



# Appraisal Tolerance Equity Range Policy

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## Purpose

This Assessment Policy ensures that BC Assessment (BCA) consistently interprets and applies the principles of appraisal tolerance (i.e., acceptable range of value) and equity in handling inquiries and appeals to the Property Assessment Appeal Board (PAAB).

## Appraisal Tolerance Equity Range Importance

Appraisal tolerance relates to a range of values that is reasonable and acceptable within mass appraisal and appraisal standards. Equity relates to how a particular property value relates to comparable sales in the competitive market set within the jurisdiction. BCA and the PAAB rely on specific comparable sales and statistical calculations (e.g., Assessment to Sales Ratio (ASR), coefficient of dispersion (COD), and price related differential (PRD)) to determine ranges of value and equity to determine range of values and equity.



## Policy Statements

1. Property assessments determined to be equitable and within acceptable tolerance range, as set out in this policy, must not have their value changed through a Property Assessment Appeal Board appeal.
2. When equity is determined to be an issue for a property review, the competitive market set must be reviewed to ensure there is equity prior to entering the appeal board process.
3. Residential property appeals where equity is determined to be an issue must adhere to the [Residential Equity Appeal Requirements](#).
4. Commercial property appeals where equity is determined to be an issue must adhere to the [Commercial Property Appeal Equity Requirements](#).



## Appraisal Tolerance Equity Range Requirements

### Appraisal Tolerance Equity Range General Requirements

1. Property assessments determined to be equitable and within acceptable tolerance range, as set out in this policy, must not be changed on appeal.
2. When equity is determined to be an issue for a property review, the competitive market set must be reviewed to ensure there is equity prior to entering the appeal board process.

### Residential Equity Appeal Requirements

1. For residential properties to have an acceptable appraisal tolerance range, the subject property must fall within an upper and lower limit for the competitive market set and/or jurisdiction, refer to [Appendix 3: Appraisal Tolerance Equity Range Example Calculations](#) for methodology and an example calculation.
2. Residential ratio studies must use a minimum Coefficient of Dispersion (COD) of 5%. A COD of less than 5% indicates selective reassessment of sold properties (i.e., sales chasing).

### Commercial Property Appeal Equity Requirements

1. Commercial property appeals where equity is determined to be an issue must include an equity table (i.e., table of comparable assessments within the competitive market set) or equity report in the appeal brief, refer to [Appendix 2: ICI Equity Table Examples](#).

**Note:**

Going-concern properties (e.g., hotels) must utilize this document with caution. Finding a simplistic indicator such as price per room could prove to be challenging due to extreme lack of sales, adjustments for intangibles such as furniture, fixtures and equipment (FF&E), and the lack of comparable sales within the jurisdiction. Please discuss any equity issues with the hotel coordinators.

2. An ICI equity table must utilize the indicated rate per square foot as the unit of comparison.
3. Components of the income approach or cost approach must not be split out for separate analysis as part of an equity table or report.
4. If ASR, COD, and PRD exist for an ICI property, these ratio studies must be included in the equity brief.



This policy is made available to the public for informational purposes only. The policy is not binding on BC Assessment. It does not constitute legal advice. If there is a conflict between this policy and the relevant legislation (or case law), the legislation (or case law) prevails.

## Resources

### Definitions

- Refer to the [BC Assessment Glossary page](#) for term definitions.

### References

#### External

- International Association of Assessing Officers. [Standard on Ratio Studies](#). IAAO. 2013 April.



## Appendices

### Appendix 1: Frequently Asked Questions

**1. How do we utilize the table if the comparable sales within the competitive market set have lower coverage that skew the indicated rate per square foot?**

Utilize the table to demonstrate the equity portion of the improvements only. In other words, compare like with like. Take the total value of the income portion (square feet, rent, vacancy, expenses, and CAP) and work out a square foot basis on that calculation only. Do not utilize the total assessed value or include excess land values. Another way to demonstrate this would be to include the land size, excess land, site coverage, and a brief explanation as to what occurs with indicated rate per square foot for low site coverage. Preference: do not include excess land in the comparability.



