2024 ASSESSMENT METHODOLOGY

FREE-STANDING PARKADE

A summary of the methods used by the City of Edmonton in determining the value of free-standing parkade properties in Edmonton for assessment purposes.

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Scope

This guide explains how Free-Standing Parkade properties are valued for assessment purposes. The guide is intended as a tool and complements the assessor's judgment in the valuation process. In this guide, the term **Valuation Date** refers to the legislated date of July 1, 2023.

Introduction

Property assessments in the City of Edmonton are prepared in accordance with the requirements of the Municipal Government Act, R.S.A. 2000, c. M-26, (hereinafter "MGA") and the *Matters Relating to Assessment and Taxation Regulation, 2018*, Alta Reg 203/17, (hereinafter "MRAT"). The *MRAT* 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 MRAT regulation.

Property assessments represent:

- an estimate of the value;
- of the fee simple estate in the property;
- as the property existed on December 31, 2023;
- reflecting typical market conditions;
- as if the property had been sold on July 1, 2023;
- on the open market;
- from a willing seller to a willing buyer.

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

The legislation requires the City of Edmonton to assess the fee simple estate.

> "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 *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(k) "**regulated property**" means
(i) land in respect of which the valuation standard is agricultural use value,
(ii) designated industrial property, or
(iii) machinery and equipment

MRAT *s.1(k)*

s.9(1) the **valuation standard** for the land and improvements is market value unless subsection (2)… applies

MRAT *s.9(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.5 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.5*

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.6 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.6*

s.1(g) "**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(g)*

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 properties;
- common property characteristics are identified for the properties in each group;
- a uniform valuation model is created for each property group.

> 31(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.31(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, this includes: rights to be valued, effective date of valuation, and any limiting conditions.
Data Collection	Mass appraisal requires a 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.

Assessment Classification

Section 297 of the MGA requires that a property must be assigned one or more of the following assessment classes:

(a) class 1 - residential;
(b) class 2 - non-residential;
(c) class 3 - farm land;
(d) class 4 - machinery and equipment.

The different assessment classes are defined in section 297(4) of the MGA. The *City of Edmonton Charter, 2018 Regulation*, Alta Reg 39/2018 (Charter), except for the purposes of section 359 and Division 5 of Part 9 of the MGA, modifies the section 297(4) definitions for the different assessment classes.

Pursuant to section 297(2) of the MGA and Bylaw 19519, the residential class has been divided into the Mature Area Derelict Residential and Other Residential subclasses.

Assigning assessment classes requires a consideration of the class and subclass definitions and related sections in section 297 of the MGA, the Charter, Bylaw 19519, and the Edmonton Zoning Bylaw No. 12800, including Overlays.

Valuation Model

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.

s31	(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.31 (a), (b) and (d)*
s.33	Information prescribed … does not include coefficients ***MRAT****, s.33(3)*

Valuation Model	• variables are identified from property characteristics; • statistical analysis of how variables affect market value; • factors and coefficients are determined; • the resulting valuation models are applied to property characteristics.

Commercial Property Types

Free-Standing Parkades (Parkades) are structures designed primarily to accommodate the parking of motor vehicles and offer public utility to commercial and non-commercial users in the area. Stalls within the parkade can be rented on a monthly, daily or hourly basis. Free standing parkades are all located in the Downtown Financial district. For Assessment purposes, free standing parkades are not Associated Lots. S*ee definition for Location and Associated Lots.*

Approaches to Value

The approaches to determine market value are the direct comparison, income, and cost approaches.

Direct Comparison 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.

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 City of Edmonton requests financial information from owners during the annual Request for Information (RFI) process.

Annually, property owners are required to provide the following via the RFI process:

- A completed Parkade survey including information about the Parkade such as number and type of stalls, occupancy levels, and operating expenses.
- Year-end financial statements that include the Income Statement, a Schedule of Income and Expenses, and Notes.
- A completed Commercial Tenant Roll Form including information about space types (office, retail, warehouse, storage); tenant location; lease term; lease rate; operating expenses; tenant inducements and type; landlord and tenant improvements; escalations; other rent (signage, percent rent) and vacant space.

- For 2024, an Income Addendum requesting information on abatements, deferrals and payments was sent to property owners. In addition, the Income Addendum also requested information on abandoned, breached, or amended leases.

