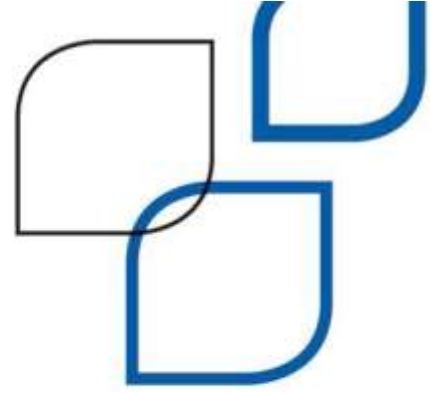




MUNICIPAL
PROPERTY
ASSESSMENT
CORPORATION



MARKET VALUATION REPORT

VALUING RETIREMENT HOMES IN ONTARIO

Valuation Date: January 1, 2016

September 2017



MUNICIPAL PROPERTY ASSESSMENT CORPORATION

May 31, 2017

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. In 2016, MPAC updated the value of every property in the province to reflect the legislated valuation date of January 1, 2016.

MPAC is committed to providing 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 Market Valuation Report is the second level of information disclosure.

This report provides an overview of the valuation parameters and how they were applied to individual properties by MPAC for the 2016 Assessment Update. It provides property owners, municipalities and other stakeholders with the information required to understand how MPAC calculated the current value assessments for business properties.

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 in 2016. Additional information about MPAC can be accessed at mpac.ca.

Sincerely,

A handwritten signature in black ink, appearing to read "Rose McLean", is enclosed in a thin black rectangular border.

Rose McLean, M.I.M.A.
President and Chief Administrative Officer

Table of Contents

I. INTRODUCTION	3
A. MPAC’S MANDATE	3
B. CONTENTS OF THE REPORT	4
II. HOW MPAC VALUES INCOME-PRODUCING PROPERTIES.....	5
A. RETIREMENT HOME VALUATION	5
B. PRO FORMA INCOME CAPITALIZATION METHOD	7
C. STABILIZATION	7
D. PROPERTIES NOT COVERED BY THIS REPORT	7
III. OVERVIEW OF THE VALUATION PROCESS.....	8
1. DATA COLLECTION	9
1.1 RENT, INCOME AND EXPENSE INFORMATION	9
1.2 RETIREMENT HOME PROPERTY SALES.....	9
1.3 PROPERTY INSPECTIONS.....	10
1.4 THIRD-PARTY DATA	11
2. DETERMINING DATA PARAMETERS.....	12
2.1 DETERMINING POTENTIAL GROSS INCOME	13
2.2 DETERMINING EFFECTIVE GROSS INCOME (EGI).....	13
2.3 DETERMINING NET OPERATING INCOME (NOI)	14
2.4 DETERMINING OVERALL CAP RATE	15
2.5 DETERMINING CURRENT VALUE	17
3. APPLYING DATA PARAMETERS.....	18
4. POST VALUATION REVIEW	21
APPENDIX.....	22
SCHEDULE A: TENANT INFORMATION PROGRAM FORM.....	22
SCHEDULE B: 2016 CVA SALES DATA AND CAP RATE RECOMMENDATIONS.....	24
SCHEDULE C: 2016 CVA RECOMMENDED CAP RATES	31

I. Introduction

A. MPAC's Mandate

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

In Ontario, property assessments are updated every four years. In 2016, MPAC updated 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 to 2020 property tax years.

The last assessment update was based on a January 1, 2012, valuation date. Increases are phased in over a four-year period. Any decreases in assessment are applied immediately.

The *Assessment Act* (the Act), which governs the assessment of properties in Ontario for property tax purposes, requires MPAC to assess all land in the province based on its current value on the prescribed valuation date.

Current value, as defined in Section 1 of the Act, "means, 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." Current value is a measure of market value on a specified date.

MPAC is responsible for assessing the market conditions affecting the sale of sold properties and determining the value that unsold properties would likely realize if sold on the prescribed valuation date and under the market conditions specified in the Act.

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

B. Contents of the Report

This report describes the way that MPAC has determined the 2016 Current Value Assessments (2016 CVAs) of all retirement home properties in Ontario valued using the pro forma income methodology.

Property-specific parameters are applied based on data collected on the subject property and comparable or competitive properties. The data parameters, calculations and conclusions that MPAC relies on are outlined and explained further in this report.

This report addresses important questions about how MPAC produces its assessed values for retirement home properties, including;

- how MPAC determines current values using the pro forma income capitalization method
- how MPAC determines the data parameters
- how MPAC applies the data parameters to individual properties

The objective is to provide property owners, municipalities and other stakeholders with the information required to fully understand how MPAC calculated the current value assessments for retirement home properties. The report does not supersede an assessor's obligation to exercise due diligence in arriving at a property's current value assessment.

The following documents provide information to supplement the content of this report:

Methodology Guide: Provides an overview of the income approach to value and an introduction to the pro forma income capitalization method MPAC uses to arrive at current values for retirement home properties.

Property Profile: Provides detailed property-specific information that demonstrates how MPAC applied the valuation methodology and market parameters, along with any adjustments made to the property as part of the final review process. Property profiles can be accessed through our secure access at aboutmyproperty.ca. For more information about MPAC's disclosure for the 2016 Assessment Update, visit mpac.ca.