## Appendix 2: ICI Equity Table Examples

The following are some examples of equity reports that may be used for ICI equity cases where statistical information is not available:

The following table demonstrates equity by focusing on the indicated rate per square foot of the office space. Although the rental rates, vacancy, expenses, and CAP rates vary somewhat, the indicated rate per square foot clearly demonstrates the subject properties are within the range. It may be necessary to create more than one table to demonstrate equity for other classes of offices buildings such as Class "B" and Class "C".

The property type illustrated is an office building; however, this table can be utilized for other ICI properties utilizing qualities as a determination for comparability such as excellent, good, average, fair, and poor. For these property types, the table will have different inputs such as year built, quality, GLA/NLA, rents, expenses, vacancy, and CAP rate; however, the indicated rate per square foot will be the unit of comparison. Again, it may be necessary to create more than one table to demonstrate equity for other qualities.

### ASSESSOR'S EQUITY TEST CLASS "A" OFFICE BUILDINGS 2004 ASSESSMENT ROLL

Address	Year Built	# Floors	Typical Floor Plate	Office GLA	Office Rent	Office Vacancy	Office Expense	# Parking Stalls	Parking Rent	Capitalization Rate	Assessment Psf. (Office)
1040 West Georgia	1984	22	10,700	195,057	\$16.25	7.00%	6.00%	228	\$175.00	8.00%	\$177.57
1055 West Hastings	1970	23	12,274	251,054	\$15.25	8.00%	7.00%	271	\$175.00	8.25%	\$158.16
1055 West Georgia	1973	36	13,500	433,304	\$16.00	7.00%	6.00%	720	\$190.00	8.00%	\$174.84
1066 West Hastings	1977	25	14,579	331,128	\$14.50	8.00%	7.00%	225	\$175.00	8.25%	\$150.38
1099 West Pender	1991	22	10,049	199,659	\$16.00	7.00%	6.00%	180	\$175.00	8.00%	\$174.84
200 Granville	1973	29	12,571	380,921	\$16.00	7.00%	6.00%	398	\$175.00	8.00%	\$174.84
333 Dunsmuir	1992	18	15,600	238,448	\$15.00	6.00%	5.00%	375	\$125.00	8.00%	\$167.44
400 Burrard	1985	21	11,555	210,853	\$16.50	6.00%	5.00%	136	\$175.00	8.00%	\$184.18
401 West Georgia	1985	22	13,258	257,108	\$14.75	7.00%	6.00%	300	\$125.00	8.00%	\$161.18
650 West Georgia	1977	34	12,000	385,713	\$16.50	7.00%	6.00%	533	\$160.00	8.25%	\$174.84
701 West Georgia	1975	18	13,500	216,643	\$15.50	7.00%	6.00%	714	\$225.00	8.00%	\$169.38
609 Granville	1981	24	13,500	285,188	\$16.00	7.00%	6.00%			8.00%	\$174.84
999 Canada Place	1986	7	55,000	168,912	\$19.75	5.00%	5.00%	-	-	7.75%	\$229.99
999 West Hastings	1981	19	11,700	193,527	\$16.50	6.00%	5.00%	89	\$200.00	8.00%	\$184.18
111 Dunsmuir	1994	13	18,200	214,516	\$14.00	7.00%	6.00%	232	\$105.00	8.00%	\$152.99
<b>SUBJECTS:</b>											
<b>BENTALL I</b>	<b>1967</b>	<b>21</b>	<b>12,400</b>	<b>240,233</b>	<b>\$15.25</b>	7.00%	6.00%	<b>579</b>	<b>\$175.00</b>	<b>8.00%</b>	<b>\$166.64</b>
<b>BENTALL II</b>	<b>1968</b>	<b>18</b>	<b>9,900</b>	<b>159,773</b>	<b>\$14.50</b>	7.00%	6.00%			<b>8.00%</b>	<b>\$158.45</b>

The following table provides another example of demonstrating equity. The table contains comparable assessments for a mixed-use property (office/retail) and illustrates to the reader the range of values along with the percentage of the property that is retail. This table also demonstrates equity for this property and is easily understood with the focus on the indicated rate per square foot.