Sales information is received from the Land Titles Office. Sales are validated. Validation may include site inspections, interviews with involved parties, a review of land title documents, corporate searches, third party information, and sales validation questionnaires. The resulting validated sales are used to develop capitalization rates to use in the income approach. ***Sale price reflects the condition of a property on the sale date and may not be equal to the assessed value.***

For 2024 valuation, sales occurring from July 1, 2018 to June 30, 2023 were analyzed. Additionally, the Capitalization Rate applied to Parkades was derived by analyzing other similarly located, lower risk, income-producing commercial properties. Parkades are a lower risk investment when compared to other types of income-producing properties in Downtown Edmonton. Parkades are generally lower risk because they are not typically encumbered by long-term rental agreements and they typically feature low-maintenance construction comprised primarily of concrete. Furthermore, the downtown location provides a limited supply of developable land sites. Hence, land values are typically greater on a per unit basis in downtown than in other areas of the city. These characteristics reduce the overall investment risk in Parkades.

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.

Gross Rent per Stall is the rental structure where the landlord (lessor) pays all charges to the property (e.g.: taxes, insurance, utilities, maintenance) from the stipulated or contract rent received, typically on a monthly basis. ***Current prevailing market rents from properties comparable to the subject property are analyzed and a monthly rate per stall is given to each parking type within the Parkade property*****.** Gross revenue does 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. ***For Parkades, triple net rent is used to establish typical market rent for the commercial space types within a parkade.***

Lease types include *gross leases, modified gross leases, single net leases, double net leases,* and *triple net leases*. 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 or Semi-gross lease* - 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
    - **New** is a new lease agreement of a tenant occupying a space that was vacant or occupied by a previous tenant, may include tenant expansion.
    - **Renewal** is when a new lease agreement occurs with an existing tenant, where the rents and terms are negotiated based on market conditions at the time of renewal. Renewals typically don't include an option to renew/renewal options where terms and conditions were predetermined.
    - **Step-Up** is a scheduled change to the rental rate within the term of the existing lease.

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

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 the landlord and tenant. ***Potential Gross Income is derived by multiplying the Number of Parking Stalls in the property by the current market rent for each particular stall type.***

Number of Stalls x Market Rent per month, per stall x Number of Stalls = PGI

Stabilization helps mitigate extraordinary expenses deemed temporary or non-recurring that occur outside of a Parkade's normal operations.

Operating Expense Ratio (OER) is a measure of the cost to operate an asset relative to the revenue being generated. ***The OER is determined by dividing the total operating expenses by the gross revenue for each Parkade. The City analyzes 3 years of preceding data prior to the valuation date for each Parkade. An OER is applied to the PGI of the parking income only.***

Market occupancy levels (the inverse of the actual vacancy levels) of Parkades are inherently captured by the market OER. The market OER was derived from the actual income and operating expenses of Parkades reported through the RFI process.

Total Operating Expenses ÷ Gross Revenue = Operating Expense Ratio

The operating expense ratio applied for the valuation of parkades is derived via the mass appraisal process based on the information provided to the City of Edmonton by property owners through the RFI process. Once operating expense information has been collected; the data is analyzed according to common expense groups in order to derive the market typical operating expenses ratios (OERs). This process is implemented so that consistent valuation parameters and other statistical measures can be derived.

In cases where a financial statement has not been provided, is incomplete, or reported expenses deviate from normal or historical operations, an estimate of potential expenses is derived by ascribing the industry norms of similar Parkades. If the OER deviates by +/- 10% of the established industry norm, then the OER applied to the Parkade will be **Normalized**.

Allowable Parkade Operating Expenses
The following are the operating expenses that The City of Edmonton considers directly attributable to maintaining the rental income of a Parkade.

