

A ssessment Bulletin

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October 2013

2013 Updates Assessment Quality Minister's Guidelines and Recording and Reporting Information for Assessment Audit and Equalized Assessment Manual

The Minister of Municipal Affairs has approved Ministerial Order No. L: 175/13, October 9, 2013. This order establishes the 2013 Alberta Assessment Quality Minister's Guidelines, and the 2013 Recording and Reporting Information for Assessment Audit and Equalized Assessment Manual (the Manual). The order is effective for the 2014 and subsequent tax years.

There are no changes from last year to the Assessment Quality Minister's Guidelines, but there are a few clarification changes related to the ratio study in the Recording and Reporting Information for Assessment Audit and Equalized Assessment Manual. Please see the attached concordance document for the details on those changes.

The order, the Guidelines, the Manual, and the respective concordance table outlining the changes are available on the Municipal Affairs' website at www.municipalaffairs.alberta.ca, under Municipalities and Communities/Property Assessment and Taxation.

If you have any questions regarding this bulletin, please contact the Assessment Services Branch at lgsmail@gov.ab.ca, or at 780-422-7125 (toll-free from anywhere in Alberta by first dialing 310-0000).

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**2013 Recording and Reporting Information for Assessment Audit and Equalized Assessment Manual
Concordance Table**

Page	Original	Change	Rationale
51,52	<p>Collection</p> <p>The most important (and most time-consuming) part of the ratio study is building the sales database. Fortunately, assessors collect and use the same data to prepare assessments. The sales database is the focal point of sales ratio studies, general market analyses and the sales comparison approach to value.</p> <p>The annual audit ratio study period ends June 30 of the assessment year being analyzed. In large urban areas, there are usually adequate sales in a one-year period to conduct meaningful analyses for residential properties. Most other property types and markets require several years to collect enough sales records to complete the ratio study.</p> <p>When necessary, up to three years of sales records can be used for the ratio study to achieve an adequate sample size - if the sales are adjusted for the time period.</p> <p><i>Sales reporting for assessment audit</i></p> <p>For the purposes of assessment audit, the assessor must annually report sales that occurred within the three sales periods (i.e., 36 months) prior to the valuation date for all actual use groups. For example, for the 2009 assessment year the valuation date would be July 1, 2009, and the three sales periods would be: (1) from July 1, 2008, to June 30, 2009, (2) July 1, 2007, to June 30, 2008, and (3) July 1, 2006, to June 30, 2007. However, when there are more than 500 sales combined in the vacant residential (VR), single family dwelling (SFD), and residential condominium (RC) actual use groups, it may be acceptable to report only the sales from the most recent sales period for residential properties (in the above example the most recent sales period is July 1, 2008 to June 30, 2009).</p>	<p>Collection</p> <p>The most important (and most time-consuming) part of the ratio study is building the sales database. Fortunately, assessors collect and use the same data to prepare assessments. The sales database is the focal point of sales ratio studies, general market analyses and the sales comparison approach to value.</p> <p>The annual audit ratio study period ends June 30 of the assessment year being analyzed. In large urban areas, there are usually adequate sales in a one-year period to conduct meaningful analyses for single family dwelling residential properties. Other property types and markets require several years to collect enough sales records to complete the ratio study.</p> <p>In general, three years of sales records are used for the ratio study to achieve an adequate sample size. The sales are adjusted for the time period.</p> <p><i>Sales reporting for assessment audit</i></p> <p>For the purposes of assessment audit, the assessor must annually report sales that occurred within the three sales periods (i.e., 36 months) prior to the valuation date for all actual use groups. For example, for the 2013 assessment year the valuation date would be July 1, 2013, and the three sales periods would be: (1) from July 1, 2012, to June 30, 2013, (2) July 1, 2011, to June 30, 2012, and (3) July 1, 2010, to June 30, 2011. However, within municipalities that have an average of 100 single family dwelling (SFD) sales per year flagged for inclusion in the ratio study, it may be acceptable to report only the sales from the most recent sales period for SFD properties (in the above example the most recent sales period is July 1, 2012 to June 30, 2013). A list of such municipalities is made available</p>	<p>Housekeeping item, updated to reflect current year example.</p> <p>Added single family dwelling to clarify based on the audit unit's experience.</p>

