

October 30, 2002

Development of a Best Practice For the Valuation of Federal Port Property

To improve the predictability of payments made under the *Payments in Lieu of Taxes Act*, the Appraisal Institute of Canada (AIC) and the Ordre des Évaluateurs Agréés du Québec (OEAQ) are undertaking a joint project to develop a series of best practices for the valuation of specialized federal real property. The categories of real property being addressed in this phase of the assignment are: ports, national park wilderness areas, and federally owned historic sites. AIC/OEAQ are simultaneously issuing individual requests for proposals (RFPs) for each of the three best practice areas. AIC/OEAQ welcome proposals addressing one, two, or all three real property categories being addressed in this phase.

The attached request for proposals addresses the development of best practices pertaining to the valuation of federal port properties. AIC/OEAQ is inviting qualified firms to submit a proposal for this assignment, based on the specifications in the attached document.

The deadline for responding to one or more of these RFPs is Friday, November 29, 2002. Complete proposals must be received in the Ottawa office of Goss Gilroy Incorporated no later than 5:00 P.M. Eastern Standard Time.

The Project Manager for this assignment, acting on behalf of AIC/OEAQ, is the consulting firm Goss Gilroy Incorporated (GGI). ***You are requested to register with Goss Gilroy Inc. as soon as possible at the address indicated below, so that you receive circulated answers to all questions asked by bidders.*** Any questions concerning this RFP should be directed by fax or e-mail, to Mr. Hendrik Siré of GGI, at the address indicated below by close of business on Friday, November 15th latest. According to the provisions in the RFP, the Project Manager will be circulating to all declared proponents the answers to questions received.

Appraisal Institute of Canada

Ordre des Évaluateurs Agréés du
Québec

(See following page for attachments and contact information for Goss Gilroy Inc.)

Attachments:

- Request for Proposals – Development of Best Practice for the Valuation of Federal Port Property
- Draft Background Study on the Valuation of Specialized Federal Real Property (available on the AIC and OEAQ Websites)

Contact Persons in Project Management Firm:

Mr. Hendrik Siré
Partner
Goss Gilroy Inc.
Suite 900
150 Metcalfe Street
Ottawa, Ontario, K2P 1P1

Telephone: (613) 230-5577
Fax: (613) 235-9592
E-Mail: hsire@ggi.ca

Mr. Jim Clarkin
Senior Consultant
Goss Gilroy Inc.
Suite 900
150 Metcalfe Street
Ottawa, Ontario K2P 1P1

Telephone: (613) 230-5577
Fax: (613) 235-9592
E-Mail: jclarkin@ggi.ca

Request For Proposals

Development of a Best Practice For the Valuation of Federal Port Property

Issued by:

**The Appraisal Institute of Canada (AIC)
and
L'Ordre des Évaluateurs Agréés du Québec (OEAQ)**

October 29, 2002

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Appendix A: Best Practice Template

Appendix B: Canadian Port Authorities

Terms of Reference

1.0 Purpose

To develop a “best practice” document pertaining to the valuation of federal port properties for the purpose of estimating a property value to be used in the calculation of federal payments in lieu of real property taxes. For the purpose of this assignment, federal port properties include port buildings, land and water lots owned by the Government of Canada, and eligible for payments under the *Payments in Lieu of Taxes Act*, which can be found at <http://www.canlii.org/>.

2.0 Background

Under Canada’s constitution, the federal government is exempt from local taxation. However, the government voluntarily accepts an obligation as a property owner to help pay the cost of local government in municipalities where it owns property. In this regard, the federal government makes payments to municipalities under the authority of the *Payments in Lieu of Taxes Act 2000* (formerly the *Municipal Grants Act*). These payments in lieu of taxes are similar to real property taxes paid by private owners of property of similar value in those municipalities. This reflects the principles of fairness and equity within the context of different property tax regimes, as they exist across Canada; these principles have helped to guide the Payments in Lieu of Taxes Program since its inception in 1950.

One of the issues raised frequently by municipalities about the Federal Government’s Payments in Lieu of Taxes Program has been the impact of valuation disputes between local assessment authorities and federal officials on the predictability of payments. Many municipal representatives have voiced strong opinion and surprise that federal officials and assessors, working under the same laws and applying the same appraisal principles, would frequently arrive at widely differing opinions of value for federal special purpose property.