- **Administration Fee:** Administration fees include expenses that cannot be directly attributed to a particular department.
- **Sales and Marketing:** Sales and Marketing expenses include all expenses associated with the advertising, sales, and promotion of the parkade that are designed to obtain new customers and retain existing ones.
- **Repairs and Maintenance:** Repairs and Maintenance expenses include the expenses incurred to maintain the Parkade so that it can continue operating effectively and generate income. These expenses do not include capital expenditures or major structural repairs.
- **Utilities:** Utilities include electricity, water, and heating. Utility expenses are typically low for Parkades. Electricity expenses are influenced by the type of Parking (Underground, Above-ground, or Rooftop) and the hours of operation.
- **Management Fees:** Management Fees are the contract agreement expense between a third-party management company (Operator) and the Parkade property owner (Investor or Landlord). Typically, the Operator assumes complete responsibility for managing the Parkade. Management fees are typically based on a prescribed formula such as a percentage of a Parkades total gross income or on a base fee, plus incentives structure.
- **Property Insurance:** Property Insurance expenses include premiums relating to insuring the Parkade for liability and fire.
- **Property Tax:** All property taxes assessed against the property.

Non-Allowable Parkade Expenses
The following are expenses that the City of Edmonton did not consider directly attributable to maintaining the income of a Parkade.

- **Capital Expenditures** – Capital Expenditures are excluded because they provide additions or major improvements to the Parkade that typically increase value and economic life.
- **Debt Service/Mortgage interest payments** – Interest and principal required to amortize a loan; are excluded because they are a financing expense and not an operating expense.

- **Income Tax** – Income Tax is excluded because it is a tax on income which may be affected by things other than the subject property.

- **Depreciation and Amortization** – Depreciation and Amortization is excluded because it is recaptured in the capitalization.

- **Expenses not required to maintain the property income** – Certain other expenses may be excluded because these are not related to the property. Examples of this include donations, litigation, bank charges, amortization, etc.

Normalization
Once the market typical Operating Expense Ratio (OER) has been established, it is compared to the actual OER for each Parkade. If the actual OER is found to be within a +/- 10% range from the market typical OER, then the market typical OER is applied for valuation. If the actual expense ratio of a Parkade falls outside the +/- 10% range of the market typical OER, then an adjusted stabilized expense ratio is applied. This process is referred to as normalization.

For 2024 valuation, when the actual expense ratio is lower than -10% variance, then the low end of the stabilized range is used. And when the actual expense ratio is higher than the +10% variance, then the high end of the stabilized range is used. ***An allowance reflecting the stabilized OER (See chart below) is applied to the PGI of the parking income only.***

Actual Expense Ratio (over three years)	Stabilized Operating Expense Ratio
>-10% from market typical OER	72%
< +/-10% from market typical OER	80% (Typical)
>10% from market typical OER	88%

Vacancy and Collection Loss Allowance is a deduction from the potential gross income for typical vacancy and collection losses, assuming typical 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. For the 2024 assessment, both a vacancy and collection loss study were developed. The results of these studies were then added together in order to form the vacancy and collection loss allowance. The raw data for these studies came from tenant rolls, the Income Addendum, and year end financial statements. Deferrals were not considered as part of collection loss because these are unpaid contractual rents that were agreed to be paid at a future date. These allowances are usually expressed as a percentage of potential gross income.

Should a property demonstrate a history of higher than typical vacancy, the City may apply an adjusted stabilized vacancy and collection loss allowance (chronic vacancy). Chronic Vacancy is applied on a CRU or office basis. In order to qualify for chronic vacancy all of the following criteria must be met:

- 3 consecutive years of rent rolls immediately preceding the valuation date must be provided;
- All 3 years of rent rolls must show that the property has experienced a vacancy rate greater than the current typical vacancy allowance range - For example, if the typical vacancy allowance is 6% then each year's vacancy must be at least 10%;

- The rent rolls must be provided during the RFI process;
- The property must have been actively marketed during the chronically vacant period;
- Storage space is not included in the vacancy allowance calculation;
- Chronic vacancy does not apply to buildings under construction. Chronic vacancy may be applied when building construction is completed and has remained shell space for a minimum of three years.

If the preceding criteria is met, then the average of the 3 years will determine which stabilized vacancy and collection loss allowance is applied. The ranges and the corresponding stabilized vacancy and collection loss allowances are demonstrated in the chart below.

