

# **Development Land 2012 Assessment Brief**

**Property Tax Account:**

**Municipal Address:**

**Legal Description:**

**2012 Assessment  
\$  
ARB Hearing Date:**

## MASS APPRAISAL

*Mass appraisal* is a methodology for valuing individual properties which involves the following process:

- properties are stratified into groups of comparable property
- common property attributes are identified for the properties in each group
- a uniform valuation model is calibrated for each group using market information incorporating the property attributes

### Mass Appraisal and Single Property Appraisal

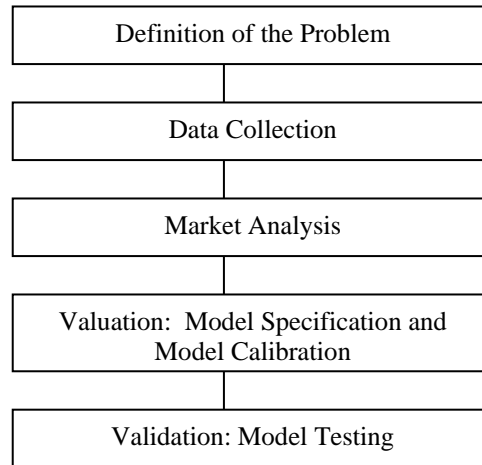
The appraisal process recommended by the Appraisal Institute of Canada is essentially the same for mass appraisals and single-property appraisals. Such differences as do exist are the results of differences of scale. The following two quotations indicate how the International Association of Assessing 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.

The appraisal process, as followed for both mass appraisal and single-property appraisal, consists of the following stages:



PROCESS	MASS APPRAISAL	SINGLE APPRAISAL
<b>Definition and purpose</b>	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.
<b>Data Collection</b>	Mass appraisal requires a continuing program to maintain a current database of property attributes and market information.	The extent of data collection is specific to each assignment and depends on the nature of the client's requirements.
<b>Market Analysis</b>	Mass appraisal is predicated on highest and best use.	Market analysis includes the analysis of highest and best use.
<b>Valuation Model Specification and Calibration</b>	Valuation procedures are predicated on groups of comparable properties.	The subject property is the central focus of the valuation procedures. The analysis of comparable properties is restricted to a few properties – generally six or less.
<b>Validation</b>	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.

## Mass Appraisal Approaches

The International Association of Assessing Officers (IAAO) and the Appraisal Institute of Canada recognize the applicability of the following three approaches to value for use in mass appraisal.

- **Cost Approach**
- **Income Approach**
- **Sales Comparison Approach**

For the purposes of the 2012 Annual Assessment the sales comparison approach was employed. This was deemed to be the most appropriate method for the valuation of the development land properties as it mirrors the actions of buyers and sellers in the market place.

Support for the sales comparison approach comes from several reputable sources:

When sufficient valid sales are available, this approach tends to be the preferred valuation method.

IAAO, *Standard on Mass Appraisal of Real Property*, Chicago, Illinois, 2002, section 4.3.

The Direct Comparison approach is applicable to all types of real property interests when there are sufficient recent, reliable transactions to indicate value patterns or trends in the market. For property types that are bought and sold regularly, the direct comparison approach often provides a supportable indication of market value. When data are available, this is the most straightforward and simple way to explain and support a value opinion.

Appraisal Institute of Canada, *The Appraisal of Real Estate, Second Canadian Edition*, Vancouver, British Columbia, 2002, page 17.3.

Mass appraisal requires that a uniform valuation method be applied to all properties within a group.

## APPLICATION OF MASS APPRAISAL PROCESS

### The Groups

Vacant Land Ready for Development:

- Vacant Non-Residential Land
- Vacant Agricultural Land
- Vacant Residential Land

**Agricultural/Dual Use** (Application of *Matters Relating To Assessment and Taxation Regulation 220/2004*)

“agricultural use value” means the value of parcel of land based exclusively on its use for farming operations.

