

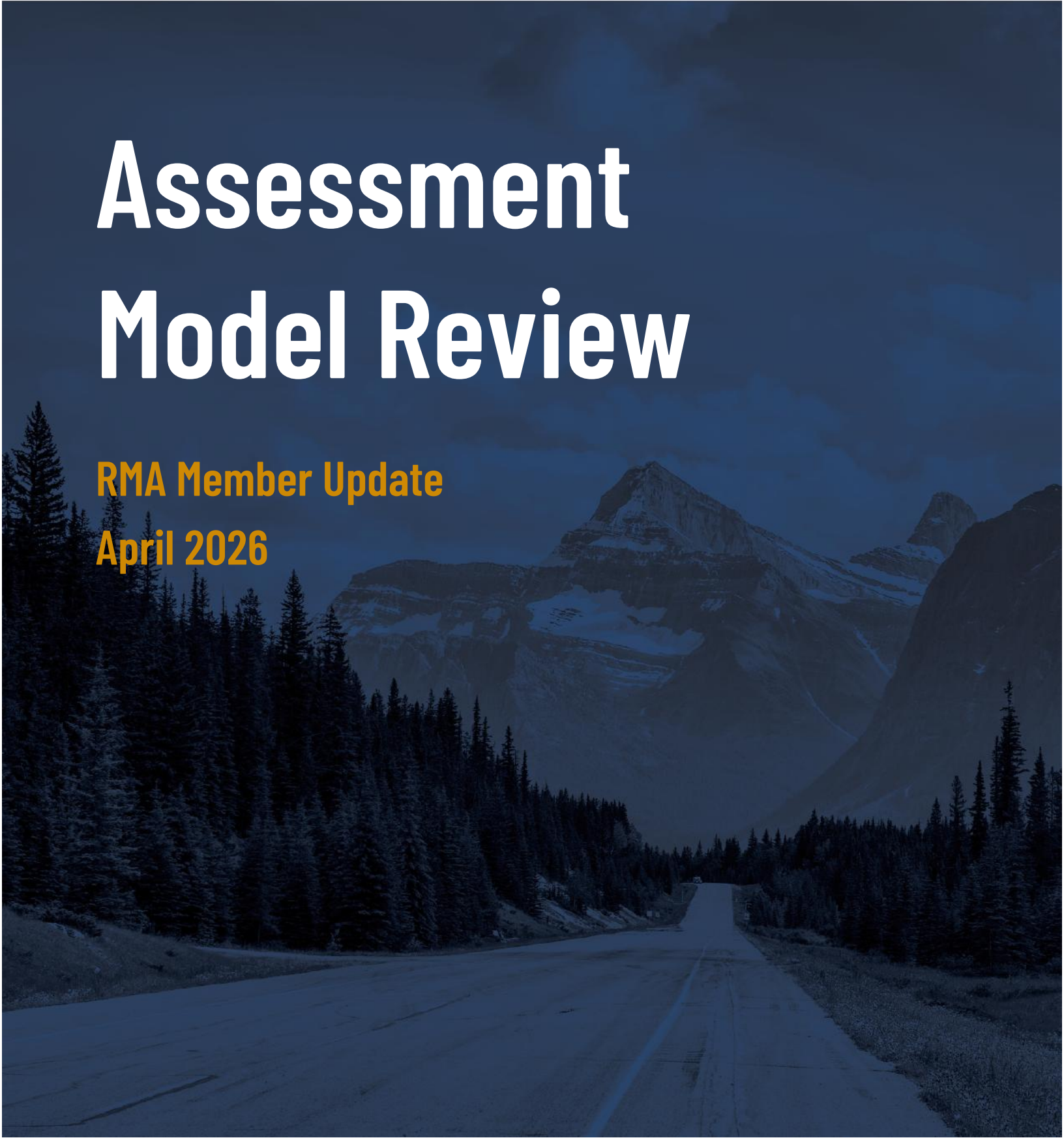


RMA
RURAL MUNICIPALITIES
of ALBERTA

Assessment Model Review

RMA Member Update

April 2026



On April 2, Minister of Municipal Affairs Dan Williams provided municipalities with a series of policy decisions related to the assessment model review (AMR), as well as next steps for process.

