

2016

ASSESSMENT METHODOLOGY

MULTI-RESIDENTIAL LAND

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

edmonton.ca/assessment

Edmonton

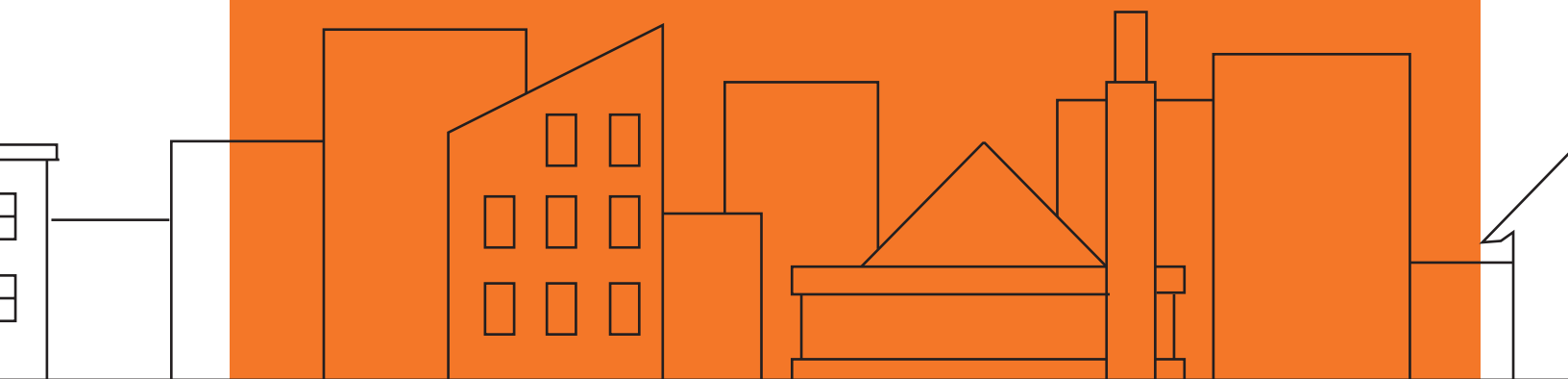



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Scope

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 Sales Approach

Typical market value (or some other characteristic) is determined by referencing comparable sales and other market data. 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

Property Groups

The use of a property determines the property groupings and the valuation model applied.



use: is the purpose or activity a property is designed, arranged, developed or intended for, or is occupied or maintained as

Zoning Bylaw No. 12800, 2014, s. 6.1(108)

Multi Residential

Multi-Residential group consists of investment properties with four or more dwelling units, each having one or more rooms accommodating sitting, sleeping, sanitary facilities and most often has a kitchen. Excluded from this group are those still under construction and dormitories.

Sub-Group

Some property groups have sub-groups based on property characteristics. This guide is for the Multi Residential Land sub-group.

Multi Residential Land is vacant property zoned for future multi residential uses.

Direct Sales Approach

For this property group, the assessment is determined using the direct sales approach. It is the most appropriate method of valuation for Multi Residential Land properties in the City of Edmonton as it mirrors the actions of buyers and sellers in the market place. There is sufficient sale 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, 2013 to June 30, 2015 for valuation of Multi Residential 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.

See the appendix for a time adjustment chart.

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

Sample Assessment Detail Report

David Markiwsky will insert Account Detail Report.

Assessment Detail Report
ANNUAL REALTY ASSESSMENT DETAILS 2015

Tax Roll Account 10420335 **Taxation year** 2015 **Date of mailing** 02-JAN-2015 **Date of request** 06-OCT-2015 14:42
Property Address 7820 MAY LINK NW

Property Assessment **\$456,000**

Property Details

Unit Of Measure IMPERIAL

Legal Plan: 1324186 Unit: 14
Neighborhood 5476 - MAGRATH HEIGHTS
Effective Zoning RF5 - Row Housing District
Actual Zoning RF5 - Row Housing District
Lot Size 2,621.196 P12 .060 Ac **Site Coverage Percent** 30 %

**Property
Characteristics**

Tax Class / Land Use / Taxable Status
RESIDENTIAL
 100 % 150 - CONDOMINIUM ROW HOUSING UNIT
 01-JAN-2015 To 31-DEC-2015 100 % FULLY TAXABLE

Property Inspection History	
03-NOV-2014	COMPLETED SUPPLEMENTARY

Site Attributes	
Exposure Types	SOUTH Unit/Suite Location END UNIT
Single Family View	PRIMARY-OPEN

