

2016

ASSESSMENT METHODOLOGY

COMMERCIAL LAND

A summary of the methods used by the City of Edmonton in determining the value of commercial land properties in Edmonton for assessment purposes.

edmonton.ca/assessment

Edmonton

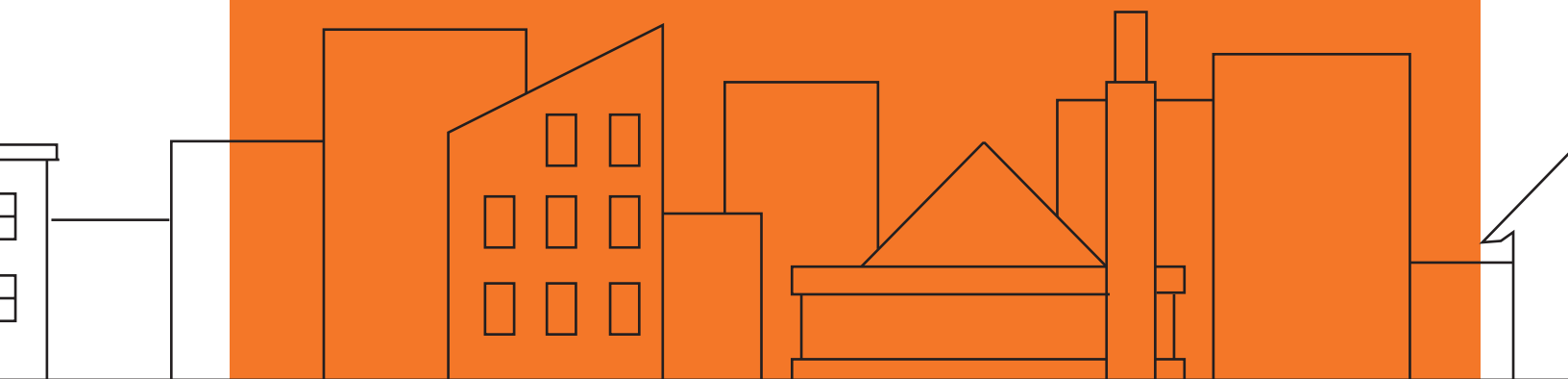



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Scope

This guide is an aid in explaining how properties are valued for assessment purposes. It sets out the valuation method and procedure to derive market values. The information presented in this guide is aimed at deriving values for a group of properties with similar property characteristics. In some circumstances, not every property's valuation parameters will be covered.

The guide is intended as a tool; it is not intended to replace the assessor's judgment in the valuation process.

This icon  signifies when legislation is quoted.

Introduction

The Alberta assessment and taxation system is based on the laws outlined in the *Municipal Government Act*, RSA 2000, cM-26 [MGA], and all associated regulations, including, for example *Matters Relating to Assessment and Taxation Regulation*, Alta Reg 220/04 [MRAT].

The MGA requires the assessment of property be prepared using mass appraisal. Properties are valued based on a valuation date of July 1, 2015 and the property's condition of December 31, 2015. Many of these terms are defined in the legislation.



s.284(1)(r) “**property**” means

- (i) a parcel of land
- (ii) an improvement, or
- (iii) a parcel of land and the improvements to it

MGA s.284(1)(r)

s.1(n) “**regulated property**” means

- (i) land in respect of which the valuation standard is agricultural use value,
- (ii) a railway,
- (iii) linear property, or
- (iv) machinery and equipment

MRAT s.1(1)(n)

s.6(1) the **valuation standard** for the land and improvements is market value unless subsection (2)... applies

MRAT s.6(1)

s.1(1)(n) “**market value**” means the amount that a property, as defined in section 284(1)(r), might be expected to realize if it is sold on the open market by a willing seller to a willing buyer

MGA s.1(1)(n)

s.2 An assessment of property based on **market value**

- (a) must be prepared using mass appraisal,
- (b) must be an estimate of the value of the fee simple estate in the property, and
- (c) must reflect typical market conditions for properties similar to that property