As the AMR has been on hiatus since April 2025, some new RMA members may be unaware of its purpose and importance to rural municipalities, and many RMA members returning for another election term may require a refresher on progress made to this point. This update provides an overview of the AMR, the reasoning for the April 2025 hiatus, a summary and analysis of the Minister's April 2 decisions, and RMA's AMR approach moving forward.

As is explained below, the Minister's decisions on issues already discussed at the AMR table are, on balance, a reasonable compromise of the perspectives of various stakeholders participating in the process, and reflect his prioritization of a modernized cost-based regulated assessment model that clarifies a number of fundamental assessment model principles, transparency in assessment methodology, and predictability in assessments from year to year. Unfortunately, the policy decisions also included several key points that have not been thoroughly explored in the AMR process so far, RMA is very concerned with several of the Minister's decisions in areas that have not yet been addressed as part of the AMR, and their potential impacts on the process moving forward.

Assessment Model Review: An Overview

The Government of Alberta is undertaking an [assessment model review](#) (AMR) for industrial properties assessed under a regulated assessment model (excluding farmland). RMA is participating in this review, along with other municipal and industry stakeholders, which have formed an AMR Steering Committee.

While most properties in Alberta are assessed using market value methods, some large industrial properties are assessed using a cost-based methodology that is created and regulated by the GOA. Regulated properties are not well-suited to market value assessment because they are very large, unique, are rarely bought or sold, and cross municipal boundaries (or a combination of all four). Regulated properties included in the current AMR are:

- ◆ Telecommunications
- ◆ Pipeline
- ◆ Railway
- ◆ Wells
- ◆ Electric power systems
- ◆ Machinery and equipment

The intent of the AMR is to analyze and update the regulated rates applied to assess the various property types, as well as overarching policies that impact valuation of all property types, such as assessment year modifiers and the Construction Cost Reporting Guide (CCRG). The AMR began in spring 2024, and the Government of Alberta initially set a completion date of 2028, including time to consider and (if needed) mitigate impacts that changes to assessment rates or methodologies may have on industry or municipalities. That timeline has now been extended to 2029.

April 2025 Hiatus

Between the commencement of the AMR in spring 2024 and the Minister's decision to place the process on hiatus in April 2025, the AMR Steering Committee focused on three areas:

- ◆ Development of principles to characterize the purpose of the regulated assessment model and to be used as a benchmark against which to measure proposed changes to assessment methodology and rates.
- ◆ Updating of assessment year modifier (AYM) methodology.
- ◆ Updating of Construction Cost Reporting Guide, which is used to derive the base construction costs for unique properties that do not have regulated rates.

While the AYM updating process resulted in [consensus on new interim AYM methodology](#) (to be further updated at the end of the AMR process to align with other changes made), both the principle development and CCRG changes were complex and contentious.

The AMR Steering Committee developed a series of principles under three subheadings: equity, transparency, and efficiency. By April 2025, consensus had been reached on all principles within the transparency and efficiency categories, as well as several in the equity category. However, two principles remained as non-consensus. The first related to whether equity between different properties should be based on having a common or comparable assessment outcome (or assessed value), or whether it should be based on a consistent assessment process. Industry pushed for a principle that utilized the concept of “equity in outcome.” Municipalities, led by RMA, advocated for a principle related to “equity in process.” The difference is that the industry position would open the door to modifying the regulated model to make sure that properties paid a similar assessment regardless of what the regulated formula determined. The municipal position, on the other hand, argued that the assessed value is irrelevant to equity between properties. In a regulated model, the process and its appropriate application is what drives equity among properties. Equity of outcomes is a market-based concept, and the regulated model, by definition, is NOT a market-based model. In support of this position, we referenced sections of the MGA and tribunal decisions throughout the engagement process.