Building Details		%Comp	Condition	Yr Built	Eff Yr Built	Gross Area	Net Area
No.	Market Building Class						
1	2STOREY MULTI SIDE X SIDE WITH BASEMENT	100	AVERAGE	2013	2013	1,946.115	1,546.774
Bedrooms	3		Full Bath		2		
Half Bath	1		Basement Garage		SINGLE		
Basement Garage Size	399.34		Total Basement Area		320.76		
Bsmt Finished Area	224.54		Units In Building		9		

Direct Sales Approach Summary

Variables

BUILD	BUILDING NET AREA	143.7
BUILD	BASEMENT AREA	29.8
BUILD	FINISHED BASEMENT AREA	70.86
BUILD	QUALITY	CUSTOM
BUILD	BASEMENT GARAGE	37.1
BUILD	LOT SIZE	243.5171

Factors

If you have any questions concerning this information, please return to the website (<https://assessmentinfo.edmonton.ca>) and click on FAQ (Frequently Asked Questions) located at the top right hand corner of the webpage.

Coefficients are not provided, MRAT s.27.3(1)

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)

Residential land use zones vary in part due to density.



s.6.1(23) density: *is the number of dwellings on a site expressed as dwellings per hectare when referring to residential related development*

Zoning Bylaw No. 12800, 2014, s. 6.1(23)

A multi residential zone summary is in the appendix.

Not all property conforms to the zoning use set out in the Zoning Bylaw. In these cases, an effective zoning is applied to reflect the current use of the property. The effective zoning may differ from the actual zoning when the current use differs from the Zoning Bylaw (e.g., a legal nonconforming use).



643(1) *If a development permit has been issued on or before the day on which a land use bylaw or a land use amendment bylaw comes into force in a municipality and the bylaw would make the development in respect of which the permit was issued a non-conforming use or non-conforming building, the development permit continues in effect in spite of the coming into force of the bylaw*

MGA, s. 643(111)

Variables

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

Market Area

Lot Size

Study Area

Neighbourhood

Effective Zoning

Market Area: Market Areas are geographic areas defined using location boundaries and property characteristics. See enclosed map titled Multi-Residential Market Areas.

Lot Size: The area of a specific parcel determined through a Geographic Information System (GIS) and Alberta Land Titles. Lot size is measured in either Metric or Imperial (IMP).

Study Areas: Sub-groups or sub-sectors of properties in neighbourhoods or a series of neighbourhoods that show different market trends. At this time, the only study area for multi-residential land is a portion of the Downtown neighbourhood, as outlined on the included map.

Neighbourhood: Neighbourhoods are geographic areas delineated in the City's Neighbourhood Maps found at: <http://maps.edmonton.ca/> (once there, click on "Neighbourhood" link, then select the neighbourhood you wish to view from the drop down menu on the left).

Effective Zoning: 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 (i.e. legal nonconforming use). For example, if a Direct Control zoning provision allows for the same developments as RA7, that property will have an effective zoning of RA7 even though the actual zoning may be DC1. The effective zonings utilized in the Multi Land group are as follows:

- RF5
- RF5g
- RF6
- RA7
- RA8
- RA9
- RMH
- RMU

Adjustments

Adjustments maybe made for the following:

Access/Egress: The right of egress from and ingress to a property from an existing road or highway. In some instances, access may be restricted by subdivision plans or construction.

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.

Easement: An interest in a property that is for the benefit of a person other than the property owner.

Exposure: Exposure refers to the visibility of a property. If a property is not as visible from major roadways as other properties, this can affect its market appeal due to the fact most businesses desire competitive exposure.

Restrictive Covenant: An agreement that restricts the use or occupancy of all or part of a property, and may be legally annexed to run with the land.

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. 'Y' indicates that a property has a specified service and 'N' 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:

Services	Servicing Adjustment
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 (all elements missing)	-1.80%

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. If a property is large enough that an unusual shape does not significantly impact development, no adjustment will be applied.

Topography: Topography refers to the surface features of a property and may include hills, swamps, gullies, or ravines which affect the potential for development on site.

Utility/Remnant Lot: A utility/remnant lot is a property that is too small or oddly shaped to support independent development.

Definitions

Land Use Code (LUC): The Land Use Code defines the use of a property. The amount of a property subject to any specific LUC will be expressed as a percentage (%). Multi-Residential Land may have the following LUCs:

LUC	Description	LUC	Description
530	PARKING LOT - PAVED	531	PARKING LOT - UNPAVED
536	PAVED PARKING FOR APARTMENT USE	537	PARKING LOT - UNPAVED NO NETS
912	UNDEVELOPED LAND MULTI-RESIDENTIAL LAND		

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

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

Provincial Quality Standards

For Multi Residential 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*.