Also available on mpac.ca is MPAC's Information and Data Sharing Policy, which applies to all industrial, commercial and multi-residential properties.

This Policy is intended to provide clarity regarding the type of information and data that assessed persons, representatives, municipalities and other parties need to provide MPAC for any purpose relating to the assessment of retirement home properties.

II. How MPAC Values Income-Producing Properties

For income-producing properties, sale prices typically reflect earning potential. For this reason, MPAC examines both sales and income and expense information to arrive at accurate current values for retirement homes.

A. Retirement Home Valuation

MPAC's database indicated that for the 2016 CVA cycle, there were approximately 900 retirement home properties in Ontario.

In Ontario, a retirement home is defined under the *Retirement Homes Act, 2010* (RHA) as a building or related group of buildings, or a part of a building or a part of a related group of buildings, with one or more rental units of living accommodation, that

- is occupied primarily by persons who are 65 years or older,
- is occupied or intended to be occupied by at least six persons who are not related to the operator of the home, and
- makes at least 2 of the 13 care services as set out in the RHA available, directly or indirectly, to residents.¹

Under the RHA, a residential complex that meets the above definition of "retirement home" requires a licence to operate in Ontario.

Retirement home properties range from relatively small facilities with limited amenities to those with luxury accommodations, extensive amenities and a wide range of services. Besides living space, retirement homes may offer voluntary or mandatory meal plans, various levels of care services and scheduled activity or entertainment options for their residents.

MPAC uses the following property codes to categorize retirement homes in Ontario:

- **623 Continuum of Care Seniors Facility** – mixed-use properties that contain components in addition to the retirement home units, which can include seniors' apartments and licensed long-term care beds.
- **624 Retirement/Nursing Home (Combined)** – mixed-use properties that contain a retirement home and a licensed long-term care home component.

¹ *Retirement Homes Act, 2010*, S.O. 2010 c. 11: <https://www.ontario.ca/laws/statute/10r11>.

- **626 Old-Age/Retirement Home** – retirement home properties that do not have additional components such as seniors’ apartments and licensed long-term care beds.

MPAC valuations consider the quality of retirement homes and five broad quality classes have been established for retirement home properties:

- **Budget** retirement homes offer basic accommodation with minimal amenities. Typically these retirement homes include older structures that may be in need of updates.
- **Economy** retirement homes offer basic accommodation with minimal amenities.
- **Midscale** retirement homes that may offer larger rooms and additional amenities.
- **Upper midscale** retirement homes typically offer upgraded rooms, including suites, and upgraded amenities.
- **Upscale** retirement homes typically offer upgraded rooms, including a larger proportion of suites and a higher quality and level of amenities, and are usually built to a higher standard.

At present, the retirement home industry in Ontario has not adopted any common terminology relating to the quality levels of retirement homes. The above categories established by MPAC are used to group similar properties together for analysis purposes, including sales analysis, capitalization rate (cap rate) analysis, revenue analysis and expense analysis and for comparison of final valuations.

In addition to the physical differences among retirement homes, there can also be a diverse range of services provided. Frequently referred to as the “continuum of care,” the following categories list the levels of care that can apply to retirement homes:

- Independent living (IL)
- Independent serviced living (ISL)
- Assisted living (AL)
- Memory care (MC)

Each state in the continuum of care category reflects increased levels of care. Independent living residents require little assistance with daily activities, whereas memory care residents require assisted-living services and additional medical services.

B. Pro Forma Income Capitalization Method

For retirement home properties, MPAC uses the direct capitalization method of the income approach to develop a pro forma valuation based on stabilized income and expenses. Reference is made to the data of the retirement home, its market, and industry norms in order to stabilize revenues and expenses.

A pro forma is a reconstruction of a revenue and expense statement. It is used to establish the present worth of anticipated future benefits by estimating stabilized revenues and expenses, and capitalizing the net operating income (NOI) into an estimate of value using a cap rate. The goal is to reflect a property's full economic potential by representing the income and expenses that a hypothetical, competent operator would achieve.

C. Stabilization

It is assumed that a hypothetical willing buyer and willing seller would rely on stabilized performance to determine value. MPAC assessors combine market analysis with market knowledge and experience when determining stabilized results. These stabilized amounts may not represent any given year's actual operations. The goal is to determine what may be considered typical for the property rather than for a specific owner or operator and develop reasonable projections of anticipated results for all the line items that make up a pro forma valuation.

Ideally, at least three years of historical income and expense data of the subject property are reviewed. This enables the assessor to stabilize the results by excluding any abnormal relation of supply and demand or transitory or nonrecurring conditions that may result in unusual revenues or expenses. This process removes the effect of atypical or nonrecurring events. Examples of this include a significant number of rooms temporarily taken out of service for renovation, an unusual spike in one year's maintenance expense or other temporary interruptions to operations.

D. Properties Not Covered by This Report

The RHA sets out exemptions to the definition of a retirement home, including premises that are governed or funded under the *Developmental Services Act*, the *Homes for Special Care Act*, and the *Long-Term Care Homes Act, 2007*.

In addition, retirement home properties may also include apartments or townhomes. In such cases, these additional components are valued using the respective valuation methodology.

III. Overview of the Valuation Process

This section explains in detail how MPAC produces accurate current value assessments.