While the government’s payments program is moving towards providing greater equivalency between federal payments and the taxes paid by other property owners, several factors make completely equivalent treatment difficult to achieve. For example, because the government’s payments program extends beyond provincial boundaries, it needs to be managed from a national perspective. The program’s respect for the varied approaches of each municipality and province must be balanced with a reasonable degree of consistency among different regions of the country.

Another complication is the fact that many Government properties have no true equivalent elsewhere in terms of their essential characteristics or of the reasons why the Government is holding the properties in the first place. Special purpose properties, such as ports, prisons, military bases, airports and national parks, often do not have counterparts in the taxable real property sector, which makes a fair and equitable position on these properties difficult to determine.

In spite of these difficulties, it is important to provide both provincial assessors and federal valuation officers with clear standards and methodologies for the valuation of special purpose properties. To the extent feasible, these standards and methodologies should be applied on a national basis to provide predictability with regard to the level of payments, while respecting principles of fairness and equity.

It is equally important that these standards and methodologies be firmly rooted in accepted valuation theory and practice, and that they be developed within a cooperative environment that incorporates the opinions and concerns of interested parties and practitioners. The overall intent is to promote a more predictable and equitable environment for determining payments in lieu of tax.

To help reduce the number and magnitude of the disputes, and improve the predictability of the payments made under the *Payments in Lieu of Taxes Act*, it is proposed that a series of “best practices” be developed for the valuation of federal special purpose properties. It is expected that the Canadian professional appraisal organizations will develop these best practices in consultation with Canadian assessment authorities, the Federation of Canadian Municipalities and federal custodian departments.

The Appraisal Institute of Canada (AIC) and the Ordre des Évaluateurs Agréés du Québec (OEAQ) have accepted to jointly undertake a major project to develop best practices for the valuation of specialized real property for assessment purposes. The categories of real property to be addressed are: ports, national park wilderness areas, national historic sites, penitentiaries, and military bases. The current request for proposals, which will lead to the development of a best practice for federal port properties, forms one part of this larger project.

As a first step in pursuing this project, AIC/OEAQ initiated a Background Study, the primary purpose of which has been to examine and report upon provincial assessment legislation and related jurisprudence with respect to the identified specialized properties, including ports. This Background Study is a key reference document for the development of a best practice and case study for federal port property. A draft copy is available through the AIC and OEAQ Websites.

3.0 Objective

The objective of this assignment is to develop a best practice with respect to the valuation of port property and facilities for the purpose of determining the amounts of federal government Payments in Lieu of Taxes (PILT).

The best practice developed through this assignment must be suitable to serve as an authoritative standard for the valuation of port properties for assessment purposes. Thus, the best practice must have national relevance, must embody “world class standards” in the field of valuation, and must have lasting impact. The best practice must be able to

withstand expert review and scrutiny, must produce results that are clearly superior for stakeholders, and must enjoy broad support within the diverse stakeholder communities. More practically, it is believed that all stakeholders will benefit from a best practice that incorporates the principles of fairness and equity, and that increases the efficiencies and predictability around federal payments in lieu of taxes.

It is expected that the best practice developed through this assignment will be based on a thorough appreciation of all relevant issues, a complete understanding of assessment methodologies, as well as comprehensive research into the practices of various jurisdictions. The best practice should be based on a fair and unbiased interpretation of appropriate and supportable appraisal theory. The resulting best practice will be prepared in accordance with the template included as Appendix A.

As a separate assignment, the proposed best practice will be tested using a case study based on an appropriate port-related property assessment situation. This case study, which will examine the performance of the best practice, will be undertaken after the best practice is substantially complete and may form a follow-up assignment to the development of the best practice. It may also indicate the need to adjust the best practice based upon lessons learned in the application of the practical case study.

