

2016

ASSESSMENT METHODOLOGY

COMMERCIAL OFFICES SUBURBAN

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

edmonton.ca/assessment

Edmonton

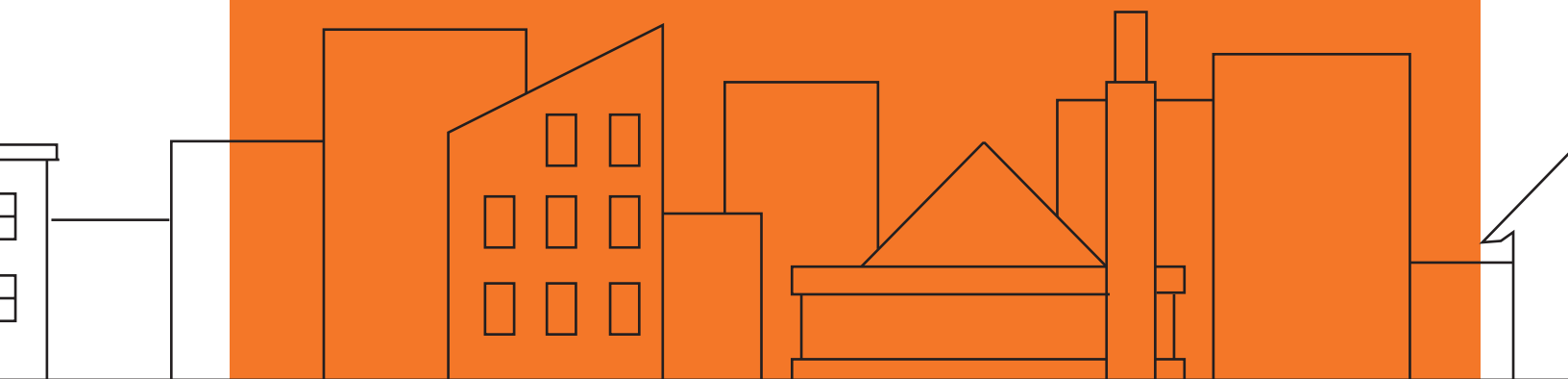



Table of Contents

| | |
|------------------------------------|----|
| Scope..... | 3 |
| Introduction | 3 |
| Mass Appraisal | 5 |
| Valuation Models | 6 |
| Commercial Property Types..... | 7 |
| Approaches to Value..... | 8 |
| Income Approach..... | 8 |
| Income Approach Definitions | 9 |
| Sample Pro forma | 12 |
| Variables | 13 |
| Classification | 13 |
| Location..... | 13 |
| Size | 14 |
| Space Types..... | 14 |
| Adjustments | 15 |
| Other Definitions | 16 |
| Provincial Quality Standards | 17 |

Scope

This guide is an aid in explaining how suburban office properties are valued for assessment purposes. 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

Property assessments in the City of Edmonton are prepared in accordance with the requirements of the *Matters Relating to Assessment and Taxation Regulation*, Alta Reg 220/04, (hereinafter “MRAT”). This regulation establishes the valuation standard to be used, defines the procedures to be applied, and proposes objectives for the quality to be achieved in the preparation of assessments. The legislation requires the municipality to prepare assessments that represent *market value* by application of the *mass appraisal process*. All assessments are expected to meet quality standards prescribed by the province in the regulation.

In summary, commercial property assessments represent:

- an estimate of the value;
- of the fee simple estate in the property;
- as it existed on December 31, 2015;
- would have realized if it had been sold on July 1, 2015;
- on the open market and under typical market conditions;
- by a willing seller to a willing buyer.

The assessment is a prediction of the value that would result when those specific, defined conditions are met.

“Fee simple interest [is] absolute ownership unencumbered by any other interest or estate...leased fee interest [is] the ownership interest held by the lessor, which includes the right to the contract rent specified in the lease plus the reversionary right when the lease expires....leasehold interest [is] the interest held by the lessee (the tenant or renter) through a lease conveying the rights of use and occupancy for a stated term under certain conditions.”

Appraisal Institute of Canada, *The Appraisal of Real Estate Third Canadian Edition*, Vancouver, Canada, 2010, page 6.4.

Both *market value* and *property along with additional terms* are defined in the *Municipal Government Act*, RSA 2000, c M-26 (hereinafter the “MGA”) and MRAT :



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)

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



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.”