There are four main steps in the valuation of retirement home properties:

1. Data Collection
2. Determining Data Parameters
3. Applying Data Parameters
4. Post Valuation Review

1. Data Collection

Extensive data collection ensures that MPAC has access to current information about retirement home properties.

MPAC collects data for retirement home properties by requesting information from property owners and operators, conducting property inspections and analyzing sales information.

Obtaining information from property owners, municipalities and other stakeholders is critical to the valuation of retirement home properties. MPAC recognizes that some of the information outlined above is of a commercially sensitive nature and must be properly safeguarded and only used for the purpose for which it was supplied pursuant to Section 53 of the Act.

1.1 Rent, Income and Expense Information

MPAC requests information about a property's income and expenses, annual occupancy rates, average room rates, annual revenue, undistributed operating expenses, fixed expenses, reserve for replacement, management fees, capital expenditures, fixtures, furnishings and equipment expenditures. Property owners are asked to submit documentation to support the information MPAC is requesting, which allows MPAC to establish a database of financial operating results used to value retirement home properties. A sample of the information request letter is included in Schedule A of the Appendix.

MPAC collects income and expense information annually in order to analyze market trends and keep informed of any changes made to the property. MPAC reviews the current year's reported data against information submitted in prior years, comparing revenue levels, occupancy percentage, operating expenses and other items.

The information that property owners submit helps to ensure MPAC has accurate data on retirement home properties and forms the basis of inputs in the pro forma valuation.

Beginning in 2018, the collection of income and expense data will be done through MPAC's Property Income and Expense Return portal, available through aboutmyproperty.ca. This simplified, web-based tool was launched in January 2016 following consultation with property owners. It is currently being used to collect information for commercial, industrial and multi-residential properties.

1.2 Retirement Home Property Sales

MPAC draws on sales information to develop cap rates to produce assessed values and to review values. Sales investigations are completed by MPAC staff to ensure sales represent reliable indicators of current value as of January 1, 2016.

MPAC may also review sales transactions using third-party data. A list of third-party data sources can be found in Section 1.4.

When reviewing sales of retirement home properties, MPAC assessors may encounter scenarios that suggest a sale is or is not a reliable indicator of current value. Assessors will consider the following criteria to evaluate whether a sale is a reliable indicator of current value:

- Was the sale an arm's-length transaction in the open market?
- Was the sale based on typical financing?
- Did the sale price represent the fee simple interest of the property?
- Did the sale price include business interests or chattels (e.g., furniture, equipment, etc.)?
- Was there a willing buyer and a willing seller?
- Was the property exposed to the market for a reasonable period of time?
- Were both the buyer and the seller informed of the use to which the property may be put?
- Was the sale amount expressed in terms of money?
- Did the sale include a single property or multiple properties?
- When was the agreement of purchase and sale made in relation to the closing date?

The data contained in this report is based on information collected on retirement home property sales from the period of January 1, 2010, to March 31, 2015.

1.3 Property Inspections

MPAC inspects retirement homes to ensure data accuracy. Generally, MPAC conducts property inspections when one or more of the following circumstances occur:

- property sale
- request for reconsideration
- appeal
- building permit application

- general re-inspection project
- property severance or consolidation
- tax application made under the *Municipal Act, 2001* or the *City of Toronto Act, 2006*

During an inspection, MPAC collects, reviews and verifies property-specific data, which may include the building condition, building floor plans and layout, site plans (if available), aerial photographs, number and type of rooms, interior and exterior finishes and income and expense information.

1.4 Third-Party Data

MPAC uses third-party data where available, from The Marsh Report, RealNet, RealTrack, CMHC, Colliers, CBRE and other industry participants to review sales, rents, vacancy, and cap rates.

2. Determining Data Parameters

Data parameters are the components MPAC uses to assess current values. Analysis and stabilization of the data inputs collected allows for the development of parameters that are then used in the calculation of current value.

The table below provides the calculation steps to arrive at current values using the pro forma income capitalization method.

Table 2 – Pro Forma Income Capitalization Calculation

Revenue
Total Suite Revenue (A)
+ Other Revenues (B)
= Potential Gross Income (C = A + B)
- Vacancy and Collection Loss (D)
= Effective Gross Income (E = C - D)
- Operating Expenses (F)
= Income Before Fixed Charges (G = E - F)
- Fixed Expenses (H)
= Net Operating Income (I = G - H)
÷ Overall Cap Rate ¹ (J)
= Indicated Valued (K = I ÷ J)
- Personal Property (L)
= Current Value (M = K - L)

2.1 Determining Potential Gross Income

The first step in the direct capitalization equation is determining the potential gross income (PGI). PGI represents the amount of annual income a retirement home would be capable of producing at full occupancy, as of the valuation date of January 1, 2016.

When retirement home owners/operators provide annual information related to revenues and expenses, it is reviewed against historical revenue information of the subject property and comparable properties to ensure the revenue (1) is stabilized and (2) reflects market levels of similar retirement homes.

Where actual information is not available for the property, revenues are determined by analyzing and applying typical market revenue levels indicated by similar retirement home properties.

$$\text{PGI} = \text{Suite Revenue} + \text{Other Revenues}$$

Revenue Structure

Retirement homes typically include accommodation, meals and an established level of care services within the standard monthly rent charged to residents. The accommodation, meals and services are included within the revenue for each room type in the example below.