Summary of Office Buildings in New Westminster comparable to 600 Columbia St									
	Address	Roll #	Off.Cl.	Bldg Size	Ret'l. %	Age	Location	2007 Assess/sf	Comments
1	628 6th St	8596000	A	69,739	19%	8	Uptown N/W	<b>\$205</b>	High Retail %; Royal Bank building
2	555 Columbia	399000	B	53,072	0%	53	Downtown N/W	<b>\$136</b>	N/W Police Station significant updated. Kiddie-corner to subj.
3	544 Columbia	255000	B/C	8226	0%	75	Downtown N/W	<b>\$106</b>	Updated in '06/07 for '08 Assess. No pkg.: 10/'06 incompl. Bldg.
4	435 Columbia	408000	B	32,949	26%	18	Downtown N/W	<b>\$157</b>	High Rtl. %; No on-site pkg; crime; excludes bsmt. Storage
5	960 Quayside	109001	B	59,899	12%	18	Westminster Quay	<b>\$144</b>	High Retail %; Good bldg; Waterfront; has parking on site.
6	625 5th Ave	8574000	B	51,080	6%	43	Uptown N/W	<b>\$94</b>	Med Bldg; old; func. obsolete; Surplus uptown medical
7	615 Agnes St	730001	B	81,021	2%	27	Downtown N/W	<b>\$126</b>	1 block below Royal; close to Courthouse & Douglas College
8	611 Agnes St	729000	B	60,255	7%	35	Downtown N/W	<b>\$125</b>	Land Title office; good overall condition.
9	624 Royal Ave	72300	B	41,825	0%	17	Downtown N/W	<b>\$96</b>	"Shell" cond.; @ \$30 /sf = Value/sf <b>\$126</b> ; small floor plates
10	422 6th St	6772001	B/C	14,909	0%	45	Uptown N/W	<b>\$121</b>	Small floor plates; Westminster C/U; uptown location
11	<b>(Original) 600 Columbia</b>	<b>251000</b>	<b>B/C</b>	<b>33,334</b>	<b>8%</b>	<b>106</b>	<b>Downtown N/W</b>	<b>Original Assess \$110</b>	<b>Old bldg; Updated Heritage; No pkg., good condition</b>
12	93 6th St	1252000	C	10,400	0%	28	Downtown N/W	<b>\$114</b>	minimal updating, small floor plates; hasu/g parking
13	600 Royal Ave	724000	C	11,773	0%	33	Downtown N/W	<b>\$113</b>	minimal updating, small floor plates; surf. pkg. Land value
14	57 6th St	1318000	C	14,783	0%	54	Downtown N/W	<b>\$109</b>	minimal updating, small floor plates; no parking.
15	522 7th St	8313000	C	25,183	0%	33	Uptown N/W	<b>\$107</b>	Med. Bldg; func. obso. Surplus uptown medical
16	321 6th St	6158000	C	10,119	0%	44	Uptown N/W	<b>\$106</b>	minimal updating, small floor plates.

For retail and industrial properties, you may utilize something like the preceding tables or the following table to demonstrate equity. For industrial properties such as warehouses, you may want to include a column for the percentage of office space.

For retail/general commercial properties, you may want to demonstrate equity utilizing similar properties such as other big box (e.g., Wal-Mart, Superstore, etc.) or anchor department stores (e.g., The Bay, Nordstrom, etc.). For general commercial, staying within the neighbourhood and/or jurisdiction for equity comparable sales is recommended to compare similar commercial properties in the competitive market set.





The following table provides another example of presenting equity for industrial warehouses. This table does not contain income details as indicators of comparison; however, it clearly demonstrates equity within this type of property in the immediate neighbourhood of the subject. In this example, the income components are left out and the general comparability and percentage of the total property that was mezzanine is compared.

