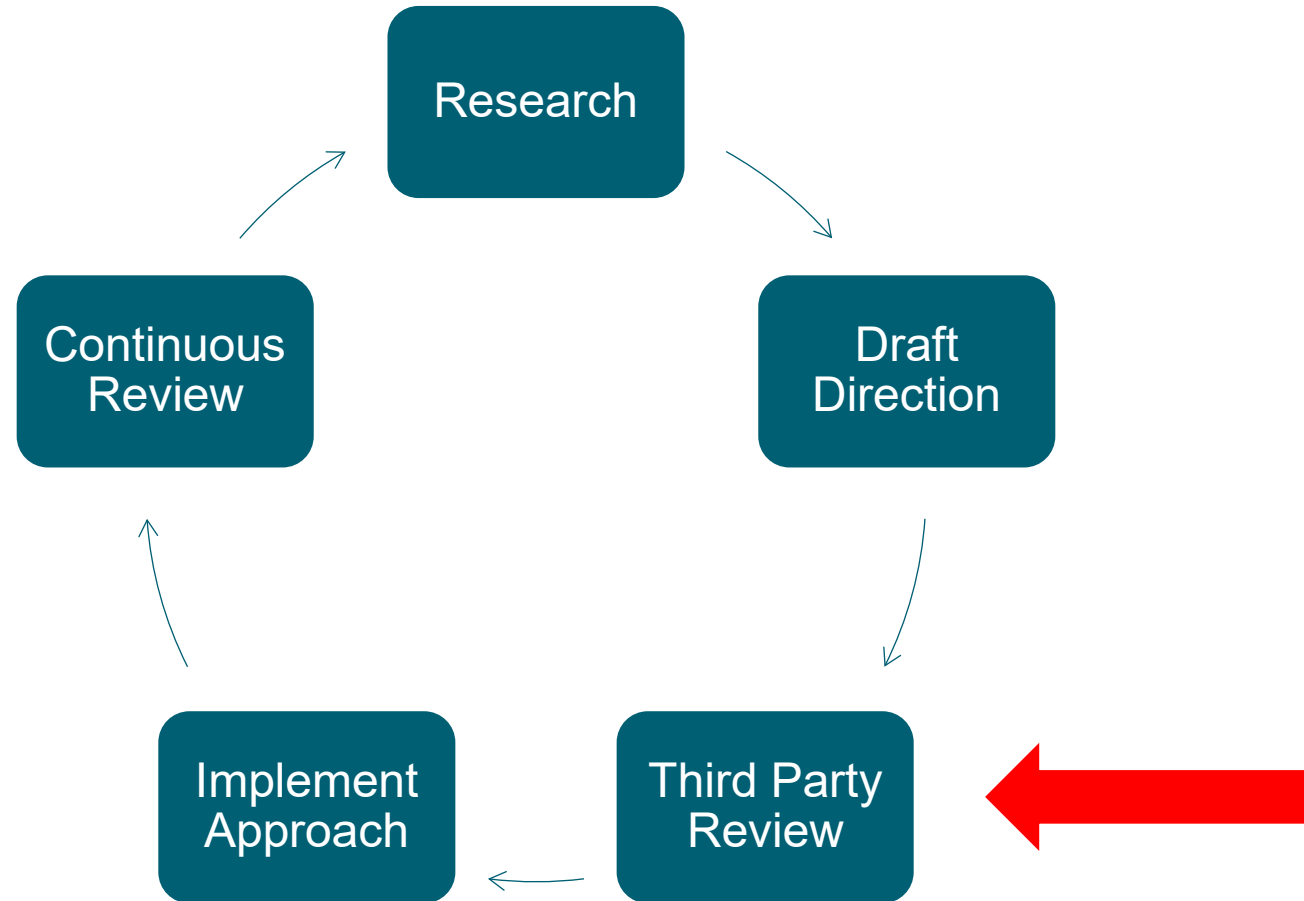
Where do we go from here?

Next Steps

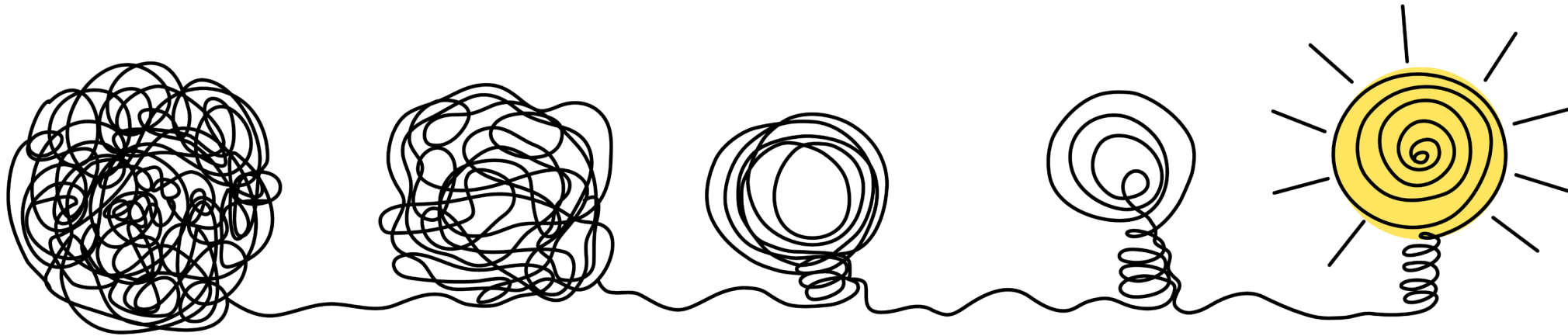


Where do we go from here?

Next Steps



Final Thoughts



Thank You!!

Questions?

Lee May CAE, M.I.M.A
Manager, Valuation, Research &
Advisory Services
MPAC
Lee.May@mpac.ca

Shelley Graham, MRICS
Director, Valuation, Research &
Advisory Services
MPAC
Shelley.Graham@mpac.ca