Other Revenues

Retirement homes may have a number of sources of revenue in addition to the monthly rents charged to residents. Additional income may include items such as personal care, guest meals, respite stays, commercial rental and parking charges.

2.2 Determining Effective Gross Income (EGI)

The next step in the direct capitalization equation is to determine the effective gross income (EGI). EGI represents the stabilized gross income after deducting vacancy and collection loss from the potential income.

$$\text{EGI} = \text{PGI} - \text{Vacancy and Collection Loss}$$

Vacancy and Collection Loss

Vacancy refers to the amount of lost revenue from rooms that are not leased. Collection loss represents unrecoverable rental and other payments owed by residents. Loss of income due to collection loss is typically minimal in relation to the overall gross income of retirement home properties. Vacancy and collection loss are typically included as a single blended rate.

Vacancy information is requested annually from property owners. The vacancy rate applied within MPAC valuations represents the ratio of total income forgone as a percentage of the total potential income.

In cases where actual vacancy information for analysis is limited, other sources of data are available for reference. For example, the Canada Mortgage and Housing Corporation (CMHC) provides an annual senior housing survey for various markets in Ontario which may be used to study vacancy rates.

2.3 Determining Net Operating Income (NOI)

The third step in the direct capitalization equation is to determine the NOI. MPAC calculates the NOI by deducting operating and fixed expenses from the EGI.

$$\text{NOI} = \text{EGI} - \text{Operating Expenses} - \text{Fixed Expenses}$$

Operating Expenses

These are expenses attributed with running a retirement home, such as payroll and benefits, medical and nursing supplies, program and support services, administration, utilities, marketing and communication. MPAC uses the information collected from property owners to determine stabilized operating expense levels.

Fixed Charges

In addition to operating expenses, fixed expenses are also deducted. The fixed expense category includes insurance and a reserve for replacement.

Reserve for Replacement

The reserve for replacement expense is recorded as a percentage of total operating revenue. It represents an amount of money set aside to fund the replacement of short-lived items including furniture, fixtures and equipment. MPAC establishes an appropriate reserve for replacement percentage through its review of financial data and general trends in the market and appraisal practice. For the 2016 current value assessment, a reserve for replacement of two per cent was used for retirement home properties.

Property Taxes

For assessment purposes, the pro forma valuation accounts for property taxes through an effective tax rate included in the cap rate. Therefore, no amount is recorded for property taxes within the non-operating expenses. A further discussion of the effective tax rate is found in Section 2.4.

2.4 Determining Overall Cap Rate

Once the NOI has been established, the final step is to select the appropriate cap rate to convert the income into a present value.

The overall cap rate is made up of two components: the basic cap rate and the effective tax rate.

$$\text{Overall Cap Rate} = \text{Base Cap Rate} + \text{Effective Tax Rate}$$

Establishing Base Cap Rates

Cap rates are risk-adjusted rates of return reflecting the present worth of the anticipated quality and quantity of current and future cash flows. Cap rates vary based on quality and condition of the improvements and local economic factors. Increasing the cap rate without altering the NOI will result in a decrease in the value of the retirement home in both absolute value and on value per room basis. Decreasing the cap rate without altering the NOI will have the opposite effect.

MPAC derives retirement home pro forma cap rates by analyzing the sale prices and the net operating income of sold properties.

MPAC typically calculates a base cap rate of a sold retirement home by dividing the NOI into the total sale price. Where available, the NOI is obtained from the operating statement most recent to the sale date. It is adjusted by imputing or amending the management fees to five per cent of total revenue and imputing or adjusting the reserve for replacement to two per cent of total revenue to mirror the standard management and reserve amounts used in the pro forma valuation. The NOI may be further adjusted if an income or expense line item is found to be out of line with industry norms or the property's history. The total sale price is obtained from the land transfer tax statement and is adjusted as required (e.g., partial interest, financing, etc.). The result is expressed as a percentage (e.g., 7.5 per cent).

Sales were reviewed and segmented based on location and quality of the improvements – budget, economy, midscale, upper midscale and upscale.

Market Areas

The assignment of market areas allows MPAC to capture differences in retirement home sales based on the type of market. For example, primary markets demonstrated higher sale values per room and lower cap rates than secondary markets. Similarly, secondary markets demonstrated higher sale values per room and lower cap rates than tertiary markets. There are three types of market:

- **Primary Market** – Major urban markets, including municipalities such as London, Ottawa, Toronto and the GTA
- **Secondary Market** – Secondary urban markets, including municipalities in excess of 20,000 residents
- **Tertiary Market** – Tertiary urban and rural markets, including municipalities with less than 20,000 residents

$$\text{Base Cap Rate} = \text{NOI} \div \text{Sale Price of Retirement Home}$$

While MPAC collects and analyzes data on all retirement homes where possible, certain transactions are excluded from further cap rate analysis, including:

- nominal transaction amounts, such as from trustee to trustee
- purchases where no income history is available to calculate a cap rate
- properties purchased for immediate change of use
- portfolio sales without allocated individual property transfer values or appraisals

Available data on retirement home sales that occurred between January 1, 2010, and March 31, 2015, were analyzed in April 2015 to establish recommended cap rate ranges for the development of the 2016 current values.