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	<p>Note: In conjunction with an audit, an auditor may request the assessor to provide sales outside the aforementioned sales periods for any actual use group.</p> <p>When an indicator of value (IOV) contains a market value based assessment component and a farm land assessment component, the assessor should record the market value component as the predominant actual use and the farm land component as the secondary use. In such cases, the above three sales periods rule applies.</p> <p>For property where the actual use is farm land only and is assessed using the agricultural use value standard, the most recent sales period is sufficient for annual audit reporting.</p> <p>If there are still inadequate sales over the extended sales period time frame, assessors should consider the addition of listings, offers to purchase or independent appraisals conducted for the purpose of estimating probable sale price to increase the sales database. Listings often require a downward adjustment, based on the typical ratio of actual price to asking price.</p>	<p>through ASSET.</p> <p>Note: In conjunction with an audit, an auditor may request the assessor to provide sales outside the aforementioned sales periods for any actual use group.</p> <p>When an indicator of value (IOV) contains a market value based assessment component and a farm land assessment component, the assessor should record the market value component as the predominant actual use and the farm land component as the secondary use.</p> <p>If there are still inadequate sales over the extended sales period time frame, assessors should consider the addition of listings, offers to purchase or independent appraisals conducted for the purpose of estimating probable sale price in their analysis. Such indicators of value will not be used in the annual audit ratio study but should be included in the ASSET IOV submission. Listings often require a downward adjustment, based on the typical ratio of actual price to asking price.</p>	<p>Removed as farmland has never been included in the ratio study.</p>
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Page	Original	Change	Rationale
58	<p><i>Other Market Indicators</i></p> <p>When only a few sales exist, land title transfers are often supplemented with other market indicators such as appraisals, listings or opinions of value. However, other market indicators are not acceptable for properties where there has been a sale, and only one ‘other market indicator’ for a property is acceptable for the ratio study.</p>	Remove passage completely.	This paragraph has been removed as these types of IOV are not included in the ratio study.

Page	Original	Change	Rationale
60	<p>Other value indicators are sometimes used to bolster small sample sizes. Listings must be properly adjusted. Independent appraisals, as well as expert opinions of value, must be made by a competent, impartial party for the purpose of estimating market value.</p>	Remove passage completely.	This paragraph has been removed as these types of IOV are not included in the ratio study.

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Page	Original	Change	Rationale
66	<p>8015 Developer-to-Builder Sale Sales between a land developer and a builder need to be reviewed before accepting or rejecting them from inclusion in the ratio study analysis. Developer-to-Builder sales can be included as market value indicators if made on the open market with both parties seeking the best possible price. The assessor must determine if the Developer-to-Builder sales were exposed to the open market. The open market may be the local builders bidding on the local parcels where the developers will not accept less than market value, nor will the builders pay more than market value. Always document the rationale for accepting or rejecting Developer-to-Builder sales from the analysis and report this information in the sale narrative.</p>	<p>8015 Developer-to-Builder Sale Sales between a land developer and a builder need to be reviewed before accepting or rejecting them from inclusion in the ratio study analysis. Developer-to-Builder sales can be included as market value indicators if made on the open market with both parties seeking the best possible price. The assessor must determine if the Developer-to-Builder sales were exposed to the open market. The open market may be the local builders bidding on the local parcels where the developers will not accept less than market value, nor will the builders pay more than market value. The rationale for accepting or rejecting Developer-to-Builder sales from the analysis should always be documented and reported in the sale narrative.</p>	Change from active to passive voice to match voice used throughout the document.