MRAT s.2

s.289(2) Each assessment must reflect

- (a) the characteristics and physical condition of the property on **December 31** of the year prior to the year in which a tax is imposed

MGA s.289(2)(a)

s.3 Any assessment prepared in accordance with the Act must be an estimate of the value of a property on **July 1** of the assessment year

MRAT s.3

s.1(k) “**mass appraisal**” means the process of preparing assessments for a group of properties using standard methods and common data and allowing for statistical testing

MRAT s.1(k)

While there are many forms of ownership, the legislation requires the City of Edmonton to assess the fee simple estate. The fee simple estate is unencumbered by any other interest or estate, and subject only to the limitations of government.

fee simple – in land ownership, complete interest in a property subject only to governmental powers

Glossary for Property Appraisal and Assessment, p. 56

In summary, a property assessment is:

- an estimate of the property's market value on July 1, 2015
- prepared using mass appraisal
- an estimate of the value of the fee simple estate in the property
- a reflection of the property's condition on December 31, 2015
- prepared assuming typical market conditions on the open market by a willing seller to a willing buyer

Mass Appraisal

Mass appraisal is the legislated methodology used by the City of Edmonton for valuing individual properties, and involves the following process:

- properties are stratified into groups of comparable property
- common property characteristics are identified for the properties in each group
- a uniform valuation model is created for each property group

property characteristic: A feature that helps to identify, tell apart, or describe recognizably, a distinguishing mark or trait

www.thefreedictionary.com



27.1(c) “valuation model” means the representation of the relationship between property characteristics and their value in the real estate marketplace using a mass appraisal process

MRAT s.27.1(c)

The following two quotations indicate how the International Association of Assessing Officers distinguishes between mass appraisal and single-property appraisal:

... “single-property appraisal is the valuation of a particular property as of a given date; mass appraisal is the valuation of many properties as of a given date, using standard procedures and statistical testing.”

... “Also, mass appraisal requires standardized procedures across many properties. Thus, valuation models developed for mass appraisal purposes must represent supply and demand patterns for groups of properties rather than a single property.”

Property Appraisal and Assessment Administration, pg.88-89.

For both mass appraisal and single-property appraisal, the process consists of the following stages:

	Mass Appraisal	Single Appraisal
Definition and Purpose	Mass appraisal is used to determine the assessment base for property taxation in accordance with legislative requirements	The client specifies the nature of the value to be estimated, including rights to be valued, effective date of valuation, and any limiting conditions
Data Collection	Mass appraisal requires a continuing program to maintain a current database of property characteristics and market information.	The extent of data collection is specific to each assignment and depends on the nature of the client’s requirements
Market Analysis	Mass appraisal is predicated on highest and best use	Market analysis includes the analysis of highest and best use
Valuation Model	Valuation procedures are predicated on groups of comparable properties	Subject property is the focus of the valuation. The analysis of comparable properties is generally six or less
Validation	The testing of acceptable analysis and objective criteria	The reliability of the value estimate is more subjective. Acceptability can be judged by the depth of research and analysis of comparable sales

Valuation Models

A valuation model creates an equation of variables, factors and coefficients that explains the relationship between estimated market value and property characteristics.



s.27.1(a) **“coefficient”** means a number that represents the quantified relationship of each variable to the assessed value of a property when derived through a mass appraisal process

(b) **“factor”** means a property characteristic that contributes to a value of a property;

(d) **“variable”** means a quantitative or qualitative representation of a property characteristic used in a valuation model

MRAT, s.27.1 (a), (b) and (d)

s.27.3(1) ...information that is required to be provided...does not include coefficients

MRAT, s.27.3(1)

Valuation Model

- variables are created from property characteristics
- analysis of how variables effect market value
- factors and coefficients are determined
- the resulting valuation models are applied to property characteristics

Depending on the property type multiple regression analysis or other mass appraisal techniques are used to determine variables, factors and coefficients.

“Multiple Regression Analysis (MRA): a statistical technique used to analyze data to predict market value (dependent variable) from known values of property characteristics (independent variables)”

Property Appraisal and Assessment Administration, p. 653

An assessed value is calculated by applying the appropriate valuation model to individual properties within a group.