Actual Vacancy Range (over three years)	Stabilized Vacancy and Collection Loss Allowance
0% to <10%	Apply typical vacancy allowance
≥ 10% to <20%	10%
≥ 20% to < 30%	15%
≥ 30% to < 40%	20%
≥ 40% to < 50%	25%
≥ 50% to < 60%	30%
≥ 60% to < 80%	35%
≥ 80% to < 100%	40%

Effective Gross Income (EGI) is the anticipated income from all operations of real property adjusted for vacancy and collection loss. ***For the valuation of Parkades, this is only applicable for the commercial space types.***

PGI - Vacancy Allowance = EGI

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, such as operating expenses, heating, security, property taxes, etc. ***For the valuation of Parkades, this is only applicable for the commercial space types.***

GLA X Vacancy Allowance X CAM = Vacancy Shortfall

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.

EGI - OE = NOI

Structural Allowance is an allowance provided to cover items which require periodic replacement because they wear out more rapidly than the improvement 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) reflects 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. ***The Cap Rate applied to any commercial spaces within a parkade will be consistent with that applied to the entirety of the property.***

NOI ÷ CAP RATE = MARKET VALUE ESTIMATE

Sample Assessment Detail Report

Edmonton

Assessment Detail Report

2024 FREE-STANDING PARKADE VALUATION SUMMARY

Roll Number:	**1234567 Sample**	Valuation Date:	**July 1, 2023**
Name:	**Sample Parkade**	Year Built:	**1970**
Address:	**Sample Avenue**	Effective Year Built:	**1980**
District:	**F**	Lot Size (ft²):	**5,000**
Classification:	**PARKADE**	Actual Zoning:	CCA
Legal Description:	**Sample Plan: 1 Sample Block: A Sample Lot: 1**	Effective Zoning:	CB2

Property Assessment: $7,573,000

Space Types	Stall Count	Gross Leasable Area (ft²)	Market Rent/ Stall	Total
Office Space				$0
Office - Other				$0
CRUs less than or equal to 1,000 ft²				$0
CRUs 1,001 to 3,000 ft²				$0
CRUs 3,001 to 5,000 ft²				$0
CRUs 5,001 to 10,000 ft²				$0
CRUs greater than or equal to 10,000 ft²				$0
CRU - Bank				$0
CRU - Drug Store				$0
CRU - Food Court				$0
CRU - Restaurant less than or equal to 3,000 ft²				$0
CRU - Restaurant greater than or equal to 3,001 ft²				$0
CRU - Restaurant Fast				$0
CRU - Warehouse				$0
CRU - Other				$0
Storage				$0
Underground Parking Stalls	100		$500.00	$600,000
Aboveground Parking Stalls	50		$300.00	$180,000
Rooftop Parking Stalls	25		$200.00	$60,000
Total Gross Leasable Area (ft²):		**0**		
			Potential Gross Income	**$840,000**

(UNDERGROUND PARKING STALLS x MARKET RENT PER MONTH) x 12 = UNDERGROUND PARKING PGI
Example: 100 stalls x $500 = $50,000/month x 12 months = $600,000/year

(ABOVEGROUND PARKING STALLS x MARKET RENT PER MONTH) x 12 = ABOVEGROUND PARKING PGI
Example: 50 stalls x $300 = $15,000/month x 12 months = $180,000/year

(ROOFTOP PARKING STALLS x MARKET RENT PER MONTH) x 12 = ROOFTOP PARKING PGI
Example: 25 stalls x $200 = $5,000/month x 12 months = $60,000/year

UNDERGROUND PARKING PGI + ABOVEGROUND PARKING PGI + ROOFTOP PARKING PGI = PGI
Example: $600,000 + $180,000 + $60,000 = $840,000

Less: Expense Ratio		
Typical Expense Ratio	50%	$420,000
	Effective Gross Income	**$420,000**

PGI x OPERATING EXPENSE RATIO = OPERATING EXPENSE (OE)
Example: $840,000 x 0.50 = $420,000

PGI LESS OPERATING EXPENSE RATIO = EFFECTIVE GROSS INCOME
Example: $840,000 - $420,000 = $420,000

Less: Expenses		
Structural Allowance	2.0%	$8,400
	Net Operating Income	**$411,600**

EGI LESS STRUCTURAL ALLOWANCE
Example: $420,000 x 0.02 = $8,400

EGI LESS STRUCTURAL ALLOWANCE = NOI
Example: $420,000 - $8,400 = $411,600

Stabilized Value		
Capitalization Rate		6.00%
	Value Subtotal	**$6,860,000**

NOI / CAP RATE = MARKET VALUE SUBTOTAL
Example: $411,600 / 0.06 = $6,860,000

Other Value Adjustments	
Additional Buildings	$713,313
Associated Lots	
Buildings Under Construction	
Construction Allowance (Shell Space Allowance)	
Excess Land	
Surplus Land	

