

Assessment Bulletin

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EQUALIZED ASSESSMENT PANEL TECHNICAL COMMITTEE

EAP Technical Committee Recommendation

Item: 10

Title: Stratification Methodology for the Annual Audit and Equalization Process

EAP Recommendation: 6Ai

Question: The current concept of sub-municipality isn't always the complex stratification methodology recommended in the report. To signify that new stratification concepts are being used, Assessment Services Branch has adopted a value range stratification scheme for the annual audit and equalization purposes. What are the value ranges for the annual audit and equalization stratification?

Background:

The Equalized Assessment Panel recommendation 6Ai states: "For all municipalities, use complex stratification, including substrata on property characteristic variables, where data is sufficient, for both quality audit purposes and for determining median ASRs."

The value range methodology is for annual audit and equalization purposes only. Assessment modelling should not use this methodology; rather, geographic/property type should continue to be used. (Both are considered complex stratification.)

Detailed audits will use complex stratification, most often based on property characteristics, to identify groups that need attention.

Recommendation:

Stratification for the annual audit and equalization of non-regulated property should be done using assessment value ranges for the actual use groups in the attached table. The value ranges should be:

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

Value ranges are determined for each municipality. Within the municipality, they are determined for each actual use group. Exempt property is not considered when establishing the value ranges. Value ranges are based on the total assessment attribute for each property as provided on the municipality's annual return (including revisions) from the previous year. (Note for 2003, which is the start up year, it will be necessary to use the 2003 annual return to establish the value ranges.)

The combining of the value range stratifications into the adjacent range, and secondly the collapsing of residential actual use groups and the collapsing of non-residential actual use groups, should be the procedure employed to obtain adequate sample sizes.

EAP Technical Committee Recommendation

Recommendation Background:

Percentiles mean the values that divide a set of data into specified percentages when the data are arrayed in ascending order. The 10th percentile includes the lowest 10 percent of the values; the 25th percentile includes the lowest 25 percent of the values, and so forth. For audit and equalization 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.

As a simple example for the actual use group 'Single Family Dwellings' where there are 201 properties in the municipality arrayed in descending order of the Total Assessment attribute, the lowest assessment would be the 0 percentile, the 21st lowest assessment would be the 10th percentile, the 51st lowest assessment would be the 25th percentile, the 101st lowest assessment would be the 50th percentile, the 151st lowest assessment would be the 75th percentile, the 181st lowest assessment would be the 90th percentile and the highest assessment would be the 100th percentile.

The actual use groups/assessment value range strata will be the market areas referenced in the EAP Technical Committee recommendations 3B1 and 3B2. The stratification methodology in this recommendation is a refinement of those described in recommendation 3B1. The EAP Technical Committee is also issuing Bulletin 03-01 that describes the 2003 annual audit procedure and provides further clarification.

Recommended

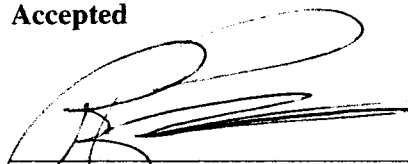


Steve White
EAP Technical Committee Chair

Feb. 12, 2003

Date

Accepted



Brad Pickering
ASSET Steering Committee Chair

Feb 14/03

Date

Actual Use Groups

RESIDENTIAL	
Actual Use Code	Description
Vacant Residential (VR)	
<i>R0</i>	<i>Vacant Residential</i>
Single Family Dwellings (SFD)	
<i>R100</i>	<i>Unspecified</i>
<i>R101</i>	<i>Single family unit – fee simple (1,2 or 3 dwelling units)</i>
<i>R104</i>	<i>Designated manufactured home</i>
<i>R106</i>	<i>Other</i>
Residential Condominium (RC)	
<i>R103</i>	<i>Residential condominium</i>
Multi-Family (MF)	
<i>R102</i>	<i>Multi-residential unit rental (4 or more dwelling units on a single title)</i>
<i>R105</i>	<i>Manufactured home community</i>
NON-RESIDENTIAL	
Vacant Industrial (VIND)	
<i>M0</i>	<i>Vacant industrial</i>
Industrial (IND)	
<i>M100</i>	<i>Unspecified</i>
<i>M101</i>	<i>Warehousing</i>
Vacant Commercial (VCOM)	
<i>C0</i>	<i>Vacant commercial</i>
<i>P0</i>	<i>Vacant public service</i>

NON-RESIDENTIAL - (continued)	
Actual Use Code	Description
Commercial - Retail (RET)	
<i>C10100</i>	<i>Retail-unspecified</i>
<i>C10101</i>	<i>Retail – stand alone</i>
<i>C10102</i>	<i>Retail – gas station</i>
<i>C10103</i>	<i>Retail – strip commercial</i>
<i>C10104</i>	<i>Retail – shopping centre</i>
<i>C10105</i>	<i>Retail – regional shopping centre</i>
<i>C10106</i>	<i>Retail – power centre</i>
<i>C10107</i>	<i>Retail – parkade</i>
<i>C10108</i>	<i>Retail – condominium</i>
<i>C10109</i>	<i>Retail –fast food restaurant</i>
<i>C10110</i>	<i>Retail –major car dealership</i>
<i>C10400</i>	<i>Pedway – unspecified</i>
<i>C10401</i>	<i>Pedway – plus fifteen</i>
Commercial - Lodging (LOD)	
<i>C10200</i>	<i>Lodging – unspecified</i>
<i>C10201</i>	<i>Lodging – motel</i>
<i>C10202</i>	<i>Lodging – hotel</i>
Commercial - Office (OFF)	
<i>C10300</i>	<i>Office – unspecified</i>
<i>C10301</i>	<i>Office – condominium</i>
<i>P10200</i>	<i>Institutional – unspecified</i>
<i>P10201</i>	<i>Institutional – education</i>
<i>P10202</i>	<i>Institutional – health</i>
<i>P10203</i>	<i>Institutional – social services</i>
<i>P10204</i>	<i>Institutional – government services</i>

In this table the residential class is made up of four actual use groups: **Vacant Residential (VR)**, **Single Family Dwellings (SFD)**, **Residential Condominium (RC)** and **Multi-Family (MF)**. Below each actual use group is listed the actual use codes and descriptions within the group. The non-residential class is made up of six actual use groups: **Vacant Industrial (VIND)**, **Industrial (IND)**, **Vacant Commercial (VCOM)**, **Commercial - Retail (RET)**, **Commercial - Lodging (LOD)**, and **Commercial - Office (OFF)**. Below each actual use group is listed the actual use codes and descriptions (level 1 to level 3 as required) within the group.