Page	Original	Change	Rationale																								
66	<p>Indicator of Value Types Table 1 Indicator of Value Types</p> <table border="1"> <thead> <tr> <th><i>Indicator of Value</i></th> <th><i>Definition of Code</i></th> </tr> </thead> <tbody> <tr> <td>SALE</td> <td>Sale</td> </tr> <tr> <td>APPR</td> <td>Appraisal</td> </tr> <tr> <td>LIST</td> <td>Listing</td> </tr> <tr> <td>OTP</td> <td>Offer to purchase</td> </tr> <tr> <td>OOV</td> <td>Opinion of value</td> </tr> <tr> <td>MANH</td> <td>Manufactured home; no land</td> </tr> <tr> <td>NTLS</td> <td>Non-titled lease sale</td> </tr> </tbody> </table>	<i>Indicator of Value</i>	<i>Definition of Code</i>	SALE	Sale	APPR	Appraisal	LIST	Listing	OTP	Offer to purchase	OOV	Opinion of value	MANH	Manufactured home; no land	NTLS	Non-titled lease sale	<p>Indicator of Value Types Table 2a Indicator of Value Types Used in the Annual Audit Ratio Study</p> <table border="1"> <thead> <tr> <th><i>Indicator of Value</i></th> <th><i>Definition of Code</i></th> </tr> </thead> <tbody> <tr> <td>SALE</td> <td>Sale</td> </tr> <tr> <td>MANH</td> <td>Manufactured home; no land</td> </tr> <tr> <td>NTLS</td> <td>Non-titled lease sale</td> </tr> </tbody> </table> <p align="center"><i>Note: Use the 8000 Sales Verification codes for these indicators of value.</i></p> <p>Table 3b Indicator of Value Types That May Also Be Included in the IOV Submission</p>	<i>Indicator of Value</i>	<i>Definition of Code</i>	SALE	Sale	MANH	Manufactured home; no land	NTLS	Non-titled lease sale	<p>This IOV has been changed to remove confusion over Opinion of Value given by an impartial expert and Opinion of Value stated by the purchaser on transfer documents.</p> <p>Tables have also been updated to reflect changes to the sales reporting requirements and to clarify how IOV information will be used in the ratio study.</p>
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66, 67	<p><i>SALE-Sale</i> A sale is a transfer of real property that is recorded at the land title registries office and is assigned a new certificate of title number. The primary source of property sales data is Alberta Registries Land Titles.</p> <p><i>APPR- Appraisal</i> Independent appraisals from third parties may be included in the ratio study if the appraisal is made to estimate fee simple market value and is performed in accordance with professional standards.</p> <p><i>LIST- Listing</i> Listings of property for sale can be used to increase otherwise inadequate sales sample sizes, provided that an adjustment is made for the typical relationship between the sale price and the list price. Do not use listings if adequate sales are available or the list price appears to be out-of-line.</p> <p><i>OTP- Offer to Purchase</i> An offer to purchase may be included in the ratio study only when insufficient indicators of value are available; however, they should be</p>	<p><i>SALE-Sale</i> A sale is a transfer of real property that is recorded at the land title registries office and is assigned a new certificate of title number. The primary source of property sales data is Alberta Registries Land Titles.</p> <p><i>MANH- Manufactured Home Sale, No Land</i> When dealing with manufactured homes, the assessor should supplement land title registrations with sales of manufactured homes, exclusive of land, for both valuation and ratio study purposes. This sales information can be collected from dealers, real estate services or from Alberta Registries' personal property registry. Include these sales if they meet the usual market value criteria; otherwise, they should be rejected.</p> <p><i>NTLS – Non-Titled Lease Sale</i> Assessors should include an untitled sale of improvements on leased land for both valuation and ratio study purposes. This type of IOV is found in Redwood Meadows, some national park leases with lease</p>	<p>Reordering of IOV in line with changes made to table 6 (now 6a and 6b).</p> <p>Updated to reflect changes to the sales reporting requirements and to clarify how IOV information will be used in the ratio study.</p> <p>The voice has also been changed to a passive voice in accordance with the general voice used in the document</p> <p>IOV has been changed from OOV to EEV to remove confusion over Opinion of Value given by an impartial</p>