The International Association of Assessing Officers, Property Appraisal and Assessment Administration, Chicago, Illinois, 1990, 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. An assessed value is then calculated by applying the appropriate valuation model to individual properties within a property type.



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

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

Province of Alberta. (2012). *Matters Relating to Assessment and Taxation Regulation*.

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

Commercial Property Types

Office buildings are designed for general commercial occupancy, including administrative, government and corporate uses, and are normally demised into relatively small units. Some of these typical uses include the offices of lawyers, accountants, engineers, architects, real estate and insurance firms, health and government services and similar office support services.

Office buildings are grouped into two areas:

Suburban Office Buildings are office developments that are located in suburban districts. See 2016 Office Districts Map.

Downtown Office Buildings are office developments that are located in the downtown districts. See 2016 Office Inventory: Downtown Districts Map.

There are other commercial properties types in the marketplace, however only the pertinent ones have been summarized below:

Shopping Centres are groups of commercial establishments related in location, size, and type. Shopping centre properties are grouped into two formats: open and enclosed retail properties. Enclosed formats are the malls which includes super-regional, regional and community shopping centres. Open format includes Power and Neighbourhood Shopping Centres and Box retail properties.

Retail properties are commonly freestanding buildings. Multiple freestanding buildings can be found on the same property. This category also includes street-front retail units that may be abutting other retail properties, which are typically pedestrian-oriented. In conjunction with retail, various uses on other floors can be found, such as residential and/or office space. Street parking is predominant in these retail properties. Does not include properties that fall under the Retail Plaza category.

Retail plazas are stratified into three types:

Unanchored Strip Centres are multi-unit (3 or more) retail buildings often laid out in a continuous strip. These buildings are generally constructed as a straight line (strip) or a 'U' or 'L' shape configuration. They are typically vehicle-oriented rather than pedestrian-oriented. Typically, off-street parking is available with direct access to the front of retail stores. Each retail unit generally has a separate customer entrance; however, some may be accessed through common areas, such as enclosed walkways or corridors. One or more freestanding buildings may be on the site such as a bank or restaurant.

Stacked Retail Developments are unanchored multi-unit (3 or more), multi-floor retail buildings often laid out in a box configuration, and typically have a common area to access one or more units. Multiple Stacked Retail Developments can be found on the same property. Main floor units typically have direct access to the exterior, while upper floor units are usually

Unanchored Enclosed Malls are similar to Stacked Retail Developments, but are only one story. Units are typically accessed through a common area walkway.

Additional details are available in the Shopping Centre and Retail Assessment methodology guides, which are provided online at Edmonton.ca.

Approaches to Value

The most common approaches to determine market value are the direct comparison, 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. It may also be referred to as the Sales Comparison Approach.

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.

Income Approach

For this property type, the assessment is determined using the income approach. The income approach best reflects the typical actions of buyers and sellers when purchasing income-producing properties. The ample financial information provided by owners during the annual Request for Information (RFI) process also supports the use of the income approach.

For the Income model, this process analyzes the relationship between the attributes of these rental properties with their rental income. The unit of comparison variable used in the model is **triple net rent**. The resulting model is then applied as a formula to the physical characteristics and attributes of every commercial property to calculate each property's market value assessment.

Sales information is received from Land Titles. Sales are verified and validated by conducting site inspections and interviews, and by reviewing title transfers (change of ownership), sales validation questionnaires, and secondary data collection sources. The resulting verified and validated sales are used to develop capitalization rates to determine market value in the income approach. ***Sales reflect the condition of a property as of the sale date and thus may not always be equivalent to their assessed value.***

For valuation of Downtown Office properties, sales occurring from July 1, 2010 to June 30, 2015 are used. Time adjustments are applied to sale prices to account for any market fluctuations occurring between the sale date and the legislated valuation date.

Income Approach Definitions

To provide a clear understanding of the terms used in the income approach, the following definitions are supplied.

Typical Market Rent is the rent currently prevailing in the market for properties comparable to the subject property (otherwise known as current economic rent). Current economic or market rents are used to form the basis of the valuation as opposed to actual rents, because in many cases actual rents reflect historical revenues derived from leases negotiated before the valuation date. In determining potential gross income, the assessor is not bound by the contractual rent between the landlord and tenant, but must determine rental income on the basis of what is typically paid in the market at the time of valuation.

Base Rent / Net Rent is the stipulated or contract rent exclusive of additional charges to the property (taxes, insurance, utilities and maintenance). Base and net rent do not include GST.