VALUE STUBTOTAL + ADDITIONAL BUILDING (COMMERCIAL SPACE)
Example: $6,860,000 + $713,286 = $7,573,286

2024 Market Value Estimate (Rounded) $7,573,000

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

COMMENTS

Edmonton

Assessment Detail Report

2024 DOWNTOWN OFFICE VALUATION SUMMARY

Roll Number:	**1234567 Sample**	Valuation Date:	**July 1, 2023**
Name:	**Sample Building**	Number of Stories:	**10**
Address:	**Sample Avenue**	Year Built:	**1970**
District:	**F**	Effective Year Built:	**1980**
Classification:	**AA**	Connectivity:	**NO**
Lot Size (ft²):	**7,526**	Actual Zoning:	**CCA**
Legal Description:	**FAA**	Effective Zoning:	**CB2**

Property Assessment: $2,161,500

Space Types	Stalls	Gross Leasable Area (ft²)	Market Rent/ft²	Total
Office Space		1,000	$20.00	$20,000
Office - Other		500	$10.00	$5,000
CRUs less than or equal to 1,000 ft²		0	$0.00	$0
CRUs 1,001 to 3,000 ft²		2,000	$15.00	$30,000
CRUs 3,001 to 5,000 ft²		0	$0.00	$0
CRUs 5,001 to 10,000 ft²		0	$0.00	$0
CRUs greater than or equal to 10,000 ft²		0	$0.00	$0
CRU - Bank		0	$0.00	$0
CRU - Drug Store		0	$0.00	$0
CRU - Food Court		0	$0.00	$0
CRU - Restaurant less than or equal to 3,000 ft²		0	$0.00	$0
CRU - Restaurant greater than or equal to 3,001 ft²		0	$0.00	$0
CRU - Restaurant Fast Food		0	$0.00	$0
CRU - Warehouse		0	$0.00	$0
CRU - Other		0	$0.00	$0
Storage		500	$5.00	$2,500
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
Total Gross Leasable Area (ft²):		**4,000**		
			Potential Gross Income	**$177,500**

OFFICE GLA x MARKET RENT = OFFICE PGI
Example: (1,000 ft² x $20) + (500 ft² x $10) = $25,000

CRU GLA x MARKET RENT = CRU PGI
Example: 2,000 ft² x $15 = $30,000

STORAGE GLA x MARKET RENT = STORAGE PGI
Example: 500 ft² x $5 = $2,500

(PARKING STALLS x MARKET RENT PER MONTH) x 12 = PARKING PGI
Example: 100 stalls x $100 = $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 + $2,500 + $120,000 = $177,500

Less: Vacancy and Collection Loss Allowance

Office	10.0%	$14,500
CRU	14.0%	$4,200
PARKING	0.0%	$0
	Effective Gross Income	**$158,800**

(OFFICE PGI + PARKING PGI) x TYPICAL VACANCY RATE
Example: ($25,000 + $120,000) = $145,000 x 0.10 = $14,500

CRU PGI x TYPICAL VACANCY RATE
Example: $30,000 x 0.14 = $4,200

PARKING PGI x TYPICAL VACANCY RATE
Example: $120,000 x 0.00 = $0.
PGI LESS VACANCY LOSS = EGI
Example: $177,500 - ($14,500 + $6,000 + $0) = $158,800

Less: Expenses

Structural Allowance	2.0%	$3,176

EGI LESS STRUCTURAL ALLOWANCE
Example: $158,800 x 0.02 = $3,176

Less: Vacancy Shortfall

Office	150	$10.00	$1,500
CRU	280	$10.00	$2,800
		Net Operating Income	**$151,324**

(TOTAL OFFICE GLA x TYPICAL VACANCY RATE) x TYPICAL VACANCY SHORTFALL = OFFICE VACANCY SHORTFALL
Example: (1,500 ft² x 0.10) = 150 x $10 = $1,500