The second non-consensus principle related to depreciation. While industry pushed for a principle indicating that all property types should be subject to the same type of depreciation, municipal stakeholders advocated for a principle stating that depreciation should be determined separately for each property type and that different property types, with different characteristics should be treated differently in terms of how their value depreciates for the purposes of assessment.

In addition to non-consensus on principles, municipal and industry stakeholders were unable to agree on changes to the methodology used to determine the base construction cost of properties for assessment purpose (found within the CCRG).

The purpose of the CCRG is to provide assessors and property owners with common rules for what construction costs are included in assessments, and how those costs are measured and reported.

The primary areas of disagreement related to the CCRG were the following:

- ◆ Determining what costs can be excluded from assessment.
- ◆ Determining if and how to account for location-based differences in labor productivity.
- ◆ Determining at what point in a property’s life span “construction” begins and ends.
- ◆ Determining how replacements to the equipment and expansions to the property should be handled for assessment purposes.

Under the current CCRG, clarity was lacking in all four areas, which led to inconsistent assessments, inconsistent sharing of assessment data by industry, and frequent complaints and appeals. Within the AMR process, industry pushed for the formalization of many of the grey areas and expansion of what

costs can be excluded from assessment. Municipal groups pushed for clarity and that all construction costs should be assessable except for specific reasons such as a “Black Swan” events.

While the principle development process resulted in significant consensus aside from disagreement on two important principles, the CCRG process led to virtually no agreement in any area.

Following an AMR Steering Committee meeting in April 2025, during which it was clear that industry and municipal stakeholders would not reach consensus related to the principles or the CCRG, the Minister of Municipal Affairs paused the AMR to make decisions on non-consensus issues, which would then allow the process to resume with a focus on updating regulated rates for specific property types. The original intent was to resume the process in June 2025. Minister McIver was replaced by Minister Williams shortly after the hiatus. This significantly delayed the process as Minister Williams had to be briefed on and learn about an extremely technical and contentious issue, and from there, reach his own decisions on the non-consensus issues.

Minister’s April 2026 Policy Decisions

On April 2, 2026, Minister Williams provided municipalities with a letter, fact sheet, and FAQ document outlining AMR-related policy decisions, as well as decisions on several issues not yet addressed in the AMR. The AMR Steering Committee, including RMA staff, received a separate briefing on the decisions which included more detail than what is found in the documents sent to municipalities. The information below is, in some cases, based on the Steering Committee briefing.

The decisions are summarized as follows:

AMR Principles

The Steering Committee reached consensus on several principles, but in two areas, municipal and industry stakeholders were fundamentally opposed.

For the first area, dealing with equity in process versus equity in outcome, the Minister has developed a principle that attempts to recognize both aspects, by stating that application of similar prescribed process should result in comparable assessments, and if not, those differences are explainable. This is not ideal as it still references assessment outcomes, but the use of “comparable” as opposed to “similar” or “equal,” along with the reference to understanding why outcomes may differ, imply that equity is achieved if the process is applied properly and that property owners can understand how the process factors influenced their assessed value. It is also important to note that proposed changes to the MGA through Bill 28 further clarify and legislatively embed the concept of equity in process (addition of s. 293(1.1)). The proposed addition of s. 293(1.1) is consistent with section 467(4) and section 499(3)(a).

For the second area, dealing with the scope of depreciation and whether depreciation methodology is applied across all property types or on an individual property basis, the Minister has developed a principle indicating that applicable forms of depreciation are applied consistently among regulated property types. This is a positive outcome as it clarifies that appropriate depreciation methodologies will be determined for individual property types, and that a depreciation methodology that is relevant to one property type may not be appropriate for others.