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<p>adjusted to reflect the typical ratio of sale price to purchase price. If the necessary data cannot be obtained, including an offer to purchase may balance out an unadjusted listing of the same property.</p> <p><i>OOV- Opinion of Value</i></p> <p>An opinion of value may be used in the ratio study if it is provided by an impartial expert who has a sound basis for the estimate. Of course, the expert's opinion of value must be made for the purpose of representing market value. Always document the basis for including the opinion of value in the study.</p> <p>The assessor's opinion of value must never be used in the ratio study. This indicator of value type code is used for an opinion of value that is not made for a property sale recorded at Alberta Registries Land Titles.</p> <p><i>MANH- Manufactured Home Sale, No Land</i></p> <p>When dealing with manufactured homes, the assessor should supplement land title registrations with sales of manufactured homes, exclusive of land, for both valuation and ratio study purposes. This sales information can be collected from dealers, real estate services or from Alberta Registries' personal property registry. Include these sales if they meet the usual market value criteria; otherwise, they should be rejected.</p> <p><i>NTLS – Non-Titled Lease Sale</i></p> <p>Assessors should include an untitled sale of improvements on leased land for both valuation and ratio study purposes. This type of IOV is found in Redwood Meadows, some national park leases with lease holder owned improvements, cottages on leased sites, etc.</p>	<p>holder owned improvements, cottages on leased sites, etc.</p> <p><i>APPR- Appraisal</i></p> <p>Independent appraisals from third parties may be included in the IOV submission but will not be included in the ratio study. The appraisal should be made to estimate fee simple market value and performed in accordance with professional standards.</p> <p><i>LIST- Listing</i></p> <p>Listings of property for sale may be included in the IOV submission but will not be included in the ratio study. Adjustment should be made for the typical relationship between the sale price and the list price. Listings should not be included in the analysis if adequate sales are available nor if the list price appears to be out-of-line.</p> <p><i>OTP- Offer to Purchase</i></p> <p>An offer to purchase may be included in the IOV submission but will not be included in the ratio study. If used in the assessor's analysis these should be adjusted to reflect the typical ratio of sale price to purchase price.</p> <p><i>EEV- Expert Estimate of Value</i></p> <p>An expert's estimate of value may be included in the IOV submission but will not be used in the ratio study. Expert Estimates of Value must be provided by an impartial expert who has a sound basis for the estimate. The expert's opinion of value must be made for the purpose of representing market value.</p>	<p>expert and Opinion of Value stated by the purchaser on transfer documents recorded at Alberta Registries Land Titles.</p>
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68	<p><i>Sale Price Adjustments</i></p> <p>Introduction</p> <p>Ratio studies serve to measure the level and uniformity of assessments relative to market value. Since market values are not known, they must be estimated from available market data, such as recent sale prices. However, there are a number of factors that may influence sale prices, and adjustments must be made accordingly. If price levels have changed, sales must be adjusted for time to reflect the market value on the statutory valuation date. Even arm’s length sales may involve non-real estate components, such as chattels (defined in section 3.3.2), and may be influenced by financing. Sales must be investigated to determine whether adjustments to the sold price are warranted to counter the non-real estate components. By the same token, keep in mind that making unwarranted adjustments will compromise the integrity of the ratio study.</p>	<p><i>Sale Price Adjustments</i></p> <p>Introduction</p> <p>Ratio studies serve to measure the level and uniformity of assessments relative to market value. Since market values are not known, they must be estimated from available market data, such as recent sale prices. However, there are a number of factors that may influence sale prices, and adjustments must be made accordingly. If price levels have changed, sales must be adjusted for time to reflect the market value on the statutory valuation date. Even arm’s length sales may involve non-real estate components, such as chattels (defined in section 3.3.2), and may be influenced by financing. Sales must be investigated to determine whether adjustments to the sold price are warranted to counter the non-real estate components. Unwarranted adjustments will compromise the integrity of the ratio study.</p>	<p>Housekeeping, removed “By the same token, keep in mind that making” at the end of the second paragraph.</p>

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81,82	<p>If the number of recent sales in a stratum is insufficient, measures must be taken to reliably supplement the numbers before analysis.</p> <p>This is usually done in one of two ways:</p> <ul style="list-style-type: none"> • by combining strata, or • by adding sales or appraisals from previous years to increase the sample size. 	<p>If the number of recent sales in a stratum is insufficient, measures must be taken to reliably supplement the numbers before analysis.</p> <p>This can be achieved by combining strata.</p>	<p>Updated to reflect the actual practice by assessors and auditors</p>

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82, 83	<p>Stratification for Assessment Audit and Equalized Assessment Purposes</p> <p>Assessments will be stratified by value range for the purposes of the annual audit, and for the calculation of assessment levels used to prepare the equalized assessments of non-regulated property. The assessment value range parameters will be:</p> <ul style="list-style-type: none"> > 0 to 10th percentile > 10th percentile to 25th percentile > 25th percentile to 50th percentile > 50th percentile to 75th percentile > 75th percentile to 90th percentile > 90th percentile <p>For every municipality value ranges are determined for the actual use groups and the total assessment attributes for each property that is provided in the municipality's annual return, except exempt and special purpose property, which is not considered when establishing the value ranges.</p> <p>For audit and equalized assessment stratification purposes, the total assessment attribute corresponding to each percentile (0, 10, 25, 50, 75, 90, 100) is used as the minimum or maximum boundary of the value range.</p> <div data-bbox="642 488 1220 894" style="border: 1px solid black; padding: 5px;">  <p><i>Standard on Ratio Studies, International Association of Assessing Officers, 1999</i></p> <p>Percentile The values that divide a set of data into specified percentages when the data are arrayed in ascending order. The tenth percentile includes the lowest 10 percent of the values; the twentieth percentile includes the lowest 20 percent of the values, and so forth.</p> </div>	<p>Stratification for Assessment Audit and Equalized Assessment Purposes</p> <p>Assessments will be stratified by quartile for the purposes of the annual audit, and for the calculation of assessment levels used to prepare the equalized assessments of non-regulated property.</p> <div data-bbox="1628 488 2145 959" style="border: 1px solid black; padding: 5px;">  <p><i>Standard on Ratio Studies, International Association of Assessing Officers, 2013</i></p> <p>Quartiles The values that divide a set of data into four equal parts when the data are arrayed in ascending order. The first quartile includes the lowest quarter of the data, the second quartile, the second lowest quarter, and so forth.</p> </div> <p>For every municipality quartiles are determined for the actual use groups and the total assessment attributes for each property that is provided in the municipality's annual return, except exempt and special purpose property, which is not considered when establishing the quartiles.</p> <p>For audit and equalized assessment stratification purposes, the total assessment attribute corresponding to each quartile is used as the minimum or maximum boundary of the quartile.</p> <p>The determination of the assessment value range stratification will be an automated process done by ASSET. During the annual audit</p>	<p>Updated definition from the IAAO to most current publication of the standard.</p> <p>Updated to reflect the audit unit's practice since 2005 for stratification of the ratio study.</p>