Triple Net Rent is the rental structure where the tenant (lessee) pays all charges to the property (e.g.: taxes, insurance, utilities, maintenance) in addition to the stipulated or contract rent. Structural repairs are excluded from the tenant responsibility.

Effective Net Rent is the rental term identifying the rental amount (usually in dollars per square foot of leased area) after adjustments have been made accounting for free rent periods, plus the present value of tenant improvement allowances and other inducements such as free parking

Lease types include the terms gross lease, modified gross lease, single net lease, double net lease, and triple net lease. These may not always mean the same thing in different markets. The expenses that are included in each type of rent vary from market to market. In general, the following distinctions can be made:

- *Gross lease* - tenant pays rent and property owner pays expenses
- *Modified gross lease (sometimes semi-gross)* - tenant and property owner share expenses
- *Single net lease* - tenant pays utilities and taxes or insurance, and property owner pays structural repairs, property maintenance, and property taxes or insurance
- *Double net lease* - tenant pays utilities, taxes, and insurance, and property owner pays structural repairs and property maintenance
- *Triple net lease* - tenant pays utilities, taxes, insurance, and maintenance, and property owner pays for structural repairs only

Operating Expenses (OE) are the periodic expenditures necessary to maintain the real property and continue the production of the effective gross income; these are accounted for by the vacancy shortfall and structural allowances in the pro forma.

Common Area Maintenance (CAM) are the charges that reflect the costs of operating the interior and exterior common areas of a commercial property, and therefore include expenses for cleaning, utilities, heating, insurance, garbage & snow removal, and management fees.

Potential Gross Income (PGI) is the total current market rent for all space types that would be collected if the property were fully occupied at the date of valuation. In estimating PGI, the assessor distinguishes between market rent and contract rent. Market rent is the rate prevailing in the market for comparable properties and is used in calculating market value by the income approach. Contract rent is the actual amount agreed to by landlord and tenant.

Potential gross income is derived by multiplying all Gross Leasable Areas (GLA) in the building by the current market rent for each particular space type.



Vacancy Allowance is a deduction from the potential gross income for typical vacancy and collection losses, assuming current market conditions and typical management. Vacancy losses are best described as an allowance for vacant space. Collection losses are considered unpaid rents that the landlord is unlikely to recover. These allowances are usually expressed as a percentage of potential gross income. Variations in vacancy allowance can occur if vacancy greater than 10% is experienced for at least 3 consecutive years immediately preceding the valuation date. An allowance reflecting the stabilized chronic vacancy (See chart below) is applied on a per building basis.

| Actual Vacancy (over three years) | Stabilized Vacancy |
|-----------------------------------|--------------------|
| Less than 10% | 5% |
| 10% to 20% | 10% |
| 20% to 30% | 15% |
| 30% to 50% | 20% |
| 50% to 75% | 25% |
| 75% to 100% | 30% |

Effective Gross Income (EGI) is the anticipated income from all operations of real property adjusted for vacancy and collection loss.



Vacancy Shortfall is an expense related to the cost of carrying vacant space. Though the space is vacant there are still costs associated with the space that the owner must pay, e.g. some operating expenses, heating, security, property taxes, etc.



Net Operating Income (NOI) is the actual or anticipated (before income tax) net income from the operation of the property after deducting all expenses from the effective gross income but before debt servicing costs. The term is often abbreviated to net income and sometimes stated as net income before recapture.

$$\text{EGI} - \text{OE} = \text{NOI}$$

Structural Allowance is an allowance provided to cover items which require periodic replacement because they wear out more rapidly than the building itself. Typically under the terms of conventional triple net leases, all operating expenses and property taxes are fully recouped by the landlord from the tenant. The only exception relates to items of a structural and/or capital nature, which are normally excluded from such recoveries. ***Rather than lump sum deductions, a structural allowance is applied annually over the economic life of the property regardless of whether any expenses were incurred in any given year.***

Overall Capitalization Rate (Cap Rate) is the rate reflecting the relationship between the anticipated net operating income from a single year (or an average of several years) and the total price or value of the property. The cap rate converts net operating income into an indication of property value. The cap rate, in its basic formula, is found by dividing net operating income by the sale price.