4.0 Scope and Methodology

In order to ensure that the best practice resulting from this assignment does in fact reflect the highest standards and the most authoritative treatment of assessment issues, the Consultant will incorporate the following into the development of the best practice:

- ◆ Upon review of the Background Study, and in consultation with the Project Manager, the Steering Committee, and key stakeholders, develop a short list of port valuation issues that can usefully be addressed within the scope of this best practice. Please note that in developing the best practice for ports, issues surrounding site contamination, heritage values and designation, and questions of eligibility (i.e. whether specific types of port property are eligible for PILT payments) are to be excluded from the scope of the best practice.
- ◆ Using the Background Study as a starting point, undertake research and investigations into the practices and procedures used by Canadian and international assessment jurisdictions for the valuation of port properties. It is expected that these investigations will include Canadian jurisdictions where significant federal port properties are located, and at least three non-Canadian jurisdictions (two U.S. jurisdictions and one other jurisdiction – these jurisdictions to be selected in consultation with the Project Manager). As part of this research, the Consultant will examine relevant jurisprudence in these assessment jurisdictions, and evaluate any impacts on port property valuation.
- ◆ Research and investigate the relevant practices and procedures used by the Provincial Directors of Assessment or other assessment authorities with respect to the valuation of

federal port properties. The Consultant will review the necessary documentation and interview up to 15 relevant officials in order to develop a complete understanding of provincial practices and procedures, the rationale behind these practices and procedures, the impact they may have with respect to valuation of federal port properties, and the implications of different valuation approaches.

- ◆ Research and investigate the relevant practices and procedures used by PWGSC's Regional Valuation Offices in the PILT Directorate to determine "property value" as defined in the *PILT Act* and associated regulations. The Consultant will review the necessary documentation and interview up to 10 relevant federal officials in order to develop a complete understanding of federal practices and procedures, the rationale behind these practices and procedures, the impact they may have with respect to valuation of federal port properties, and the implications of different valuation approaches. It is imperative for undertaking this study that the Consultant develop a complete understanding of the *PILT Act*, including how the Act defines properties and improvements that are assessable under the Act.
- ◆ Interview port authorities and appropriate officials within Transport Canada to identify and discuss important issues for consideration. This will include interviews with representatives from up to six port authorities and the Association of Canadian Port Authorities, as well as the review of any documentation prepared by these groups (Appendix B). As well, up to six appropriate officials from the Department of National Defence will be interviewed with respect to issues concerning DND's port facilities on the East and West coasts.
- ◆ Interview selected municipal taxing authorities to identify and discuss relevant issues to be investigated related to valuation of port properties. This will include interviews with representatives from up to six municipalities and from the Federation of Canadian Municipalities. The municipalities interviewed will be determined based on consultation with the Federation of Canadian Municipalities. As well, the Consultant will review any documentation prepared by the Federation of Canadian Municipalities or other municipal groups.
- ◆ Based on the interviews held and the research undertaken, identify and quantify factors that may affect the valuation of port properties for assessment purposes, consistent with the issues being addressed.
- ◆ Develop a best practice for identified issues that is firmly supported by current appraisal and assessment principles, which respects current jurisprudence, and which conforms to the requirements of the *PILT Act* and associated regulations. The best practice procedure must address the concerns and opinions raised during the interview process. After taking all views and opinions into account, the Consultant will incorporate those factors that provide a fair, consistent and workable approach to property valuation.

To achieve efficiency and timelines, the above interview programs can be conducted by telephone, E-mail, and fax.

5.0 Deliverables

The deliverables for this assignment will be provided in English and will include the following:

- ◆ A comprehensive research framework for undertaking the assignment, identifying the valuation issues to be targeted, describing the approach to the data-gathering and research phase of the assignment, and providing a complete set of interview guides, targeted to specific interviewee groups. This deliverable is to be completed within 15 calendar days of contract award.
- ◆ A Research and Interview Report detailing the results of the research and interview processes, and include the identification of draft findings and conclusions for guiding the writing of the best practice. This deliverable will be reviewed by the Steering Committee and is to be completed within 94 calendar days of contract award.
- ◆ A draft report describing the “best practices” for determining the “federal property value” as defined in the *PILT Act* and associated regulations. This report will include the best practice, formatted in accordance with the template provided in Appendix A, as well as the rationale for the best practice and supporting references. It is expected that three draft versions of this report will be required: Draft #1 is to be completed within 14 calendar days of acceptance of the Research and Interview Report by the Steering Committee; Draft #2 is to incorporate Steering Committee comments and is to be completed within seven calendar days of receiving comments from the Steering Committee; this Draft will be circulated to stakeholders for comment. Draft #3 is to be completed within seven calendar days of the conclusion of AIC/OEAQ stakeholder consultations and incorporates stakeholder input. Draft #3 will be used in the preparation of the case study. The Consultant may also be required to make modifications to the best practice based on the results of the case study.
- ◆ The preparation of a case study based on the draft #3 of the Best Practice will be done through a separate contract and is outside the scope of the current Request for Proposals. AIC/OEAQ will award the contract or contracts for undertaking case studies at a later point in time.