The initial review included 90 sales that were coded valid for analysis. This inventory was then narrowed to exclude sales exhibiting cap rates lower than four per cent or higher than 15 per cent. Sales exhibiting cap rates lower than four per cent were judged to be unstable or underperforming. An example of this type of sale is a newly constructed property that had not reached a stabilized occupancy level and therefore the income achieved in the past is not indicative of the anticipated future income. Properties with significantly above average cap rates tend to be those that require large capital expenditures post sale and are also not indicative of the market.

After narrowing the sales included in MPAC's analysis the recommended cap rate ranges were produced using the calculated cap rates of 48 retirement home sales across the province. These sales were provided to MPAC's valuation staff to be used as a guide.

Retirement home sales occurring later in 2015 and through 2016 continued to be investigated and their data collected and analyzed as MPAC fine-tuned retirement home cap rates.

Schedule B of the Appendix provides an inventory of retirement home sales that were reviewed in the development of the recommended 2016 CVA cap rate ranges.

Selecting a Base Cap Rate

MPAC assessors select a cap rate for each retirement home property based on the locational and physical attributes, anticipated performance, information regarding relevant comparable properties, and the judgment and experience of the individual assessor.

Effective Tax Rate

In lieu of a property tax expense line item, an effective tax rate is used to represent property taxes in a retirement home pro forma valuation. In addition to the property tax adjustment (example below), an adjustment is also made to ensure that the property tax component is calculated only on the value of the real estate. This is done by deducting 10 per cent from the municipal residential tax rate to mirror the adjustment for personal property described in Section 2.5.

$$\text{Effective Tax Rate} = \text{Residential Tax Rate} \times (100\% - 10\%)$$

2.5 Determining Current Value

The current value of a retirement home property is determined by dividing the net operating income by the overall cap rate and then applying a deduction for personal property.

$$\text{Current Value} = \text{NOI} \div \text{Overall Cap Rate} - \text{Personal Property}$$

Personal Property

To ensure MPAC is determining only the current value of the real estate, MPAC deducts 10% from the value of the retirement home to account for the personal property.

3. Applying Data Parameters

An example of the valuation of a hypothetical 100-room retirement home using the pro forma income capitalization method is provided in Table 3.

Table 3 – Pro Forma Income Calculation

Room Type	Rooms	Beds	Daily Rate (\$)	Total Annual (\$)	Per Room (\$)	Per Bed (\$)
Studio – Regular	40	40	70.00	1,022,000	25,550	25,550
Studio – Large	20	20	80.00	584,000	29,200	29,200
1 Bedroom – Regular	30	30	100.00	1,095,000	36,500	36,500
1 Bedroom – Large	10	10	115.00	419,750	41,975	41,975
1 Bedroom – 2nd Occupant	-	10	30.00	109,500	-	10,950
Total	100	110	80.45²	3,230,250³	32,303⁴	29,366

	Total (\$)	PGI (%)	Per Room (\$)	Per Bed (\$)	Per Diem (\$)
Revenue:					
Potential Bed Revenue (A)	3,230,250	99.40	32,303	29,366	80.45
Assisted Living (B)	10,000	0.31	100	91	0.25
Parking (C)	4,000	0.12	40	36	0.10
Guest Fees (D)	3,000	0.09	30	27	0.07
Other (E)	2,500	0.08	25	23	0.06
Potential Ancillary Revenue (F = B + C + D + E)	19,500	0.60	195	177	0.48

² (3,230,250 ÷ 110 beds) ÷ 365 days = 80.45

³ 3,230,250 ÷ 100 rooms = 32,303

⁴ 3,230,250 ÷ 110 beds = 29,366

	Total (\$)	PGI (%)	Per Room (\$)	Per Bed (\$)	Per Diem (\$)
Potential Gross Income (G = A + F)	3,249,750	100.00	32,498	29,543	80.93
Less Vacancy and Collection (H)	227,483	7.00	2,275	2,068	5.67
Effective Gross Income (I = G - H)	3,022,267	93.00	30,223	27,475	75.26
Operating Expenses (J)	1,722,692	57.00	17,227	15,661	42.91
Management Fee (K)	151,113	5.00	1,511	1,374	3.76
Total Operating Expenses (L = J + K)	1,873,805	62.00	18,738	17,035	46.67
Income Before Fixed Charges (M = I - L)	1,148,462	31.00	11,485	10,440	28.59
Fixed Charges:					
Insurance (N)	30,223	1.00	302	275	0.75
Reserve for Replacement (O)	60,445	2.00	604	550	1.51
Total Fixed Charges (P = N + O)	90,668	3.00	906	825	2.26
Net Operating Income (Q = M - P)	1,057,794	28.00	10,579	9,615	26.33

Capitalization:

- Base Cap Rate: 7.50%
- Effective Tax Rate: 1.20%
- Overall Cap Rate: 8.70%

	Total (\$)	Per Room⁵ (\$)	Per Bed⁶ (\$)
Indicated Value	12,158,547	121,585	110,532
Less: Personal Property⁷	1,215,855	12,159	11,053
Net Realty Value	10,942,692	109,426	99,479

⁵ The total dollar amount is divided by the number of rooms at the property to determine the per room amount. In the case of the example, the number of rooms is 100.