CCRG/Construction Cost Methodology

Opposition among industry and municipal stakeholders related to how to determine assessable construction costs primarily related to determining excluded costs, addressing location-based

differences in labour productivity, and determining the beginning and end of “construction” for assessment purposes. The Minister has made decisions in all three areas:

1. Assessable Costs and Exclusions

Decision

- ◆ Exclusions will apply only to extraordinary (“Black Swan”) events and safety/ permitting-related costs.
- ◆ An exhaustive list of excluded costs will be created.
- ◆ All other costs must be included in assessment, including:
 - ◇ Building around existing equipment
 - ◇ Safety, building code, and regulatory-driven improvements
 - ◇ Costs related to future expansion
 - ◇ Brownfield-related construction
 - ◇ Engineering/design choices required by the facility

Analysis

- ◆ At a high level, the decision aligns with municipal input.
- ◆ The creation of an exhaustive exclusion list removes ambiguity in the current CCRG and should reduce assessor–industry conflict and appeals.
- ◆ Details on how the various included and excluded costs will be defined and measured is not yet available.

2. Remote Location Costs

Decision

- ◆ A provincial labour benchmark will be created.
- ◆ Projects in remote areas with labour costs above this benchmark will receive an adjustment for lower labour productivity.
- ◆ Applies only to reported-cost properties.
- ◆ Transportation, overtime premiums, and supplies remain excluded.
- ◆ Methodology and thresholds will be developed through the AMR process.

Analysis

- ◆ There is a lack of detail on the specifics of the provincial labour benchmark, however it aligns conceptually with the municipal position.
- ◆ RMA will consider it a reasonable outcome if future details prove that it balances competing proposals made by industry and municipal stakeholders.
 - ◇ Industry had pushed for a “balanced-market” standard, which would have excluded many construction costs.
 - ◇ The Minister instead chose a provincial average, which is more reasonable and aligns with municipal proposals for regional modifiers.
 - ◇ Only truly remote projects with materially higher labour costs will qualify, preventing widespread reductions in assessed values.

3. Nexus of Construction (What Counts as Construction Costs)

Decision

- ◆ Several pre-construction and post-construction activities will continue to be excluded, including:
 - ◇ Feasibility studies
 - ◇ Commissioning
 - ◇ Pre-production
 - ◇ Start-up

Analysis

- This issue was not deeply discussed during engagement and details provided on the decisions are limited.
- ◆ Industry advocated for a narrow definition of construction (“shovels in the ground” to functional completion).
- ◆ Municipalities argued that many pre-construction and post-construction activities are necessary for construction and should be included.
- ◆ Based on the limited information:
 - ◇ It appears pre-construction activities that take place when a decision has been made to move forward with a project (such as engineering studies) will be included.
 - ◇ Some post-construction activities will be excluded.
- ◆ More detail is needed to evaluate the fairness and impacts of the decision.

Other Policy Decisions

The Minister made decisions on several issues unrelated to the principles or the CCRG, none of which were a formal part of the AMR engagement process to date. RMA has identified three decisions that pose a significant risk to the process. A summary of the three is below.

Standardized rates as default

The Minister intends for the AMR process to expand the use of standardized rates and reduce reliance on reported-cost assessments. Standardized rates currently apply to common, similar property types, such as pipelines and railways, while reported-cost assessments are used for unique or emerging facilities, such as oil sands plants or renewable developments.

Industry has long supported greater use of standardized rates because they are administratively simpler and typically produce lower assessments, as they do not capture unique or additional components that increase actual construction costs. Applying standardized rates to complex facilities like oil sands plants would likely undervalue them.

The provincial rationale for prioritizing standardized rates is unclear. GOA staff have suggested it would reduce workload, as they lack capacity for detailed reported-cost assessments. However, shifting to standardized rates would significantly affect assessments for major regulated properties, and such a change should not be driven by staffing limitations or the absence of plans to build appropriate capacity.