$$\text{NOI} \div \text{CAP RATE} = \text{MARKET VALUE ESTIMATE}$$

Sample Pro forma

| Suburban Office Summary | | | | |
|--|--------------------------------------|-------------------------|-----------------------------|-------------|
| 2016 Assessment | | | | |
| Identifies District and Subclass for subject property. | Roll Number | 1234567 | Value Date | 1-Jul-15 |
| See office location and classification section for more | Building Name | Sample Building | | |
| | Address | Sample Avenue | | |
| | District | 118 | | |
| | Sub Class | B | | |
| | Roll Number | 1234567 | | |
| | Space Type | Area (ft ²) | Market Rent/ft ² | Total |
| Spacetypes See Definition Section | Office Space | 1,000 | \$20.00 | \$20,000 |
| | Office - Other | 500 | \$10.00 | \$5,000 |
| | CRUs <1,000 ft ² | 0 | \$0.00 | \$0 |
| | CRUs 1,001 to 3,000 ft ² | 0 | \$0.00 | \$0 |
| | CRUs 3,001 to 5,000 ft ² | 2,000 | \$15.00 | \$30,000 |
| | CRUs 5,001 to 10,000 ft ² | 0 | \$0.00 | \$0 |
| | CRUs > 10,001 ft ² | 0 | \$0.00 | \$0 |
| | CRU - Restaurants | 0 | \$0.00 | \$0 |
| | CRU - Banks | 0 | \$0.00 | \$0 |
| | CRU - Food Court | 0 | \$0.00 | \$0 |
| | CRU - Warehouse | 0 | \$0.00 | \$0 |
| | CRU - Other | 0 | \$0.00 | \$0 |
| | Storage | 500 | \$1.00 | \$500 |
| | Underground Parking Stalls | 100 | \$100.00 | \$120,000 |
| | Aboveground Parking Stalls | 0 | \$0.00 | \$0 |
| Covered Parking Stalls | 0 | \$0.00 | \$0 | |
| Surface Parking Stalls | 0 | \$0.00 | \$0 | |
| Potential Gross Income | 4,000 | | \$175,500 | |
| NOTE: Office vacancy calculation does not include storage PGI. | Vacancy Rates | | | |
| | Office | 5.0% | | \$7,250 |
| | Retail | 5.0% | | \$1,500 |
| | Effective Gross Income | | | \$166,750 |
| | Less Expenses | | | |
| | Structural Allowance | 2% | | \$3,335 |
| | Less Vacancy Shortfall | | | |
| | Office | \$10.00 | 75 | \$750 |
| | Retail | \$10.00 | 100 | \$1,000 |
| NOTE: Office vacancy shortfall calculation does not include storage space. | Net Operating Income | | | \$161,665 |
| | 2016 Stabilized Value | | | |
| | Capitalization Rate | | 7.00% | |
| | Value Sub-total | | | \$2,309,500 |
| | Value per ft ² | \$577.38 | | |
| | Other Value | | | \$0 |
| | Add Additional Buildings | | | \$0 |
| | | | | \$0 |
| | | | | \$0 |
| | 2016 Final Market Value Estimate | | | \$2,309,500 |
| | COMMENTS | | | |

← VALUATION DATE

← OFFICE GLA x MARKET RENT = OFFICE PGI
Example: (1,000 sqft x \$20) + (500 sqft x \$10) = \$25,000

← CRU GLA x MARKET RENT = CRU PGI
Example: 2,000 sqft x \$15 = \$30,000

← STORAGE GLA x MARKET RENT = STORAGE PGI
Example: 100 sqft x \$1 = \$100

← (PARKING STALLS x MARKET RENT PER MONTH) x 12 = PARKING PGI
Example: 100 stalls x \$100 = \$10,000/month
\$10,000/month x 12 months = \$120,000/year

← TOTAL OFFICE PGI + TOTAL CRU PGI + TOTAL STORAGE PGI + TOTAL PARKING PGI = TOTAL PGI
Example: \$25,000 + \$30,000 + \$500 + \$120,000 = \$175,500

← OFFICE PGI + PARKING PGI x TYPICAL VACANCY RATE
Example: \$25,000 + \$120,000 x 0.05 = \$7,250

← CRU PGI x TYPICAL VACANCY RATE
Example: \$30,000 x 0.05 = \$1,500

← PGI LESS VACANCY LOSS = EGI
Example: \$175,500 - (\$7,250 + \$1,500) = \$166,750