Approaches to Value

The most common approaches to determine market value are the direct sales, income, and cost. Each emphasizes a particular kind of market evidence.

Direct Comparison Approach

Typical market value (or some other characteristic) is determined by referencing comparable sales and other market data and making appropriate adjustments. It is often used when sufficient sales or market data is available.

Income Approach

This approach considers the typical actions of renters, buyers and sellers when purchasing income-producing properties. This approach estimates the typical market value of a property by determining the present value of the projected income stream. Often used to value rental or leased property

Cost Approach

Typical market value is calculated by adding the depreciated replacement cost of the improvements to the estimated value of land. It is often used for properties under construction or when there is limited market data available

Direct Comparison Approach

For commercial land, the assessment is determined using the direct comparison approach. It is the most appropriate method of valuation for Commercial Land properties in the City of Edmonton as it mirrors the actions of buyers and sellers in the market place. There is sufficient sales data to derive reliable market estimates.

The income and cost approaches were not used in the valuation of this property group, as these approaches are more applicable to income producing properties or in limited markets, respectively. The majority of these properties in this inventory are owner occupied with only a portion of the inventory traded based on the property's ability to generate income.

Sales

The City of Edmonton validates all land title transactions (sales). The validation process can include site inspections, interviews with parties involved, a review of land title documents, corporate searches, third party information, and sale validation questionnaires.

The City of Edmonton reviews sales occurring from July 1, 2010 to June 30, 2015 for valuation of Commercial Land property. Time adjustments are applied to sale prices to account for any market fluctuations occurring between the sale date and the legislated valuation date.

Sale price reflects the condition of a property on the sale date and may not be equal to the assessment.

Time Adjustment: Time Adjustment refers to the adjustment applied to the sale price of a property to account for the effects of price changes reflected in the market between the date of sale and the July 1 valuation date. The time adjustments are shown below.

Sale Date	TAF	Sale Date	TAF	Sale Date	TAF	Sale Date	TAF
10-Jan	1.2302	11-Jun	1.2302	12-Nov	1.118	14-Apr	1
10-Feb	1.2302	11-Jul	1.2302	12-Dec	1.1091	14-May	1
10-Mar	1.2302	11-Aug	1.2302	13-Jan	1.1003	14-Jun	1
10-Apr	1.2302	11-Sep	1.2302	13-Feb	1.0916	14-Jul	1
10-May	1.2302	11-Oct	1.2302	13-Mar	1.0829	14-Aug	1
10-Jun	1.2302	11-Nov	1.2302	13-Apr	1.0743	14-Sep	1
10-Jul	1.2302	11-Dec	1.2204	13-May	1.06585	14-Oct	1
10-Aug	1.2302	12-Jan	1.2107	13-Jun	1.0574	14-Nov	1
10-Sep	1.2302	12-Feb	1.2011	13-Jul	1.049	14-Dec	1
10-Oct	1.2302	12-Mar	1.1916	13-Aug	1.0406	15-Jan	1
10-Nov	1.2302	12-Apr	1.1821	13-Sep	1.0324	15-Feb	1
10-Dec	1.2302	12-May	1.1728	13-Oct	1.0242	15-Mar	1
11-Jan	1.2302	12-Jun	1.1635	13-Nov	1.0161	15-Apr	1
11-Feb	1.2302	12-Jul	1.1543	13-Dec	1.008	15-May	1
11-Mar	1.2302	12-Aug	1.1451	14-Jan	1	15-Jun	1
11-Apr	1.2302	12-Sep	1.136	14-Feb	1		
11-May	1.2302	12-Oct	1.127	14-Mar	1		

Sample Assessment Detail Report

Date: 23-Dec-2015 **City of Edmonton - Tax Assessment and Collection System - TAXE12P1** **Report Name:** GMR0042
Time: 10:49:18 **Land (SPSS) Detail Report - Court Version** **Page:** 1