RMA is not opposed to standardized rates but is concerned that standardization as the default AMR outcome will influence the process and lead to development of rates for properties that lack the

uniformity to justify them. RMA also questions the statement in the Minister's letter that standardized rates will lead to greater predictability in assessment. Regardless of whether rates or reported costs are used, predictability is dependent on clear methodology and reporting requirements much more so than the specific assessment approach. While RMA supports the Minister's plan to review and update standardized rates every five years moving forward, this does not mitigate RMA's concerns with potential over-use of inaccurate or unwarranted standardized rates.

Finally, RMA notes that the Minister's policy decision may conflict with the consensus Steering Committee principle, which notes that standardized rates are a factor of efficiency not equity. That principle states the following: "Without compromising other principles, Alberta's regulated property assessment system is administered in a standardized and defensible manner, enabling predictability and administrative efficiency."

Pre-determined use of a depreciation floor and ceiling for M&E property

Depreciation is a core part of the regulated assessment model, but methods and rates differ by property type. Because AMR engagement has so far focused on determining base construction costs and Assessment Year Modifiers. Depreciation, which is applied annually to adjust assessed values, has not been discussed in a property-specific or formal manner.

Some regulated property types currently use depreciation ceilings and floors as tax policy tools based on previous government decisions. Ceilings give properties immediate depreciation in their first year. Floors prevent assessed values from dropping below a minimum if the asset is operating.

The Minister's decision to apply a ceiling and floor to M&E property prior to a rate-specific technical engagement creates two issues. First, it undermines the AMR engagement process, which is meant to develop depreciation methods specific to each property type. Second, it opens the door for industry to argue that depreciation rules from one property class should apply to all. For example, pipelines currently receive minimal depreciation because they do not degrade in the same way as other assets; with a universal policy, pipeline operators may push for ceilings like the 77% used for machinery and equipment or for steeper depreciation curves.

This broad decision contradicts the principle of tailoring depreciation to individual property types and is likely to increase industry advocacy for cross-applied depreciation rules.

Establishment of unique assessment methods for "mature assets"

During the 2024 Mature Asset Strategy (MAS) engagement, organizers argued that assessment was a major financial burden on mature assets and should be changed to reflect low productivity and profitability. RMA opposed this, citing a lack of evidence and warning that such changes would undermine the regulated model, require a new assessment methodology, and have significant fiscal impacts on rural municipalities. RMA argued that assessment must remain outside MAS to protect the integrity of the AMR. As a result of RMA's advocacy, assessment did not appear in the MAS recommendations, nor were mature assets discussed in AMR before the April 2025 hiatus.

Unfortunately, it appears that the Minister plans to integrate special assessment methodologies for mature assets into the regulated model. While the Minister's April 2 announcement referenced mature assets only briefly, limited to developing unique depreciation models, the briefing provided to AMR Steering Committee members indicated the future creation of a "mature asset" property class, which could include different construction-cost methods, assessment-year modifiers, depreciation schedules, and even factors tied to production levels and reclamation. Such an approach would rewrite every part of the regulated model and introduce non-cost-based elements. Municipal Affairs also indicated that they had not defined "mature asset" for the purposes of assessment.

RMA has warned government that this approach is incompatible with the cost-based regulated assessment model, appears to link MAS and AMR inappropriately, and may undermine the positive decisions made by the Minister in areas on which engagement has occurred at the AMR table.

Next Steps

The Steering Committee will be meeting in late April and mid-May with the intent of clarifying governance details to allow for a shift into the technical review of specific rates. At this point, government is planning to begin technical reviews of rates for specific properties in June. They are beginning with a review of telecommunications, electrical generation, and railway property.

RMA plans to seek clarity on timelines, resourcing, and governance associated with a shift to specific rate reviews, as well as clarity on how the Minister's decisions on issues that have not yet been discussed at the AMR table will inform the process.

RMA will continue to provide members with regular updates on the AMR as the process progresses.

Looking for more information?

Contact RMA General Manager of Policy & Advocacy Wyatt Skovron at wyatt@RMAlberta.com with any questions about the assessment model review.