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	<p>The determination of the assessment value range stratification will be an automated process done by ASSET. During the annual audit process value ranges will be combined (collapsed) into the adjacent value range where the sample size is less than 15 indicators of value. Collapsing occurs from the outside value ranges towards the centre. Value ranges are calculated for each group of properties listed in Table 7, Actual Use Groups except Special Purpose (SPEC).</p>	<p>process, quartiles will be combined into the adjacent quartile where the sample size is less than 15 indicators of value. Combining occurs between adjacent quartiles. Thus, the first and second quartile combine; the third and fourth quartile combine. Quartiles are calculated for each group of properties listed in Table 7, Actual Use Groups except Special Purpose (SPEC).</p>	
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Page	Original	Change	Rationale
84	<p align="center">Table 4 Actual Use Groups</p> <p>The non-residential class is made up of seven actual use groups: Vacant Industrial (VIND), Industrial (IND), Vacant Commercial (VCOM), Commercial - Retail (RET), Commercial - Lodging (LOD), Commercial - Office (OFF), and Special Purpose (SPEC). More information on actual use codes can be found in Table 8, Actual Use Codes. Any non-residential property with a special purpose code in level 4 of the actual use codes will be assigned the actual use group Special Purpose (SPEC).</p>	<p align="center">Table 5 Actual Use Groups</p> <p>The non-residential class is made up of six actual use groups: Vacant Industrial (VIND), Industrial (IND), Vacant Commercial (VCOM), Commercial - Retail (RET), Commercial - Office (OFF), and Special Purpose (SPEC). More information on actual use codes can be found in Table 9, Actual Use Codes. Any non-residential property with a special purpose code in level 4 of the actual use codes will be assigned the actual use group Special Purpose (SPEC).</p>	<p>Change to reflect the actual practice - inclusion of lodging properties in the Commercial- Retail (RET) actual use group.</p>

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85, 86	Table 3, Actual Use Codes, provides the details of the coding scheme.	Table 9, Actual Use Codes, provides the details of the coding scheme.	Table renumbering as required.

Page	Original	Change	Rationale
87-90 100-101	<p>Move R103081 – Parking Stall – Special conditions from R1030*0 table to the R1030*1 table</p> <p>Add M105040, M105041, and M105042 – Well Site Machinery and Equipment – to assist assessors to identify well site machinery and equipment.</p>		

Page	Original	Change	Rationale
150	<p>The assessor for the new municipal authority, must assign to every annexed property the applicable Order in Council (OC) number for the annexation (e.g., OC123/2006) in addition to all other property attributes.</p> <p>The assessor for the old municipal authority must assign to each property that is separated from the municipality the tax code “N” and the applicable Order in Council number. As well, the assessed value for these properties must be reported as “0” (zero</p>	<p>The assessor for the new municipal authority must assign to every annexed property the applicable Order in Council (OC) number for the annexation (e.g., OC123/2006) in addition to all other property attributes.</p> <p>The assessor for the old municipal authority must assign to each property that is separated from the municipality the tax code “N” and the applicable Order in Council number. As well, the assessed value for these properties must be reported as “0” (zero).</p>	<p>Removed “A list of the Orders in Council that authorize annexations are available on the ASSET website.” as it is incorrect.</p>
	 <p>A list of the Orders in Council that authorize annexations are available on the ASSET website.</p>		