Account: 1234567 **Condo Hdr:** **Asmt Period:** 1980 / **Type:** REGULAR **As of:** Nov. 21, 2015
Master: N **Lease:** N **Bldg Only:** N **Mobile Home:** N **Reinspect:** **For:** 2016
Legal: Plan: x Block: x Lot: x **UOM:** IMP
Address: 1234 Sample Ave **Approach:** COST
Nbhd: 1140 - MCCAULEY

Mkt Area: **Study Area:** COMAREA040 **Zoning:** CB2 **EVZ:** CB2
LUC1: 900 / 100% **LUC2:** **Lot Size:** 21,772.807 **Valuation Group:** LAND

SPSS Calculation Output

ACCOUNT	LOT SIZE	21,772.80742
ACCOUNT	GROUP	3
ACCOUNT	TRAFFIC	0
ACCOUNT	RAILWAY	NO
ACCOUNT	PAVING	YES
ACCOUNT	SANITARY SEWER	YES
ACCOUNT	STORM SEWER	YES
ACCOUNT	WATER SERVICE	YES
ACCOUNT	STREET LIGHTS	YES
ACCOUNT	SIDEWALK, CURB AND GUTTER	YES
ACCOUNT	SHAPE INFLUENCE	NO ADJUSTMENT
ACCOUNT	EASEMENT	NO ADJUSTMENT
ACCOUNT	LOT ACCESS	NO ADJUSTMENT
ACCOUNT	CONTAMINATION	NO ADJUSTMENT
ACCOUNT	TOPOGRAPHY	NO ADJUSTMENT
ACCOUNT	RESTRICTIVE COVENANT	NO ADJUSTMENT
ACCOUNT	UTILITY/REMNANT	NO
ACCOUNT	EXPOSURE	NO ADJUSTMENT

Land Assessment: **1,601,000**

Zoning

The rules and regulations for land development within Edmonton are contained in the Zoning Bylaw, No. 12800.



*s.6.1(111) **zone:** is a specific group of listed use classes and development regulations which regulate the use and development of land within specific geographic areas of the City*

Zoning Bylaw No. 12800, 2014, s. 6.1(111)

Commercial Land is land with commercial zoning in accordance with the City of Edmonton Zoning Bylaw 12800.

Variables

Below is the list of variables that affect the 2016 assessment value:

Group	Study Area or Market Area
Lot Size	Lot Location

Group: The Commercial Land inventory is divided into 9 Groups based upon a property's location:

- **Group 1** - Generally includes all properties located north of 111 Avenue and east of 142 Street.
- **Group 2** - Generally includes all properties located west of 142 Street and Groat Road and north of the river.
- **Group 3** - Includes all properties located in The Quarters, Riverdale, Boyle Street and McCauley neighbourhoods.
- **Group 4** - Includes all properties within Oliver, Westmount, Queen Mary Park, and Central McDougall neighbourhoods.
- **Group 5** - Downtown neighbourhood.
- **Group 6** - Generally includes all properties located north of Whitemud Drive, east of Gateway Blvd, and south of the river, except Strathcona neighbourhood.
- **Group 7** - Includes all properties located south of the river, excluding groups 6 and 8.
- **Group 8** - Generally includes all properties that located north and east of Whitemud Drive, south of the river and west of Gateway Blvd, including Strathcona neighbourhood.
- **Group 9** - Includes all properties on Jasper Avenue between 110 Street to 125 Street (Jasper Ave West) and Whyte Ave between 104 Street to 109 Street (Whyte Ave Central).

Study Areas: Are sub-groups or sub-sectors of properties in neighbourhoods or a series of neighbourhoods that show different market trends such as Traffic Influence, major commercial centers or other influential characteristics from the rest of the market area in which they are located. These properties are assigned to study areas to more accurately analyze and value the market trends in these locations. See included Study Area list.

Market Area: Commercial Land Market Areas are geographic areas defined using location boundaries and property characteristics. See enclosed map entitled 2015 Commercial Market Areas (COMMKT).

Lot Location: Lot Location refers to the location of a property as a corner or interior lot.

Lot Size: Lot size refers to the area of the property, as measured by GIS, typically expressed in square feet.