6.0 Assignment Context

In developing the project methodology, the following factors should be taken into account:

- ◆ AIC and OEAQ have established a Steering Committee to direct this project. As well, the consulting firm Goss Gilroy Incorporated (GGI) has been selected to serve as the Project Manager for the overall project. GGI will be providing advice to the Steering

Committee concerning the completeness and adequacy of all deliverables, and will be acting on behalf of the Steering Committee in communicating information and instructions to the Consultant. As well, GGI will be responsible for the translation requirements of all key project documents, including interview guides used by the Consultant.

- ◆ The Consultant will work with GGI and the Steering Committee to ensure the successful completion of this assignment. This will include: following the suggestions of the Steering Committee concerning the conduct of the study, including the parties to be interviewed; keeping the Steering Committee fully informed as to the progress of the assignment; and incorporating inputs and changes suggested by the Steering Committee. While the Steering Committee will direct the progress of this study, communication between the Consultant and the Steering Committee will be through GGI. The Consultant's consultations with GGI and the Steering Committee will be through conference calls and e-mails, rather than through meetings.
- ◆ The Consultant will be required to conduct interviews with parties across the country. It is expected that this task can largely be carried out through the use of telephone, fax and/or e-mail, thereby reducing or eliminating the need for travel. It is essential that the Consultant have the ability to conduct interviews in both official languages.
- ◆ In examining the issues surrounding this assignment, the Consultant will be exposed to a wide range of opinions and points of view. It is expected that the Consultant will act in a fair and unbiased manner, seeking to provide a workable and balanced approach, based on factual evidence, while taking into account all arguments and points of view.
- ◆ Support by stakeholders in all regions of the country will be critical. In order to achieve this, stakeholder consultations will be carried out by the Steering Committee based on draft #2 of the best practice report. This consultation process will take roughly five weeks, and will occur prior to the case study being undertaken. While the Consultant will be expected to cooperate with this process, the level of direct Consultant involvement will be minimal.
- ◆ Ownership of all reports and materials produced as part of this assignment will be retained by AIC/OEAQ. Documents obtained from other parties in the course of the assignment are to be transferred to Goss Gilroy Inc., the Project Manager of the assignment, upon request.
- ◆ Interviews shall be conducted according to the language of preference of the interviewee. However, draft deliverables are to be submitted in English and the language of interaction with the Project Manager and the Steering Committee is to be English.

7.0 Financial

The maximum total budget for this assignment is \$48,000, including all fees and disbursements, but not including GST. The proposals that are received will be assessed based on how well they meet all project requirements within the available budget for this assignment.

It should be noted that:

- Provision for travel expenses are not included in the proposed cost for the project. However, over the course of the assignment, the need for some travel may develop, either to conduct some interviews or to meet with the Steering Committee. If this is required, the contract will be amended to include professional fees and travel expenses for specifically authorized travel. In this event, all travel expenses are to be billed at cost in accordance with Treasury Board guidelines, and supported by receipts.
- Translation of interview guides and draft deliverables (to be submitted to stakeholder consultations) will be organized and paid for separately by the Project Manager.
- Costs related to the preparation of one or several case studies applying the Best Practice are not to be included in the scope of this assignment.
- Progress payments are to be tied to the receipt and acceptance of identified project deliverables, according to the following schedule:

Deliverable:	Percentage of Professional Fees:
Acceptance of research framework	15 per cent
Acceptance of research and interview report	25 per cent
Acceptance of Draft #2 Best Practice (prior to issuance for stakeholder consultations)	20 per cent
Acceptance of Draft #3 Best Practice (prior to undertaking of Case Study)	30 per cent
Acceptance of final best practice, incorporating lessons learned from case study	10 per cent

8.0 Proposal Requirements

Bidders are to submit a comprehensive proposal detailing how this assignment will be undertaken, and their qualifications for successfully completing the assignment. This should include:

- An indication of the Consultant's understanding of the objectives, scope and requirements of this assignment;
- A thorough methodology and work plan, showing all required tasks, the consultants assigned to tasks, and the levels of effort associated with each task;

- A schedule for undertaking the assignment, including the estimated completion date for each task, and showing the delivery of draft #1 of the best practice report by March 2003, and total project completion by October 2003.
- The identification of the proposed project team, including the role, qualifications and related experience of all team members;
- The Consultant's approach to project management, emphasizing: project accountability; procedures to ensure adherence to established project timelines (including the steps required to effectively manage the interview program); the assurance of quality in all deliverables; effective communication with GGI, the Project Manager, and the Steering Committee; and expert coordination of assigned human resources, both in-house and sub-contractor; and
- The total cost of the proposal, with per diems of each resource per 7.5 hour day indicated.
- A brief description of the firm and its capabilities.

The deadline for responding to one or more of these RFPs is Friday, November 29, 2002. Complete proposals, with eight copies, must be received in the Ottawa office of Goss Gilroy Incorporated no later than 5:00 P.M. Eastern Standard Time. Please note that faxed and E-Mailed proposals will NOT be accepted.

Proposals may be submitted in either English or French.

AIC/OEAQ reserves the right to negotiate with successful bidders concerning the areas to be studied and the final terms and conditions of the contract. AIC/OEAQ reserves the right not to award a contract; in this remote eventuality, no compensation will be offered to bidders.

Any questions concerning this RFP should be directed by fax or e-mail, to Mr. Hendrik Siré of GGI, at the address indicated below. Questions are to be submitted before close of business, Friday November 15, 2002. A complete list of all questions received, with an appropriate response, will be sent to all parties who have registered with the Project Manager at the address provided in this RFP.

In addition to this request for proposals, AIC/OEAQ is also issuing at the same time requests for proposals for the development of best practices for the valuation of two other categories of federal property: wilderness areas and historic sites. AIC/OEAQ welcomes proposals addressing one, two or three of these best practices in one assignment.

9.0 Evaluation Criteria

The following criteria will be used by the Steering Committee to evaluate each proposal. Bidders are advised to address these criteria in sufficient depth in their proposals to enable a thorough assessment. The successful bidder will have the highest overall point score, and will also have an acceptable rating with respect to each individual criterion.

Evaluation Criteria	Maximum Points
Project Team: The project team should include individuals with academic qualifications and experience in real property, real property law, property valuation and assessment. The project team should include at least one accredited member of either the AIC or OEAQ.	25
Understanding of Project Requirements: The proposal should illustrate the bidder's clear understanding of the requirements related to this assignment, as well as an understanding of the property valuation and assessment issues that have a bearing on the assignment.	15
National Coverage: The proposal should illustrate the bidder's ability to investigate issues and to fairly and equitably understand and interpret the wide range of stakeholders' opinions in all regions of the country, including data-gathering ability in both English and French.	20
Methodology: The bidder should provide a comprehensive description of the approach, including specific tasks, to complete the assignment. The methodology will be assessed based on its completeness, its responsiveness to identified requirements, and its likelihood of successfully bringing about the intended results.	20
Project Management: The proposal should illustrate the methods and techniques to be employed by the Consultant to ensure that all project deliverables are on time, on budget and of the required quality. This should include satisfactory methods for conducting an interview program, and for reporting the progress and evolving issues related to this assignment to the Project Manager and to the Steering Committee.	10
Ability to Accomplish Project Objectives Within Budget: Proposals will be assessed based on how well they address all project objectives and requirements within the identified budget and schedule for this assignment. The total project cost should be equal to or less than \$48,000 plus GST. For proposals of similar quality, higher points will be awarded to the lower cost proposal.	10
Total Rating Points	100