⁶ The total dollar amount is divided by the number of beds at the property to determine the per bed amount. In the case of the example, the number of beds is 110.

⁷ The personal property amount is 10% of the total amount and has been rounded.

4. Post Valuation Review

MPAC undertakes a post valuation review of current value assessments. The post valuation review allows for an assessor's final review of the data parameters and resulting assessed values. Assessor due diligence may involve adjusting the data parameters based on sales and the assessor's knowledge of local or property-specific factors.

Post valuation review also includes a comparison of assessed values to the sales of comparable retirement home properties. It is important to note that sales can be an indicator of market value but sale values and market values may not be the same. A purchaser is acquiring a seller's encumbered interest, including, for example, any liens or chattels.

The Property Profile shows how MPAC applied the data parameters in determining the current value of each retirement home property and provide a summary of any adjustments.

Appendix

Schedule A: Tenant Information Program Form

May 2017

Location and Property description

Municipality

Roll Number:

Dear Sir/Madam:

RE: The above noted property

On behalf of the Municipal Property Assessment Corporation (MPAC), I am writing you to request specific information on the above noted property. MPAC is responsible for assessing all property in Ontario for the purposes of municipal taxation. Since the value of certain properties is heavily influenced by their ability to generate revenue, it is particularly important to obtain accurate and current income information for properties of this type.

The deadline for submitting this information to MPAC is **June 30, 2017**.

This request for rental data and income and expense information is authorized under section 11 of the Assessment Act. Section 13 of this Act provides for penalties for non-compliance. MPAC is prevented from the unauthorized disclosure of this and other information under provisions of the Assessment Act (s.53) and the Municipal Freedom of Information and Protection of Privacy Act. MPAC may contact the individual and/or company to conduct surveys and/or obtain feedback regarding the collection of this and other information.

Return of information:

- ☞ Sign below and include this page along with your response.
- ☞ Pursuant to s.40(18) of the *Assessment Act*, as amended, failure to respond fully to this request will result in the burden of proof as to the correctness of the current value of the land to rest with the appellant, not MPAC, in the event of any appeals filed with respect to the assessment.

Please use the enclosed business reply envelope to return your submission. Requested information can be supplied as a data disk or hard copy and returned to:

MPAC Central Processing Facility PO Box 9808 Toronto ON M1S 5T9	1 866 296-MPAC (6722) TTY 1 877 889-MPAC (6722) www.mpac.ca
---	---

I, (Print) _____ certify that the enclosed information is correct and complete to the best of my knowledge.

Signature _____ Date _____

Title _____ Phone (____) _____

Company Name _____ Email _____

over ... 2

PC: PAC: FO:

Please provide the following information:

- a) Detailed operating statements for the 2016 (or most current) fiscal year with supporting schedules showing:
 - average daily room rates
 - annual occupancy rates
 - departmental income and expenses
 - undistributed operating expenses
 - management fee
 - property taxes
 - insurance
 - reserve for replacement including the itemized supporting schedules
- b) Number of rooms/suites/beds, the style mix and corresponding rates (i.e. private, semi-private, bachelor, one-bedroom, two bedrooms etc.)
- c) A list of any renovations, additions or any other modifications made to the property during 2016 (or most current) fiscal year.
- d) If the property has transacted through a share sale or asset purchase, provide the relevant details including the transfer date, amount, name of transferor and transferee, and a schedule of items included.
- e) A current rent roll for any commercial tenants indicating all demised areas. For each leased area, provide the following information:
 - tenant name(s)
 - lease commencement and expiry date(s)
 - annual base rent at commencement and a schedule of all step-up provisions
 - percentage rent payment(s), if any
 - operating expense payments (service and utility payments for 2016)
 - if leases are not net-net, identify expenses included in the rent
 - for any vacant space, provide the leasable area and the asking rent
- f) A current rent roll for all non-commercial tenant(s) indicating:
 - unit number, unit type (bachelor, one bedroom, etc.)
 - current monthly rent
 - unit vacancy report for 2016
 - confirmation as to whether parking or some or all of the utilities (heat, hydro, water, and cable) are included the rent
 - if parking is not included in the rent, the monthly rental per space
- g) If there is any billboard or signage revenue, report:
 - the annual revenue/expenses
 - the owner of the sign(s)
 - the size of each sign or billboard

Note: MPAC must ensure that any income attributable to billboards is excluded from the assessment of properties valued using the income approach, since billboards must be valued solely on their cost, without considering any income received by the property owner in respect of the sign or its placement.
- h) If the information being provided relates to more than the roll number identified at the top of this form (i.e. adjacent property is included in income/expenses), please provide a list of the other properties and the associated roll numbers, if known.
- i) The name and telephone number of the person supplying the preceding information.

Thank you for your cooperation. If you have any questions about this request or the submission process, please contact us or visit www.mpac.ca.