Summary Industrial Buildings in Delta comparable to 10207 Nordel Cr							
	Property Address	Roll Num	Year Built	Height	Area	Mezz %	Assessed Value Per SF
1	9960 RIVER WAY DELTA	D339606040	1998	29	25,543	8.55%	\$108.52
2	9990 RIVER WAY DELTA	D339606050	1998	29	25,287	12.58%	\$108.51
3	10010 RIVER WAY DELTA	D339606060	1999	30	41,975	13.21%	\$108.54
4	10030 RIVER WAY DELTA	D339606100	1999	30	36,128	4.43%	\$108.53
5	10050 RIVER WAY DELTA	D339606110	2004	30	76,156	2.88%	\$101.29
6	10238 NORDEL CRT DELTA	D339687040	1993	26	21,189	0.00%	\$107.84
Subject	10207 NORDEL CRT DELTA	D339687050	1995	30	56,242	13.74%	\$101.29
7	8188 SWENSON WAY DELTA	D339687060	1999	31	40,348	10.47%	\$108.56
8	8238 SWENSON WAY DELTA	D339687080	1993	27.7	19,450	7.46%	\$109.72
9	10118 SWENSON WAY DELTA	D339687120	1997	28	60,278	2.43%	\$101.31
10	10101 NORDEL CRT DELTA	D339687130	1996	28.5	54,274	8.15%	\$101.32
11	10159 NORDEL CRT DELTA	D339687140	1994	27.5	18,024	14.45%	\$109.74
12	8137 SWENSON WAY DELTA	D339687150	1993	28	21,862	0.00%	\$109.73
13	8187 SWENSON WAY DELTA	D339687160	1993	30	21,521	0.00%	\$109.75
14	8237 SWENSON WAY DELTA	D339687180	1998	28.5	20,091	19.27%	\$109.75



## Appendix 3: Appraisal Tolerance Equity Range Example Calculations

### Residential

An example of the acceptable range of equitable value is calculated as follows:

Assessed value	\$190,400
Median ASR	0.97
Coefficient of Dispersion (COD)	8.6%

Equation:

$$\text{Acceptable Value Range} = \text{Assessed Value} \times \text{Median ASR} \pm \text{Coefficient of Dispersion (COD)}$$

$$(190,400 \times 0.97) + (0.086(190,400 \times 0.97)) = \$200,571 \text{ (upper limit)}$$

$$(190,400 \times 0.97) - (0.086(190,400 \times 0.97)) = \$168,805 \text{ (lower limit)}$$

Acceptable Range of Value	\$168,805 to \$200,571
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## Appendix 4: Legal Background

In *Bramalea Limited [Trizec Equities]* SC277 the Court of Appeal said that...

“there is an acceptable range of actual and equitable values, within which the value of a property appealed against will not be disturbed”

Appraisal tolerance relates to a range of values that is reasonable and acceptable within mass appraisal and appraisal standards. Although a property value may be at the low or high end of the range it is considered “acceptable”. Equity relates to how a particular property value relates to comparables in the competitive market set within the jurisdiction.

The Property Assessment Appeal Board (PAAB), in a few decisions, has moved from relying only on statistical calculation (ASR, COD and PRD) to look at specific comparables to determine ranges of value and equity and how the jurisdictional assessment to sale price ratio (ASR), coefficient of dispersion (COD) and price-related differential (PRD) relate to the subject. Recently the PAAB decided that if the subject property falls outside of a certain range, to lower the values, sometimes by as little as three percent. The PAAB may make these decisions, however we should not be voluntarily reducing properties by a nominal percentage if equity exists and the subject is within an acceptable range of value.

During the appeal management conference (AMC) process and statement of issues and evidence analysis (SIEA) the issue of equity should be raised by the appellant. It is important to adequately identify equity as an issue and to demonstrate this within the report for written submission or at an in-person hearing.

For both residential and industrial, commercial and investment (ICI) properties some of the same tools may be applied. This document will include example tables from PAAB reports to assist the appraiser with direction and tips for demonstrating equity. These tables demonstrate where the subject property lies within the range for the competitive market set and supports appraisal tolerance. Each case tends to take a different direction and not all examples work for all situations. It is important to discuss with your advocate (case manager) the best method of presenting and arguing equity. Going-concern properties such as hotels need to utilize this document with caution. Finding a simplistic indicator such as price per room could prove to be challenging due to extreme lack of sales, adjustments for intangibles, such as furniture, fixtures and equipment (FF&E), and the lack of comparables within the jurisdiction. Please discuss any equity issues with the hotel/motel coordinators