← EGI LESS STRUCTURAL ALLOWANCE
Example: \$166,750 x 0.02 = \$3,335

← (TOTAL OFFICE SQFT x TYPICAL VACANCY RATE) x TYPICAL VACANCY SHORTFALL = OFFICE VACANCY SHORTFALL
Example: 1,500 sqft x 0.05 = 75 x \$10 = \$750

← (TOTAL CRU SQFT x TYPICAL VACANCY RATE) x TYPICAL VACANCY SHORTFALL = CRU VACANCY SHORTFALL

← EGI LESS STRUCTURAL ALLOWANCE LESS VACANCY SHORTFALL = NOI
Example: \$166,750 - \$3,335 - \$1,750 = \$161,665

← MARKET VALUE = NOI / CAP RATE
Example: \$161,665 / 0.07 = \$2,309,500

← FINAL MARKET VALUE ESTIMATE UTILIZING THE INCOME APPROACH (Rounded down to the nearest 500)

Please see Adjustments definitions

Copyright © 2016 The City of Edmonton

The information is collected for property assessment interpretation purposes only. While The City of Edmonton provides this information in good faith, it does not warrant, covenant, or guarantee the completeness and accuracy of the information. The City does not assume responsibility nor accept any liability arising from any use other than assessment interpretation. The information is maintained on a regular basis and reflects the contents of the Assessment per the stated date/time of this document. This information is proprietary and may not be reproduced without consent from The City of Edmonton.

Variables

Below is the list of variables that affect the assessment value for 2016.



Classification

Suburban office properties are stratified into groups (subclasses) that are comparable to one another in terms of their overall desirability and marketability. Characteristics that may be considered in classification are quality, condition, effective year built, gross leasable area, size of floorplate, number of stories, sufficient parking, traffic exposure, access to roadways, proximity to the Edmonton Transit System and amenities such as daycares, fitness centres, etc.

AA class office buildings are the most desired in the market and are generally of high quality. They are typically newer, well maintained and may include unique high end finishes. These building typically offer premium characteristics and amenities to well-known tenants.

A class office buildings are generally well maintained and include good quality functional office finish. These buildings are slightly inferior to AA buildings. These buildings typically offer above average characteristics and amenities to their tenants.

B class office buildings are generally smaller and older in comparison to A class buildings and are more basic. These buildings are generally well maintained and include functional office finish. These buildings typically offer average characteristics and amenities to their tenants.

C class office buildings are the least desirable in the marketplace with basic design and function. They are inferior in quality and condition. They are generally the oldest office buildings with below average maintenance levels and are nearing the end of their economic life.

Location

Commercial office properties are stratified into districts within which the properties are more or less equally subject to a set of one or more economic forces. These economic forces include similar attributes that are shared by a location such as traffic influence, age of construction, and/or proximity to a particular population demographic.

The City of Edmonton stratifies the Suburban Office Inventory into eight districts:

| | | | |
|------------------------|---------------------------|---------------------------|---------------------------|
| Eastgate (EGA) | South Henday (SHA) | 149th Street (149) | 124th Street (124) |
| Southside (SSA) | Westend (WEA) | 118th Avenue (118) | Whyte Avenue (WAA) |

Size

Size refers to the total gross building area, gross leasable area, size of floorplate, and number of stories.

Gross Building Area (GBA) is the total floor area of a building, including below-grade space but excluding unenclosed areas, measured from the exterior of the walls. All enclosed floors of the building including basements, mechanical equipment floors, penthouses, and the like are included in the measurement. Parking spaces and parking garages are excluded.

Gross Leasable Area (GLA) is the total area designed for the occupancy and exclusive use of the tenants, including basements and mezzanines; measured from the center of joint partitioning to the outside wall surface. For office buildings, typically the GLA reported by owners on their returned RFI documents is the size used.

Space Types

Commercial Retail Units (CRUs) are general retail spaces. They have been stratified based on gross leasable area as follows:

| Size: | Size Category: |
|-------------------------------------|----------------|
| CRU < 1,000 ft ² | CRU LESS |
| CRU 1,001 to 3,000 ft ² | CRU MED |
| CRU 3,001 to 5,000 ft ² | CRU MAX |
| CRU 5,001 to 10,000 ft ² | CRU MEG |
| CRU > 10,000 ft ² | CRU EXT |

CRU-Banks are CRU spaces utilized to provide a financial service. These spaces are an attractant to other CRU spaces and have advanced security measures such as reinforcement of walls, safes and electronic deterrents and other features to keep the space secure.