Yours truly,



Carmelo Lipsi, M.I.M.A.
Vice-President and Chief Operating Officer

Schedule B: 2016 CVA Sales Data and Cap Rate Recommendations

Region	Roll Number	Municipality	Trading Name	Market	Facility Category	Year(s) Built	# of Rooms
20	2906 040 004 10500	Brantford City	Magnolia Retirement Home	2	4	1885	15
3	0614 301 820 21700	Ottawa City	Fairfield Manor	1	3	1988	38
1	0231 040 001 13800	Alfred and Plantagenet Township	Residence Quatre Saisons	3	4	1976	30
20	3310 401 008 02800	Norfolk County	Maple Lodge Retirement Home	2	5	1947	35
21	3012 040 021 09000	Kitchener City	Millwood Manor	2	4	1976	42
21	3029 020 003 08250	Woolwich Township	St. Jacobs Place	3	2	2001	50
14	1946 000 042 70000	Aurora Town	Cobblestone Lodge	1	3	1918/ 1969	22
15	2105 010 002 15800	Mississauga City	The Greenway Lodge	1	4	1950/ 1979	10
19	2518 040 293 05920	Hamilton City	The Rosslyn	1	4	1947/ 1974	42
14	1948 020 080 96200	Newmarket Town	Clock Tower Inn	1	3	1914/ 1952/ 2001	36
21	3012 040 022 01905	Kitchener City	Doon Village	2	1	2004	76
22	2349 000 002 05310	Wellington North Township	Birmingham Lodge	3	3	1985	86
3	0614 300 810 09750	Ottawa City	The Royale	1	1	2009	158

Region	Roll Number	Municipality	Trading Name	Market	Facility Category	Year(s) Built	# of Rooms
3	0614 500 601 05600	Ottawa City	Cumberland Lodge	1	4	1981	63
5	1011 080 180 05900	Corporation of the City of Kingston	The Royale	2	1	2009	136
30	5307 050 036 11200	Greater Sudbury City	Palambro Palace	2	5	1964/ 1971	26
22	2308 060 008 25300	Guelph City	College Place	2	4	1974	33
3	0614 600 159 00505	Ottawa City	Camilla Gardens	1	3	1990	46
17	4442 020 002 06000	Huntsville Town	Country Moments	3	3	1997	10
1	0212 027 001 10001	The Nation Municipality	Manoir Caledonia	3	4	1976	45
9	1901 013 100 00101	City of Toronto	Retirement Suites by the Lake	1	2	2005	97
21	3006 020 033 02700	Cambridge City	Waring Estates	2	4	1908	9
6	1208 070 210 01000	Belleville City	Amica at Quinte Gardens	2	1	2006	239
18	2622 040 015 25100	Lincoln Town	The Orchards Retirement Residence	3	2	2000	54
9	1904 093 320 05200	City of Toronto	Beach Arms Retirement	1	3	1957	73
19	2518 140 360 00900	Hamilton City	Highgate Residence	1	3	1989	40
21	3016 040 001 08051	Waterloo City	Court at Laurelwood	2	1	2004	118

Region	Roll Number	Municipality	Trading Name	Market	Facility Category	Year(s) Built	# of Rooms
23	3936 010 800 15000	London City	Masonville Manor	1	1	1998	112
26	3829 200 023 07910	Sarnia City	Fairwinds Lodge	2	1	1999	111
27	3739 080 150 16101	Windsor City	Kensington Court	2	1	1998	116
1	0402 020 003 46000	Cornwall City	McConnell Manor	2	2	1967/ 1999/ 2007	207
3	0614 020 601 05200	Ottawa City	Chartwell Rideau Gardens	1	3	2001/ 2006	196
5	1121 030 010 02000	Greater Napanee Town	Bridgeview Terrace	3	5	1920	10
9	1901 073 280 02600	City of Toronto	Chartwell Guildwood	1	3	1969	90
9	1904 083 030 11700	City of Toronto	Chartwell Avondale	1	2	1985/ 2005	79
9	1908 072 920 01900	City of Toronto	Chartwell Lansing Residence	1	2	1991	126
9	1919 023 170 06101	City of Toronto	Chartwell Scarlett Heights	1	1	2007	206
13	1817 010 020 35001	Clarington Municipality	Kingsway Arms at Clarington Centre	1	1	2006	128
14	1948 010 030 11400	Newmarket Town	Alexander Muir Lodge	1	3	1990	97
16	4342 031 021 01300	Barrie City	Chartwell Whispering Pines	2	1	2005	120
18	2725 120 007 00600	Niagara Falls City	Chippawa Place	2	4	1962	25

Region	Roll Number	Municipality	Trading Name	Market	Facility Category	Year(s) Built	# of Rooms
20	2906 030 023 35300	Brantford City	Tranquility Place	2	2	1987/ 2006	212
22	2308 060 009 14300	Guelph City	The Royal on Gordon	2	1	2005	98
23	3936 070 110 03002	London City	Chartwell Royalcliffe	1	1	2010	143
25	4110 480 002 02100	Saugeen Shores Town	Hampton Court Retirement Lodge	3	4	1890	41
3	0614 105 604 00230	Ottawa City	Alta Vista Manor	1	1	2004	181
5	1011 080 178 07100	Corporation of the City of Kingston	Rosewood Retirement Residence	2	2	1987	67
18	2703 020 017 05500	Fort Erie Town	Eastwood Manor	2	4	1961	17
25	4205 010 008 00600	West Grey Municipality	Ayton Retirement Lodge	3	4	1925	9
9	1904 114 410 01750	City of Toronto	Living Life on the Avenue	1	1	2011	81
9	1908 053 010 03001	City of Toronto	Kensington Place	1	1	2004	103
21	3012 040 053 04900	Kitchener City	Lanark Place Retirement Residence	2	2	1988	260
25	4210 492 002 23900	Meaford Municipality	Bayside Estate (Kent Res. Home)	3	4	1911/ 1988	9
3	0614 301 829 40201	Ottawa City	Kanata Place Residence	1	3	1988	66
15	2402 010 111 09500	Burlington City	Park Avenue Manor	1	3	1952/ 1960/ 1973	65

