

# Assessment Bulletin

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## EAP Technical Committee Recommendation

**Item:** 3B2

**Title:** Assessment Quality Tests in Lieu of Assessment Sales Ratio (ASR) Studies

**EAP Recommendation:** 4Ai, 4Aii

**Question:** A compressed assessment audit schedule will be introduced January 1, 2004. ASB is implementing various changes to its standardized quality ratio study methodology to ensure that the annual data audit can be completed in the much shorter allotted time frames. What is the methodology and process for valuing property that never or rarely sells in this new environment?

**Background:**

The EAP 4A Recommendations refer to changing the assessment process to use a municipality's declared current assessments as the basis for its equalized assessment. To implement these recommendations, the annual audit function must be completed by February 28 of each year. To meet this deadline, municipalities must declare their assessments by January 31 to allow ASB a minimum of 20 business days to deal with any outstanding audit issues. No extensions can be permitted.

**Recommendation:**

When there is inadequate sales activity or rental income data for market data studies, non-regulated property should be audited using the following tests:

- If income data is used to determine the assessments, perform tests to verify that there are no significant differences between the value parameters in a subject market area and the regional strata value parameters.
- For assessments where the cost approach is used to determine assessments, compare the unit values of a market area to the regional strata unit values.

In both cases the quality standard is achieved if the data in a subject market area is not significantly different than the regional strata data.

Development of the best unit values for regional strata will evolve over time.

These principles are outlined in the chart attached to recommendation 3B1.

- For property that is so unique that annual automated comparison is impossible using ASSET, tests for uniformity will be conducted outside the automated process.

**Recommendation Background:**

- For property assessed using income data, tests to determine if the assessment is reasonable should be done by comparing the subject market area rents per square foot to the regional strata rents per square foot and comparison of the subject market area capitalization rates to the regional strata capitalization rates.
- Market data studies cannot be used to audit the assessments of non-regulated property where there is limited sales activity or rental income data. Assessors typically use a cost approach to calculate assessments for these types of property. The assessments are tested by comparing it to other similar properties within the regional strata.
- Comparisons are typically conducted within groups of properties with the same actual use and similar physical characteristics by comparing the 'unit value' (value per square foot or value per room) to eliminate dissimilarity between properties.
- These types of tests are displayed using box plots for comparison. Statistical tests are to determine if the subject market area median falls with an acceptable range of the regional strata median.

**Recommended**

**Accepted**

  
Steve White  
EAP Technical Committee Chair

  
Brad Pickering  
ASSET Steering Committee Chair

Dec 10, 2001  
Date

Jan 14/02  
Date