Adjustments

Generally, an adjustment may be made if a property is affected beyond typical. For the property characteristics noted below, with the exception of Utility/Remnant Lot, Land Market Adjustment, Servicing, Contamination and Zoning, the following adjustments may be made:

- **No Adjustment**
- **Minor-** 5% negative adjustment
- **Moderate-** 10% negative adjustment
- **Major-** 15% negative adjustment
- **Extreme-** 20% negative adjustment

Shape: Shape refers to the shape of a property. An adjustment may be made if the shape of a property is atypical *and* makes some of the property unsuitable to support independent development.

Easement, as defined in Section 28 of the MGA, is an interest of right held by a municipality for the purpose of locating the system or works of a municipal public utility. In a practical sense, an easement is the right to use and/or enter onto the real property of another without possessing it.

Exposure: Exposure refers to the visibility of a property. For 2015, Exposure is accounted for under Access.

Restrictive Covenant: An agreement that restricts the use or occupancy of all or part of a property and that may be registered on the title to a property and runs with the land.

Remnant Lot: A remnant lot is a property that is too small or oddly shaped to easily support independent development. For a Utility/Remnant Lot, an adjustment will be applied (YES or 1) to the market value of the entire property. NO or 0 indicates that no adjustment has been made.

Access/Egress: The right of egress from and ingress to a property from an existing road or highway.

Topography: Topography refers to the surface features of a property and may include hills, swamps, gullies, ravines etc. that may affect the functional utility of the property.

Servicing refers to the services available to a property. A property is serviced if it is or can be serviced using services located in an adjacent property. Land services include storm sewer, sanitary sewer and water service, street lighting and curb/gutter and sidewalk. Yes or 1 indicates that a property has a specified service and No or 0 indicates that a property does not have a specified service. If a property does not have a specific service, the following negative adjustment may be applied:

Service	Servicing Costs
No Street Lighting	-0.60%
No Sanitary Sewer	-6.30%
No Storm Sewer Service	-11.40%
No Water Service	-6.30%
No Paving	-3.60%
No Sidewalk, Curb & Gutter	-1.80%

Contamination: Contamination refers to property that has been affected by environmental contamination which includes adverse conditions resulting from the release of hazardous substances into the air, surface water, groundwater, or soil. Refer to the City of Edmonton Assessment Valuation Procedures in Relation to Contaminated Properties.

Land Market Adjustment (LMA): An LMA is applied to account for characteristics not common to many properties. This adjustment is used in rare circumstances where the influence on the property cannot be accounted for or described by the usual attributes such as topography or shape etc.

An LMA ranges from 5% to 100%, either positive or negative, and changes in increments of 5%. An LMA may be indicated as follows:

- No Adjustment (N)
- LMA Mi_nus_05 (this means a negative 5% adjustment has been applied)
- LMA Plus_05 (this means a positive 5% adjustment has been applied).

Definitions

Fencing: A Commercial Land property may be improved with fencing (nets). Fencing on Commercial Land properties was valued using the Marshall & Swift Costing Manual.

Land Use Code (LUC): The Land Use Code categorizes the current use of a property. The amount of a property subject to any specific LUC will be expressed as a percentage. For 2015, the LUC did not affect the value of Commercial Land. Commercial Land may have the following LUCs:

LUC	Description	LUC	Description
197	DERELICT RESIDENTIAL DWELLING ON NON RESIDENTIAL LAND	531	PARKING LOT - UNPAVED
258	FENCED STORAGE	532	PARKING STRUCTURE - HEATED
290	DERELICT COMMERCIAL	533	PARKING STRUCTURE - UNHEATED
291	DERELICT EATING/DRINKING ESTABLISHMENT	534	PARKING STRUCTURE
292	DERELICT COMM BUSINESS/SERVICE	535	MIXED PARKING - LOT & STRUCTURE
293	DERELICT TRANSIENT ACCOMMODATION	536	PAVED PARKING FOR APARTMENT USE
294	DERELICT SHOPPING CENTRE	537	PARKING LOT - UNPAVED NO NETS
295	DERELICT WAREHOUSE/STORAGE	539	PARKING FACILITY - OTHER
296	DERELICT VEHICLES/ACCESSORIES	900	UNDEVELOPED LAND
530	PARKING LOT - PAVED		

Neighbourhood: Neighbourhoods are geographic areas delineated in the City's Neighbourhood Maps found at: <http://maps.edmonton.ca/>

Paving: A Commercial Land property may be improved with paving. Paving on Commercial Land properties was valued using the Marshall & Swift Costing Manual.