References

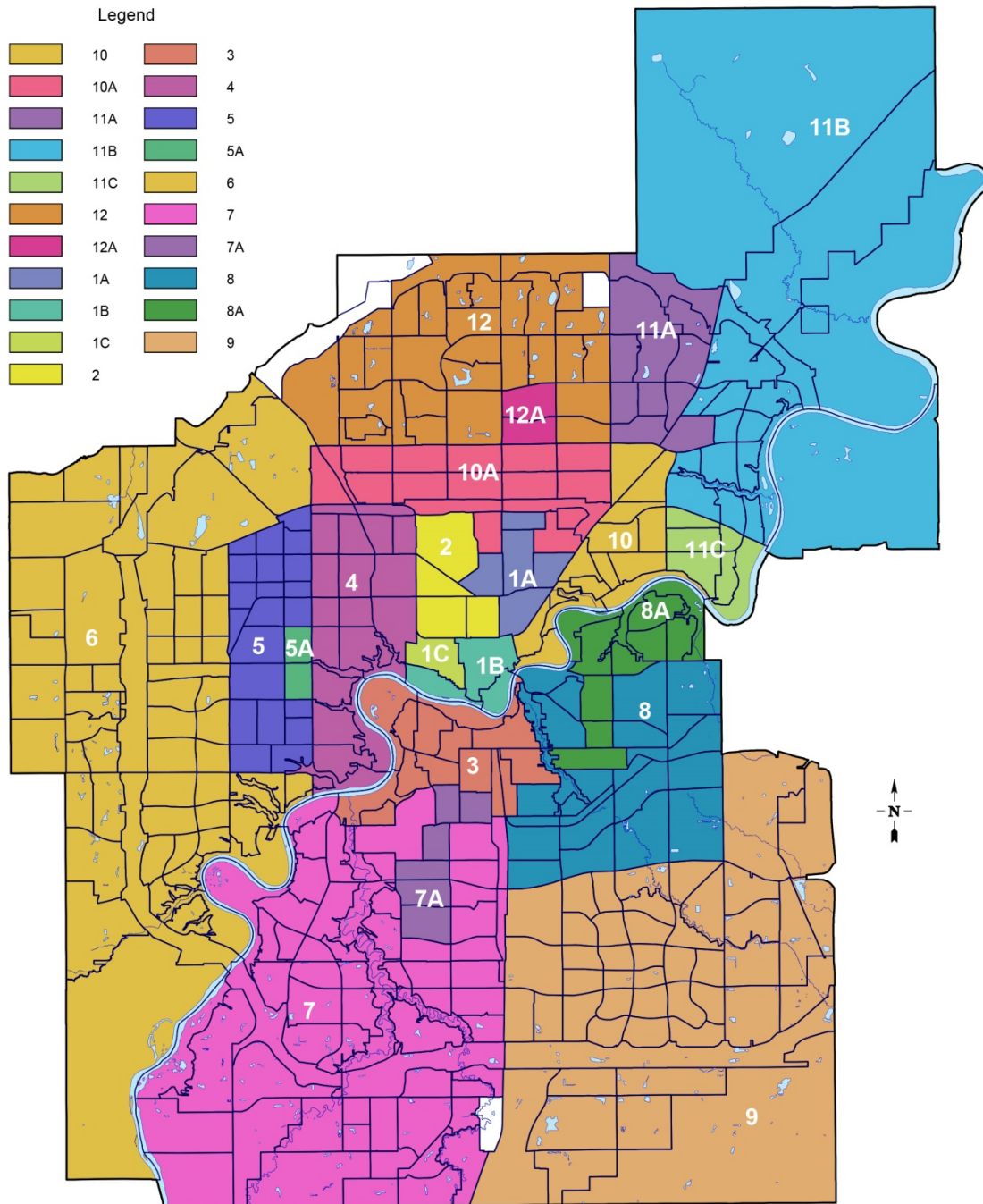
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Appendix

Maps



2016 Multi Residential Market Areas



Map compiled by: The Applications Team
Assessment and Taxation, City of Edmonton.
Printed: January 2016