“farming operations” means the raising, production and sale of agricultural products and includes:

- (i) horticulture, aviculture, apiculture and aquaculture,
- (ii) the production of horses, cattle, bison, sheep, swine, goats, fur-bearing animals raised in captivity, domestic cervids within the meaning of the Livestock Industry Diversification Act, and domestic camelids,  
and
- (iii) the planting, growing and sale of sod;

Application of three acre market value component where

- (1) water and sewer are available
- (2) another use other than farm productivity
- (3) residential component exists

**Development according to MGA Part 17 Section 616 (b):**

(b) “development” means

- (i) an excavation or stockpile and the creation of either of them,
- (ii) a building or an addition to or replacement or repair of a building and the construction or placing of any of them on, in, over or under land,
- (iii) a change of use of land or a building or an act done in relation to land or a building that results in or is likely to result in a change in the use of the land or building, or

(iv) a change in the intensity of use of land or a building or an act done in relation to land or a building that results in or is likely to result in a change in the intensity of use of the land or building;

The most appropriate approach for Vacant Development Land is the sales comparison approach.

### **Sales Comparison Approach**

Sales occurring from January 2007 through to June 30, 2011 were used in the valuation and testing of this inventory. Through the review of sales the collective actions of buyers and sellers in the market place are analyzed to determine the contributory value of specific property characteristics that drive market value. Once these values have been determined through the mass appraisal process, they are applied to the inventory to derive the most probable selling price.

All sales and listings within the City of Edmonton were reviewed and analyzed. *Sales reflect the condition of a property as of the sale date and thus may not always be equivalent to their current assessed value.* Sales were validated by conducting site inspections and interviews, and by reviewing title transfers (change of ownership), sales validation questionnaires, and four data collection sources (Alberta Data Search, The Network, Anderson Data Online and Bourgeois & Company).

Agricultural zoned land sales were analyzed further for **future zoning changes, based on current and proposed area structure plans, availability of services and/or cost of providing services.**

**Attributes Used to Specify the 2012 Valuation:**

**Mixed Use Vacant Land**

- **Location** – Quadrant of the City, Proximity to built-up areas, View Lots
- **Size**
- **Type and Density of Proposed Subdivision** - Zoning in area
- **Timelines for Developments** – Service levels
- **Topography**
- **Remnant Lot**

Rates may be adjusted based on market conditions when large areas are brought in under an area structure plan depending on the duration of the staging process.

<b>Definitions</b>
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**Raw Land** Rural residential or urban agricultural land that is unserviced.

**Services** The level of servicing available to the property line of the parcel. Servicing includes paving, sanitary sewer, storm sewer, water, street lighting, sidewalks, curbs and gutters.

**Remnant or Utility lots**

Assessed at 40% of the Market Value (where reductions are applied for both servicing and utility / remnant lots, only the greater of the two adjustments is applied). A utility lot is a parcel reserved for utility lines which does not support developing the lot. A remnant lot is a lot that is too small or oddly shaped to support development

**Area in Use** Includes storage areas and site coverage or dual use.

**Farmland** Corporate or private owned farmland vacant less than or equal to 10 hectares is assessed at the maximum Farmland (F/L) rate of \$786.90/ha.

Corporate or private owned farmland vacant greater than 10 hectares is assessed at the F/L rate of \$786.90/ha and adjusted for productivity.

**AGU Lands**

If services are available, AGU zoned land will have a minimum 12,141 m<sup>2</sup> (3 acres) assessed at market value. If there is farming activity on the parcel, the area in use for farming will be assessed at farmland rates. If the parcel is stripped and ready for development, a market value rate will be applied to the total parcel.

AGU land less than 4047 m<sup>2</sup> (1 acre) is assessed at full market value.

## Summary

Development Land properties are assessed using the sales comparison approach model, which adjusts for attributes that impact market value, in order to arrive at a typical market value for properties in these classes.

The resulting assessments were tested. The results indicated that our model predictions of value meet Provincial Quality Standards as set out in the *Matters Relating to Assessment and Taxation Regulation, AR 220/2004*.

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. The 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 City of Edmonton has met all governing legislation including regulations and quality standards.