CRU-Restaurants are food serving establishments that contain dedicated food preparation, kitchen, and sitting areas. They generally have a higher level of finish than most CRUs and have improved electrical, plumbing and venting.

CRU-Other is miscellaneous uses not identified under a space type category. E.g.: CRU Space in the basement.

CRU-Warehouse is unfinished space that contains one or more bay doors, and is typically utilized for storage, light manufacturing or product distribution.

Office space is space that is utilized, designed or intended for office use, and typically located on the second floor or higher levels of a structure. Main floor office that experiences similar access and exposure as retail units is treated as a CRU space for the purpose of valuation.

Office-Other is office space that exhibits less utility or desirability than typical office space because of a lack of natural lighting or windows. (e.g., office in basement or server rooms.)

Parking is valued on a per stall basis and the parking rates vary depending upon the following parking types.

Underground: Parking located in a parking structure that is fully enclosed and protected from the outside elements.

Aboveground: Parking located in a parking structure that has minimal protection from the outside elements. There is overhead coverage, but no protection on the sides.

Covered: Parking located on ground level that is not in a parking structure and has limited protection from the outside elements.

Surface: Parking located on ground level that is not covered and has no protection from the outside elements.

Roof Top: Parking located on top of a parking structure that has no protection from the outside elements.

Storage is unfinished space used as storage. It offers less utility than warehouse space.

Adjustments

Additional Building is the assessed value added for other buildings situated on the subject site.

Associated Lots is an adjustment based upon a separate but related parcel(s) required to satisfy the operation of a neighbouring property.

Buildings Under Construction are improvements that are not complete as of the condition date. The adjustment is based on the cost rates from the Marshall & Swift manual, for the portion completed (also called percent complete).

Construction Allowance (Shell Space Allowance) is an allowance provided for leasable space that is without dividing walls, floor coverings, ceiling or other finishes. The adjustment is based on the cost rates from the Marshall & Swift manual. If chronic vacancy is applied an adjustment for shell space will not be made.

Excess Land on an improved site is the land not needed to serve or support the existing improvement. It is also the portion of the parcel not needed to accommodate the site's primary highest and best use. Excess land may be separated from the larger parcel (sub-divided) and have its own highest and best use, or it may allow for future expansion of the existing or anticipated improvement. Excess land value is

derived from assessed commercial land values. Please refer to the 2016 Commercial Land Methodology Guide.

Service Station Equipment (SSE) is the value of the service station equipment, including pumps, underground tanks, canopy structures, car wash structures and equipment. The cost value is based on the Marshall & Swift Manual.

Surplus Land is the land not necessary to support the highest and best use of the existing improvement but, because of physical limitations, building placement, or neighbourhood norms, cannot be sold off separately. Surplus land may or may not contribute positively to value and may or may not accommodate future expansion of an existing or anticipated improvement.

Other Definitions

Actual Zoning is set by the *Edmonton Zoning Bylaw 12800* and regulates the use and development of a parcel.

Condition of a property is rated using the following categories, generally described as:

Poor:

- borderline derelict;
- far below average maintenance;
- many items need immediate repair.

Fair:

- below average maintenance;
- building era;
- deferred maintenance requiring rehabilitation, replacement, or major repairs;
- reduced utility with signs of structural decay.

Average:

- moderate maintenance;
- minor repairs or rehabilitation of some components required;
- within established norm for the era;
- Somewhat less attractive.

Good:

- above average maintenance;
- well maintained with high desirability;
- may have slight evidence of deterioration in minor components;
- often components are new or as good as new;
- attractive, high utility, and superior condition.

Effective Year Built (also known as Effective Age) is the chronological age with an adjustment to reflect an addition or significant renovation that extends the improvement's remaining economic life.

Effective Zoning is applied to reflect the current use and development of a parcel. The effective zoning may differ from the actual zoning when current use differs from that which is permitted by the actual zoning as updated by *Edmonton Zoning Bylaw 12800* (ie. legal nonconforming use).

Land Use Code (LUC) defines the use of a property. The amount of a property subject to any specific LUC will be expressed as a percentage (%).

Traffic Influence is based on average annual weekday traffic volume counts as reported by City of Edmonton Transportation Planning Branch.

Transit Access is referring to direct access or close proximity to the Edmonton Transit system.

Quality of a property refers to the methods and materials used in the construction and design of a property (workmanship, complexity of the structure, use of high end or low end materials).

Provincial Quality Standards

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 determines 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*.