(TOTAL CRU GLA x TYPICAL VACANCY RATE) x TYPICAL VACANCY SHORTFALL = CRU VACANCY SHORTFALL
Example: (2,000 ft² x 0.14) = 280 x $10 = $2,800

EGI LESS STRUCTURAL ALLOWANCE LESS VACANCY SHORTFALL = NOI
Example: $131,750 - ($3,176 + $1,500 + $2,800) = $151,324

Stabilized Value

Capitalization Rate	7.00%
Value Subtotal	**$2,161,771**

NOI / CAP RATE = MARKET VALUE SUBTOTAL
Example: $151,324 / 0.07 = $2,161,771

Other Value Adjustments

Additional Buildings	$0
Associated Lots	
Buildings Under Construction	
Construction Allowance (Shell Space Allowance)	
Excess Land	
Surplus Land	

2024 Market Value Estimate (Rounded) $2,161,500

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

COMMENTS

Variables

Not all variables affect market value. Below is the list of variables that affect the 2024 assessment of Free-Standing Parkades.

Commercial Space Types	Location
Number of Parking Stalls	Type of Parking Stalls

Commercial Space Types

Commercial space types are units typically found on the main floor or ground level of parkade structures. These spaces (not captured in the Parkade proforma) are typically leased to a third party and are therefore valued separately from the Parkade. The total value of the leased commercial space is added to the Parkade assessment to arrive at a final value for the entire Parkade property. The rental revenues applied to the commercial space types are on a ***triple net rent*** basis. The rental rates for commercial spaces will be derived in accordance with the *2024 Downtown Office Assessment Methodology*.

Location

Parkades, and the commercial space types within a parkade, are only located in the Downtown Financial district. Please see *2024 Office Inventory: Downtown District Parkade Maps*.

The Downtown of Edmonton is bordered to the North by 105 Avenue, to the South by the river valley, to the East by 95 Street, and to the West by 113 Street. The Government District is located west of 105th Street; the Financial District is located east of 105th Street. Parkades are located in the Downtown Financial District.

Number of Parking Stalls

Refers to the number of parking stalls contained in the Parkade.

Type of Parking Stalls

Refers to the type of parking stalls contained within the parkade structure. Types of parking stalls in Parkades include:

- *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 limited protection from the outside elements. There is overhead coverage, but no protection on the sides.
- *Rooftop*: Parking located on top of a parking structure, that has no protection from the outside elements.
- *Tandem Parking:* refers to the placement of one parking space behind another parking space, such that only one parking space has unobstructed access to a driveway, road, alley, etc. A tandem stall is assessed as a single stall.

Other Value Adjustments

Additional Building is the assessed value added for any commercial space component of a Parkade.

Associated Lots is a reduction to a primary improved property based upon a separate but related associated parcel(s). This adjustment is applied when all, or part, of the land from the associated parcel(s) is required to satisfy the permitted uses of the primary property. The associated parcel(s) must be owned by the same individual/corporation as the primary improved property or have a lease in place with the primary improved property. The Edmonton Zoning Bylaw No. 12800 in effect on July 1, 2020, prior to Open Option parking coming into effect, outlined the requirements to satisfy the operations of the primary property. Parkades do not qualify as associated lots.

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, heating, ventilation ductwork, electrical systems and other finishes. The adjustment is based on the cost rates from the Marshall & Swift manual. The construction allowance will be applied to the difference when the amount of unfinished leasable space is greater than the vacancy shortfall area applied (typical or chronic). If the amount of unfinished leasable space is less than the vacancy shortfall area, an adjustment for shell space will not be made.

Other Definitions

Effective Year Built is the chronological age of a property adjusted to reflect an addition or significant renovation that extends the improvement's remaining economic life. The components that when replaced or extensively renovated affect the remaining economic life of a property include the roof, the building envelope (windows and doors, exterior siding, walls including insulation and vapor barrier, and other structural components), the foundation, and mechanical components (electrical, plumbing and HVAC). Completed additions to existing improvements will alter the effective age of a property.

Land Use Code defines the use of a property. The amount of a property subject to any specific Land Use will be expressed as a percentage (%). Land Uses may be used for administrative reasons and are not used in the valuation of Free-Standing Parkades Inventory.