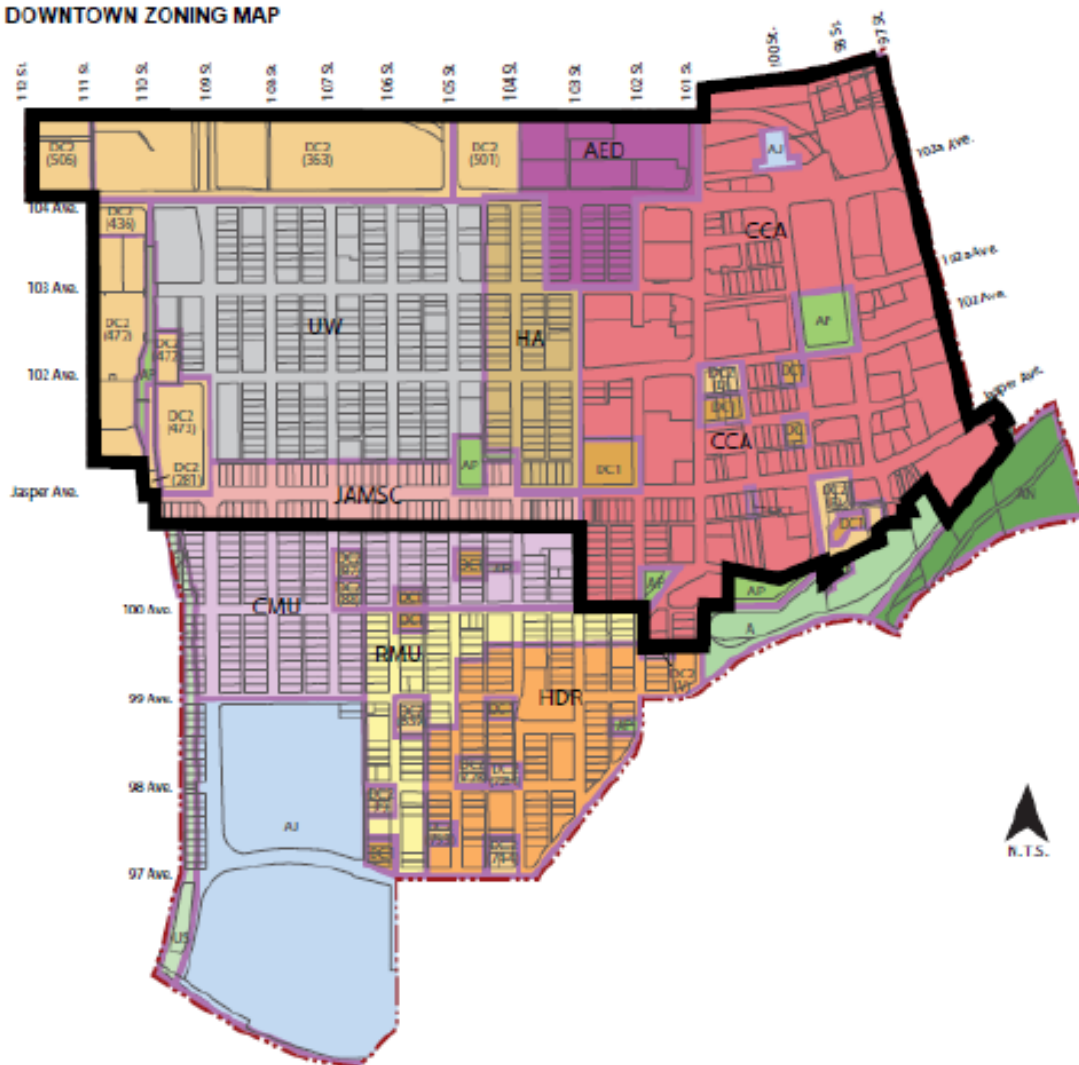
All rights reserved. This map may not be published, broadcast, redrawn or redistributed in whole or in part without the express written permission of the City of Edmonton, Financial Services Department.

Measure Conversion Chart

Zone Summary

STUDY AREA MAP for Downtown Study Area (outlined in black)

DOWNTOWN ZONING MAP



Legend

Special Area Zones

- AED Arena Entertainment District
- CCA Core Commercial Arts
- CMU Commercial Mixed Use
- HA Heritage Area
- HDR High Density Residential
- JMSC Jasper Avenue Main Street Commercial
- RMU Residential Mixed Use
- UW Urban Warehouse

Standard Zones

- US Urban Services
- A Metropolitan Recreation
- AU Alternative Jurisdiction
- AN River Valley Active Node
- AP Public Parks

Direct Control Provisions

- DDCP Direct Development Control Provision
- SSDCP Site Specific Development Control Provision