Region	Roll Number	Municipality	Trading Name	Market	Facility Category	Year(s) Built	# of Rooms
1	0208 060 002 00791	Hawkesbury Town	Place Mont Roc	3	3	1990	85
2	0931 946 025 11101	Town of Mississippi Mills	Country View Lodge	3	5	1988	28
14	1938 050 020 85400	Richmond Hill Town	Shaya Retirement Home	1	3	1986	16
1	0302 000 001 26400	Casselman Village	Residence Mon Chez Nous	3	4	1981	27
26	3650 160 002 26100	Chatham-Kent Municipality	Serenity Blenheim	2	3	1979	25
3	0614 120 780 00205	Ottawa City	Lynwood Park Retirement Lodge	1	2	1989	140
13	1820 020 010 38305	Scugog Township	Port Perry Villa	2	1	2009	100
16	4372 010 001 04900	Penetanguishene Town	Maplewood Retirement Residence	3	4	1900/ 1915/ 1962	17
26	3650 420 037 04800	Chatham-Kent Municipality	Chatham Retirement Resort	2	3	1964/ 1967/ 1969	174
27	3739 010 070 00100	Windsor City	Central Park Lodge	2	3	1972	156
1	0302 000 001 05200	Casselman Village	Residence du Village	3	4	1952	18
9	1908 022 300 06700	City of Toronto	Weston Gardens	1	3	1973	183
19	2518 040 341 06240	Hamilton City	Golden Age Retirement Home	1	3	1941/ 2000	13
20	3310 401 008 02800	Norfolk Town	Maple Lodge Retirement Home	2	5	1947	35

Region	Roll Number	Municipality	Trading Name	Market	Facility Category	Year(s) Built	# of Rooms
23	3202 020 010 10100	Norwich Township	Trillium Christian Retirement Home	3	4	1880/ 1981/ 1995	21
6	1435 100 030 11100	Trent Hills Municipality	Healthy Balance Retirement Home	3	5	1870/ 1960	20
15	2409 090 110 02620	Milton Town	The Birkdale Place	1	1	2012	104
1	0316 016 003 04100	Clarence-Rockland City	Shawdan Rest Homes	3	5	1970	18
1	0511 019 002 48400	North Dundas Township	The Garden Villa	3	1	2009	74
2	0708 020 025 03900	Prescott Town	Mayfield Retirement Residence	3	3	1848/ 1987/ 2005	60
7	1514 050 110 12700	Peterborough City	Peterborough Manor	2	1	1999	102
9	1904 105 320 01900	City of Toronto	Teddington Park	1	2	1986	52
9	1906 042 050 02200	City of Toronto	Nine Twenty One Millwood	1	2	1987	57
13	1817 010 020 35001	Clarington Municipality	Kingsway Arms at Clarington Centre	1	1	2006	128
16	4352 030 310 40500	Orillia City	The Atrium Retirement Home	2	2	1996	51
17	4402 010 010 01200	Muskoka Lakes Township	Gravenhurst Manor	3	3	1932/ 1976	50
19	2518 030 211 00270	Hamilton City	Atrium Villa at Cathedral	1	3	1955/ 1997	67
23	3204 050 050 00600	Tillsonburg Town	Tillsonburg Retirement Home	3	3	1965/ 1987/ 1994	54

Region	Roll Number	Municipality	Trading Name	Market	Facility Category	Year(s) Built	# of Rooms
23	3218 030 050 15200	Ingersoll Town	Oxford Manor Retirement Home	3	3	1880/ 1975	47
23	3242 030 020 07000	Woodstock City	Park Place Retirement Home	2	3	1877/ 1987/ 2001	85
27	3739 040 140 06800	Windsor City	Devonshire Seniors	2	3	1977/ 1981	195
15	2110 010 004 03800	Brampton City	Rosedale Retirement Home	1	4	1920	8
6	1208 070 210 23600	Belleville City	The Richmond Retirement Home	2	2	1984	87
21	3012 060 015 19200	Kitchener City	Bridgeport Terrace	2	4	1970	34
18	2725 090 006 72700	Niagara Falls City	Greycliff Manor	2	3	1987	47

Schedule C: 2016 CVA Recommended Cap Rates

Recommended Cap Rate (%)			
Facility Rating	Market 1 (Primary)	Market 2 (Secondary)	Market 3 (Tertiary)
1	6.00 – 7.00	6.50 – 7.50	7.00 – 8.00
2	6.50 – 7.50	7.00 – 8.00	7.00 – 8.50
3	6.50 – 8.00	7.50 – 9.00	8.50 – 10.00
4	7.00 – 8.50	8.00 – 9.50	8.50 – 10.00
5	7.50 – 9.00	8.50 – 9.50	8.50 – 10.00