Land Thresholding is when the land value plus $500 improvement value is greater than the income approach value and as such the land value is used in the assessment. It is based on the principle of highest and best use as Vacant. For Free Standing Parkades, land thresholding was used where applicable for the 2024 Assessment. For information on the land valuation, please see the City's *2024 Commercial Land Methodology Guide.*

Year Built is the year the property was constructed also known as the chronological age of a property.

Actual Zoning is set by the Edmonton Zoning Bylaw No. 12800 and regulates the use and development of a parcel. Edmonton Zoning Bylaw No.12800 is available online at Edmonton.ca.

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 subsequently amended Edmonton Zoning Bylaw No. 12800 (i.e. legal nonconforming use).

The actual and effective zoning as of December 31, 2023 applies for the 2023 assessment for the 2024 tax year. The new Zoning Bylaw (Charter Bylaw 20001) and city-wide rezoning (Charter Bylaw 21001) will come into effect on January 1, 2024 and will therefore be reflected in the 2024 assessment for the 2025 tax year.

Zoning

Zoning regulates the use and development of a property and is set by the Edmonton Zoning Bylaw No. 12800.

> s.6.123 **zone:** a specific group of listed Uses and Development Regulations which regulate the Use and Development of land within specific geographic areas of the City...
>
> ***Zoning Bylaw No. 12800****, 2017, s. 6.123*

See the appendix for the Zone Summary. For further information see City of Edmonton Zoning Bylaw No. 12800 available online at edmonton.ca.

The actual zoning of a property may affect the property's classification; however, not all property conforms to the zoning set out in the Zoning Bylaw. In these cases, an effective zoning is applied to reflect the current use and development 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 nonconforming use or nonconforming building, the development permit continues in effect in spite of the coming into force of the bylaw.
>
> ***MGA****, s.643(1)*

In cases where a legal non-conforming use is discontinued for six (6) or more months, any future use must conform to the Zoning Bylaw.

> 643(2) A non-conforming use of land or a building may be continued but if that use is discontinued for a period of 6 consecutive months or more, any future use of the land or building must conform with the land use bylaw then in effect.
>
> ***MGA****, s.643(2)*

References

Appraisal Institute of Canada (2010). *The Appraisal of Real Estate Third Canadian Edition.* Vancouver, Canada.

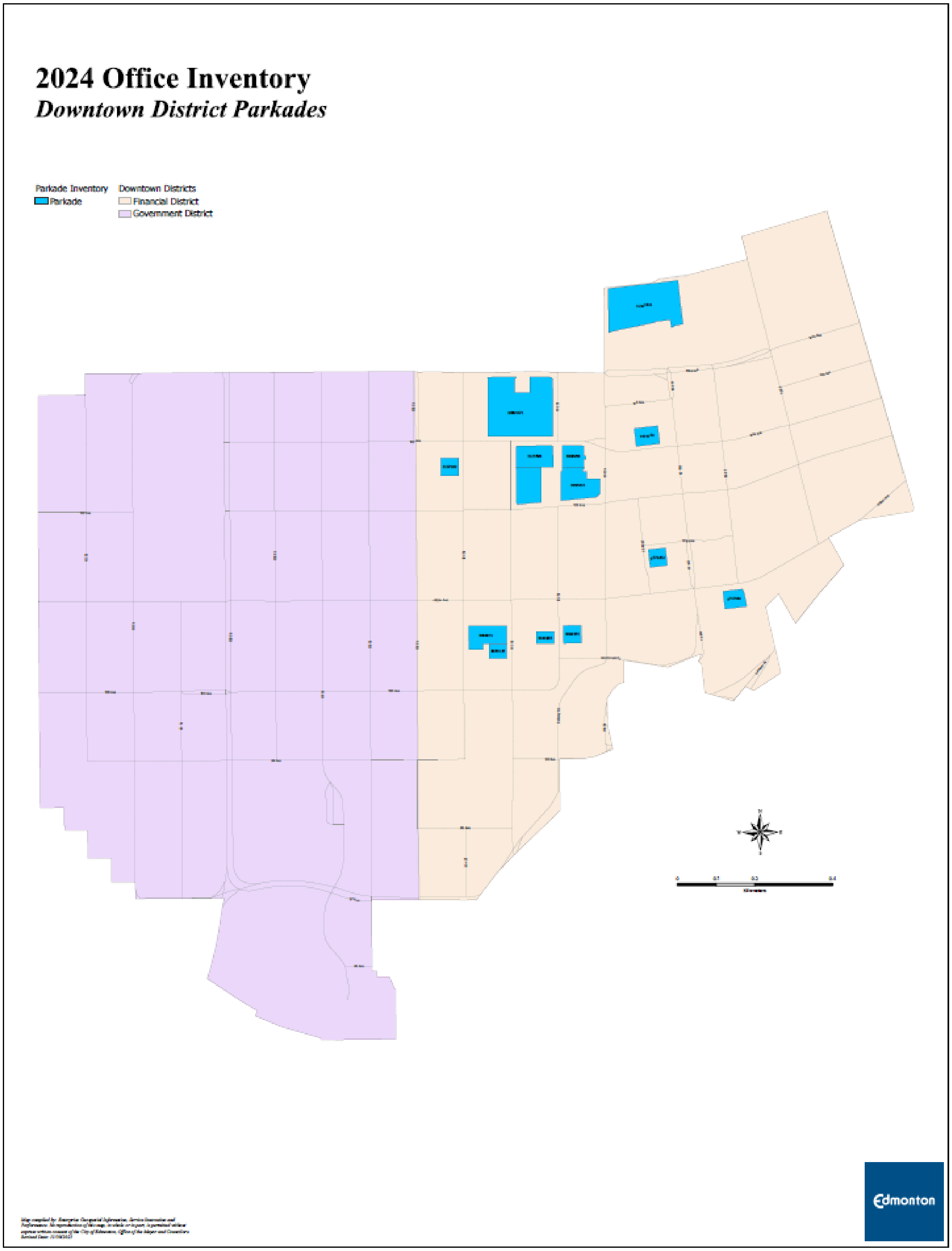
Eckert, J., Gloudemans, R., & Almy, R. (1990). Property Appraisal and Assessment Administration. Chicago, Illinois: International Association of Assessing Officers.