Time Adjustments

2016 Multi Res Land Time Factors										
	MONTHS	TAF			MONTHS	TAF			MONTHS	TAF
1	Jul-12	1.1254		13	Jul-13	1.0807		25	Jul-14	1.0378
2	Aug-12	1.1216		14	Aug-13	1.0771		26	Aug-14	1.0343
3	Sep-12	1.1178		15	Sep-13	1.0734		27	Sep-14	1.0308
4	Oct-12	1.1140		16	Oct-13	1.0698		28	Oct-14	1.0274
5	Nov-12	1.1103		17	Nov-13	1.0662		29	Nov-14	1.0239
6	Dec-12	1.1065		18	Dec-13	1.0626		30	Dec-14	1.0205
7	Jan-13	1.1028		19	Jan-14	1.0590		31	Jan-15	1.0170
8	Feb-13	1.0991		20	Feb-14	1.0555		32	Feb-15	1.0136
9	Mar-13	1.0954		21	Mar-14	1.0519		33	Mar-15	1.0102
10	Apr-13	1.0917		22	Apr-14	1.0484		34	Apr-15	1.0068
11	May-13	1.0880		23	May-14	1.0448		35	May-15	1.0034
12	Jun-13	1.0844		24	Jun-14	1.0413		36	Jun-15	1.0000

Measure Conversion Chart

Imperial to Metric – Length

1 inch (in) = **2.54** centimetres (cm)

1 foot (ft) = **0.3048** metres (m)

Imperial Conversions

1 acre (ac) = **43,560** square feet (sqft)

1 square mile = **640** acres (ac)

1 section = **640** acres (ac)

Imperial to Metric – Area

1 square foot (sqft) = **0.09290** square metre (m²)

1 acre (ac) = **4,046.86** square metre (m²)

1 acre (ac) = **0.40469** hectares (ha)

Metric Conversions

1 square kilometer (sq km) = **100** hectares (ha)

1 hectare (ha) = **10,000** square metres (m²)

Zone Summary

Residential

RMD

Residential Mixed Dwelling Zone (s.155) is to provide for a range of dwelling types and densities including single detached, semi-detached and row housing

RF5

Row Housing Zone (s.160) s to provide for relatively low to medium density housing, generally referred to as Row Housing

UCRH

Urban Character Row Housing Zone (s.165) is to provide for medium density Row Housing in a manner that is characteristic of urban settings and can include more intensive development

RF6

Medium Density Multiple Family Zone (s.170) is to provide for medium density housing, where some units may not be at Grade

RA7

Low Rise Apartment Zone (s.210) provides for low rise apartment buildings

RA8

Medium Rise Apartment Zone (s.220) provides for medium rise apartment buildings

RA9

High Rise Apartment Zone (s.230) provides for high rise apartment buildings

RR

Rural Residential Zone (s.240) is to provide for single detached residential development of a permanent nature in a rural setting, generally without the provision of the full range of urban utility services

RMU

Residential Mixed Use Zone (s.910.10) is to provide for primarily medium to high density residential mixed-use developments, with limited commercial, institutional, office and service Uses distributed on-site

RMH

Mobile Home Zone (s.250) is to provide for Mobile Homes developed within a Mobile Home Park or Mobile Home Subdivision.

Urban Services

AJ

Alternative Jurisdiction Zone (s.560)**Direct Control Provisions**

DC1

Direct Development Control (s.710) is to provide for detailed, sensitive control of the use, development, siting and design of buildings and disturbance of land where this is necessary to establish, preserve or enhance:

- a. areas of unique character or special environmental concern
- b. areas or sites of special historical, cultural, paleontological, archaeological, prehistorical, natural, scientific or aesthetic interest

DC2

Site Specific Development Control (s.720) is to provide for direct control over a specific proposed development where any other Zone would be inappropriate or inadequate.

Special Areas are areas with special or unique attributes, which cannot be satisfactorily addressed through conventional land use zoning.

Special Area: Downtown

HA

Heritage Area Zone (s.910.7) is to establish a special heritage character Zone, in which the existing concentration of historical resources shall be preserved, rehabilitated and reused, and to ensure new developments are pedestrian friendly and compatible

HDR

High Density Residential Zone (s.910.8) is to accommodate high density housing with minor local commercial uses in a predominantly residential environment and to support the concept of a livable urban village with a strong sense of identity and place

RMU

Residential Mixed Use Zone (s.910.10) is to provide for primarily medium to high density residential mixed-use developments, with limited commercial, institutional, office and service Uses distributed on-site in a manner sensitive to the street environment and adjacent residential areas

UW

Urban Warehouse Zone (s.910.11) is to develop a unique mixed-use business commercial, educational and residential neighbourhood, accommodating a diversity of uses

For additional zone details, refer to the Zoning Bylaw.