10.0 Project Manager Contacts

This contract will be managed on behalf of AIC/OEAQ by the consulting firm Goss Gilroy Inc. The appropriate contact persons for questions pertaining to this assignment are:

Mr. Hendrik Siré
Partner
Goss Gilroy Inc.
Suite 900
150 Metcalfe Street
Ottawa, Ontario, K2P 1P1

Telephone: (613) 230-5577
Fax: (613) 235-9592
E-Mail: hsire@ggi.ca

Jim Clarkin
Senior Consultant
Goss Gilroy Inc.
Suite 900
150 Metcalfe Street
Ottawa, Ontario K2P 1P1

Telephone: (613) 230-5577
Fax: (613) 235-9592
E-Mail: jclarkin@ggi.ca

Appendix A

Best Practice Template

Best Practices shall be developed with the following format and under the following headings:

Title Page

TITLE: Provide the descriptive name of the best practice.

DATE: Provide the date of the best practice.

ORIGINATING ENTITIES: Appraisal Institute of Canada and l'Ordre des Évaluateurs Agréés du Québec

INQUIRIES: Identify the persons or positions within AIC and OEAQ to which inquiries or additional information may be directed.

Body

OBJECTIVE: State the intention or objective of the best practice and the issues addressed.

BACKGROUND: Explain the origin and nature of issues relating to the best practice.

BEST PRACTICE: Present guidelines, based on research undertaken and the input of stakeholders.

DEFINITIONS: Define terms or key words in order to ensure proper interpretation of the best practice.

RATIONALE: Provide the rationale for the best practice and outline the improved performance that is expected to result from following the best practice. Supporting detail can be provided in an appendix.

RELATED REFERENCES: Bibliography listing any related Acts, policies, regulations, directives and guidelines, and indicating, where relevant, where information can be obtained (i.e. internet address).

Appendices

APPENDICES: Supporting information and examples of analyses and calculations can be included in appendices as appropriate.

Appendix B : Canadian Port Authorities

Facility Vancouver Port Authority

Municipality City of Vancouver, B.C.
Municipality North Vancouver District, B.C.
Municipality District of Delta, B.C.
Municipality West Vancouver District, B.C.
Municipality City of Port Moody, B.C.
Municipality District of Burnaby, B.C.
Municipality City of North Vancouver, B.C.

Facility Fraser River Port Authority

Municipality City District of Surrey, B.C.
Municipality City of New Westminister, B.C.
Municipality City of Richmond, B.C.
Municipality District of Delta, B.C.

Facility Nanaimo Port Authority

Municipality City of Nanaimo, B.C.

Facility North Fraser Port Authority

Municipality City of Burnaby, B.C.

Facility Port Alberni Port Authority

Municipality City of Port Alberni, B.C.

Facility Prince Rupert Port Authority

Municipality City of Prince Rupert, B.C.

Facility Toronto Port Authority

Municipality City of Toronto, Ontario

Facility Thunder Bay Port Authority

Municipality City of Thunder Bay, Ontario

Facility Hamilton Port Authority

Municipality City of Hamilton, Ontario
Municipality City of Burlington, Ontario

Facility Windsor Port Authority

Municipality City of Windsor, Ontario

Facility Quebec Port Authority

Municipality City of Quebec

Municipality City of Sillery

Municipality Town of Beauport

Facility Sept-Îles Port Authority

Municipality City of Sept-Iles, Quebec

Facility Trois Rivières Port Authority

Municipality City of Trois Rivières, Quebec

Facility Saguenay Port Authority

Municipality Ville de La Baie

Facility Montreal Port Authority

Municipality City of Montreal, Quebec

Municipality City of Montreal East

Municipality Town of Contrecoeur

Facility Halifax Port Authority

Municipality Halifax Regional Municipality

Facility St. John's Port Authority

Municipality City of St. John's, Newfoundland

Facility Saint John Port Authority

Municipality City of Saint John, New Brunswick

Taxing Auth. Province of New Brunswick

Facility Belledune Port Authority

Municipality Belledune LSD

Taxing Auth. Province of New Brunswick