Marshall and Swift Valuation Service (2018). Corelogic Inc.

Province of Alberta. *Matters Relating to Assessment and Taxation Regulation (2018).* Edmonton, AB: King's Printer.

Province of Alberta. *Municipal Government Act (2018).* Edmonton, AB: King's Printer.

Maps


2024 Office Inventory
Downtown District Parkades
Parkade Inventory
Parkade
Downtown Districts
Financial District
Government District
Edmonton

Time Adjustment Factors

YEAR	MONTH	ADJUSTMENT	YEAR	MONTH	ADJUSTMENT
2018	Jul	0.8873	2021	Jan	0.8873
2018	Aug	0.8873	2021	Feb	0.8873
2018	Sep	0.8873	2021	Mar	0.8873
2018	Oct	0.8873	2021	Apr	0.8873
2018	Nov	0.8873	2021	May	0.8873
2018	Dec	0.8873	2021	Jun	0.8873
2019	Jan	0.8873	2021	Jul	0.8873
2019	Feb	0.8873	2021	Aug	0.8873
2019	Mar	0.8873	2021	Sep	0.8873
2019	Apr	0.8873	2021	Oct	0.8873
2019	May	0.8873	2021	Nov	0.8873
2019	Jun	0.8873	2021	Dec	0.8873
2019	Jul	0.8873	2022	Jan	0.8873
2019	Aug	0.8873	2022	Feb	0.8936
2019	Sep	0.8873	2022	Mar	0.8999
2019	Oct	0.8873	2022	Apr	0.9062
2019	Nov	0.8873	2022	May	0.9126
2019	Dec	0.8873	2022	Jun	0.9188
2020	Jan	0.8873	2022	Jul	0.9250
2020	Feb	0.8873	2022	Aug	0.9312
2020	Mar	0.8873	2022	Sep	0.9387
2020	Apr	0.8873	2022	Oct	0.9462
2020	May	0.8873	2022	Nov	0.9520
2020	Jun	0.8873	2022	Dec	0.9587
2020	Jul	0.8873	2023	Jan	0.9655
2020	Aug	0.8873	2023	Feb	0.9723
2020	Sep	0.8873	2023	Mar	0.9791
2020	Oct	0.8873	2023	Apr	0.9843
2020	Nov	0.8873	2023	May	0.9930
2020	Dec	0.8873	2023	Jun	1.0000