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RE: CONSULTATION ON THE CONSTRUCTION COST REPORTING GUIDE

The Stakeholder Advisory Committee members were asked to consider the question posed in the December 16, 2015 Discussion Document, being "*What is the most appropriate way to find and consult with experts?*"

The Discussion Document then described a partial *Construction Cost Reporting Guide* ("CCRG") consultation process which took place in 2015, and briefly summarized some of the discussion from that process about the quantification of abnormal costs under s. 2.500 of the CCRG. In terms of the most appropriate way to find and consult with experts, we are assuming the question is in relation to the quantification of abnormal costs, which includes claims for lost productivity.

The Discussion Document then closes with a request for stakeholders to contact the Assessment Services Branch with comments regarding the CCRG.

In response to the December 16, 2015 Discussion Document, the Association assembled an initial working group of assessors with over 100 years of collective experience applying the CCRG to consider the questions posed in that document, and in anticipation of the CCRG being a future discussion point. The Association believes there is a need for additional clarity in many areas and other issues addressed before there can be a meaningful discussion of the CCRG in the context of the remainder of the legislation. Without this additional clarity, the subject is so broad that it is challenging for a committee to cover the broad range of issues and come to consensus.

The summary below represents the Association's submission to the Stakeholder Advisory Committee, and to Assessment Services Branch. The Association believes there is a need for these issues to be addressed before there can be a meaningful discussion of the CCRG in the context of the remainder of the legislation.

1. The CCRG is but one component of the legislation which sets out how machinery and equipment and linear property are to be assessed.

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2. If there are to be policy changes in the following areas, this has the potential to impact the CCRG:
 - (a) definition of property;
 - (b) definition of machinery and equipment;
 - (c) definition of linear property;
 - (d) the valuation standard for machinery and equipment;
 - (e) the valuation standard for linear property; and
 - (f) the creation of a central agency to prepare machinery and equipment assessments.
3. Prior to engaging productivity experts to participate in the consultation regarding the quantification of abnormal costs, the Association recommends that the SAC be provided with an indication as to whether there will be policy changes as set out above. The CCRG is part of the procedure that must be followed in the valuation standard for machinery and equipment and linear property.
4. The valuation standard for machinery and equipment is not really a specified valuation standard (like market value). The valuation standard is described as following the procedures in the *Minister's Guidelines*. The Association recommends that the Stakeholder Advisory Group provide its submissions on what the valuation standard for machinery and equipment should be. After the valuation standard has been determined, then the CCRG is one of the parts of the legislation (along with the *Minister's Guidelines*) that would then be drafted to achieve that valuation standard.
5. There needs to be a holistic review of the assessment of machinery and equipment including:
 - (a) The *Minister's Guidelines*, in terms of Schedule B (Assessment Year Modifiers), Schedule C (effective age, age-life, depreciation schedules) and Schedule D (Additional Depreciation);
 - (b) The valuation standard per the *Matters Relating to Assessment and Taxation Regulation*, including the continued relevance of s.9(3);
 - (c) The review should be in the context of equity and transparency to other regulated or market value properties (immediate 25% depreciation, 77% regulated level, zero education tax rate, non-assessable under construction). These are historical tax abatement policy factors, imbedded in the assessment process.
6. The CCRG needs to be reviewed in the context of all relevant property types affected by the *Minister's Guidelines* (machinery and equipment described in Schedule A, machinery and equipment assessed using reported cost, and linear property).
7. Although there was a partial CCRG consultation process in 2015, that process did not address the some of the most fundamental issues with the CCRG. The CCRG needs to be completely reviewed rather than in a piecemeal manner, or limited to s. 2.500. Some of those issues are:
 - (a) is it the intent of the CCRG as it exists now, to measure reproduction or replacement cost; and
 - (b) is it the intent of the CCRG as it exists now, that all claims for abnormal costs are to be measured against what is typical or normal in the Edmonton area, or against what is typical and normal in the municipality.

Ms. Meryl Whittaker, ADM

RE: **Consultation On The Construction Cost Reporting Guide**

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The Association sponsored a full day training course on the CCRG at its 2015 Conference and, in those course materials on the issue of labour productivity, there were references to studies done on the Alberta labour market by the University of Alberta and by the Construction Owners Association of Alberta. These two organizations may be able to provide an expert to assist in the consultation process.

The Association feels strongly that prior to the continuation of consultation regarding s. 2.500 abnormal costs (productivity), there needs to be consultation on the more fundamental policy decisions as set out above. If the policy decisions are to leave the definitions and valuation standards unchanged, then clarification of the intent of the CCRG, as it exists, needs to be provided prior to a discussion of how the CCRG could be clarified.

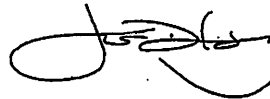
The Association has shared this reply to the December 16, 2015 Discussion Document with all of the members of the Stakeholder Advisory Committee, and looks forward to receiving the responses of other Committee Members.

In the same spirit of transparency, we ask that the Working Group Report (and all submissions received and summarized in the report) referenced in the December 16, 2015 Discussion Document, be provided to the members of the Stakeholder Advisory Committee. This would allow all Stakeholders to be up to speed, and result in more meaningful discussion when the CCRG consultation begins.

Thank you.



Lawrence Buchart, AMAA
President



John Lindsay, AMAA
President-Elect

c. S. White, Executive Director
Members of the Stakeholder Advisory Committee