Traffic Influence: Traffic Influence refers to the number of vehicles that travel past a property on a daily basis and affects the Study Area to which a property is assigned. Traffic Influence is derived from the City's 2012 Traffic Flow Map (See http://www.edmonton.ca/transportation/traffic_reports/aawdt-reports-flow-maps.aspx). Traffic Influence is identified as one of the following:

- **No Traffic (0):** Roads with traffic flow of 0-5,000 vehicles per day that do not have a bus route.
- **Minor (1):** Roads with traffic flow of 0-5,000 vehicles per day that have a bus route.
- **Moderate (2):** Roads with traffic flow of 5,001-15,000 vehicles per day.
- **Major (3):** Roads with traffic flow of 15,001-50,000 vehicles per day.
- **Extreme (4):** Roads with traffic flows of 50,000+ vehicles per day.
- **Anthony Henday (6):** Anthony Henday Drive ring road.

Unit of Measure (UOM): UOM is identified as either Imperial (IMP) or Metric.

Provincial Quality Standards

For Commercial Land properties the City of Edmonton used the direct sales approach to calculate the 2016 assessments. The assessment models, the process utilized, and the results are submitted annually to the Assessment Services Branch of the Department of Municipal Affairs for audit purposes. This audit is used to determine the accuracy of our predictions relative to the market place, and is a direct reflection on the accuracy of our models. The results indicated that our assessments meet Provincial Quality Standards as set out in *MRAT*.

Study Area List

ComArea 000	Abutting Jasper Ave between 103 Str and 110 Str
ComArea 002	South of 104 Ave, west of 104 Str, north of Jasper Ave, and east of 110 Str. Excludes properties in ComArea000 or ComArea001.
ComArea 003 and ComArea 004	Downtown excluding properties in ComArea000, ComArea001, or ComArea002.
ComArea010	Abutting or north of Jasper Ave from 95 Str in the east to short of abutting 97 Str in the west, south of 103A Ave
ComArea024	Abutting 95 Str between 107 Ave and 111 Ave.
ComArea030	Within the boundaries of 101 Str, 107a ave, 105 Str, 97 Str, as well as properties abutting 107a Ave between 95 Str and 101 Str, and abutting 97 Str between 107a Ave and 105 Ave.
ComArea031	Abutting 97 Str north of 107A Ave and south of 110A Ave, plus abutting 98 Str between 107A Ave and 108A Ave
ComArea032	Abutting 97 Str between 121 Ave and 137 Ave
ComArea040	Abutting 101 Str between 105 Ave and 111 Ave, abutting 111 Ave between 97 Str and 102Str, west side of 98 Str between 108A Ave and 111 Ave.
ComArea055	Abutting 109 Str north of 105 Ave to Princess Elizabeth Ave.
ComArea070	East of 109 Str, north of 1110 Ave, west of 105 Str, south of Princess Elizabeth Ave
ComArea100	Abutting 118 Ave east of 50 Str.
ComArea130	Abutting Fort Road between 127 Ave and 137 Ave.
ComArea140	Abutting 50 Str from 127 Ave to Manning Freeway
ComArea160	Along Stony Plain Road, north of 90A Ave west of 169 Str and east of 178 Str.
ComArea 162	North of Whitemud Drive, south of Argyll Road and Sherwood Park Fwy, east of 99 Str and west of 34 Str, excluding properties in ComArea300, or ComArea290.
ComArea180	Abutting Whyte (82) Ave between 98 Str and Gateway Boulevard
ComArea310	Abutting Argyll Road between Sherwood Park Freeway and 99 Str.
ComArea330	Ellerslie Road area east of Calgary Trail
ComArea350	Abutting or south of Ellerslie Road west of Calgary Trail to 156 Str.

