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BC ASSESSMENT

Rental Apartment Properties Policy

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Purpose

This Assessment Policy ensures that BC Assessment (BCA) consistently values single-title rental apartments. Rental apartments within scope are those with four or more units (three or more in Vancouver).

Rental Apartments Importance

Rental apartments are residential structures containing multiple dwelling units (typically four or more) with common area and facilities such as entrances, lobby, elevators or stairs. The building is typically owned by a corporation and the individual dwelling units are rented. It is important that BCA adhere to this policy to:

- adhere to legislation and related legal direction for assessing multi-family;
- produce an accurate and equitable assessment roll;
- ensure rental apartment properties are consistently assessed across BC; and
- provide local governments and other taxing jurisdictions with a reliable tax base.



Policy Statements

1. Rental apartment rents, vacancy rates, expense rates, and capitalization rates must be reviewed annually.
2. Rental apartments must be valued using capitalized net operating income (NOI) except:
 - in areas where information to support an income valuation is not available, in which case a direct comparison or cost approach must be used; or
 - properties where the current use is not the highest and best use (HBU), in which case it must be valued according to its alternative use or the cost approach.
3. Rental apartment land and improvement values must be apportioned using a building residual approach except:
 - in the case of an air space parcel;
 - for designated heritage properties; or
 - if the cost approach is used.
4. Rental apartments must use the dollar per bedroom type (monthly rent) as the units of measure.
5. Rental apartments with one or more significant non-apartment components must use a separate model for those uses.
6. Requests for direct information must be sent annually (Income and Expenses mail out)
7. Rental apartment models must have all model expenses combined into one general expense line.
8. Classification for rental apartments must be Class 01 – Residential except where:
 - there are non-residential uses, in which case those areas must be classified according to their use; or
 - the apartment offers short-term overnight accommodation, in which case Class 06 – Business and Other will typically apply (see [Strata Accommodation Properties \(SAPs\) Policy](#)).
9. Rental apartment occupancies must be assigned as per [Rental Apartment Occupancy Requirements](#).
10. Rental apartment adjustments must be coded as per [Rental Apartment Adjustment Requirements](#)



Rental Apartments Requirements

Rental Apartment General Requirements

1. Rental apartment rents, vacancy rates, expense rates, and capitalization rates must be reviewed annually.
2. Rental apartments must be valued using capitalized net operating income (NOI) except:
 - o in areas where information to support an income valuation is not available, in which case a direct comparison or cost approach must be used; or
 - o properties where the current use is not the highest and best use (HBU), in which case it must be valued according to its alternative use or the cost approach.
3. Rental apartment land and improvement values must be apportioned using a building residual approach except:
 - o in the case of an air space parcel;
 - o for designated heritage properties; or
 - o if the cost approach is used.
4. Rental apartments must use the dollar per bedroom type (monthly rent) as the units of measure.
5. Rental apartments with one or more significant non-apartment components must use a separate model for those uses.
6. Rental apartment models must have all model expenses combined into one general expense line.
7. Classification for rental apartments must be Class 01 – Residential except where:
 - o there are non-residential uses, in which case those areas must be classified according to their use; or
 - o the apartment offers short-term overnight accommodation, in which case Class 06 – Business and Other will typically apply (see [Strata Accommodation Properties \(SAPs\) Policy](#)).

Rental Apartment Occupancy Requirements

1. Rental apartment improvement occupancies must be applied as per [Appendix 2: Residential Apartment Occupancy Standard](#).

Rental Apartment Adjustment Requirements

1. Adjustments to rental apartment properties or models must be accompanied by explanatory notes and supporting market evidence as per the following table:

Adjustment Type	Requirement
Manual Adjustments	Any available evidence
Chattels, FF&E, Tenant Improvement Costs	Any available evidence



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Model Adjustments	Market study
Size Adjustments	Market study

2. CAP/GIM adjustments must not be made based on effective age except when:
 - there is market support for a measurable relationship between CAP rates and the effective age of the property; and
 - there is an insufficient number of properties to justify the creation of a different model
3. Dollar or percent adjustments within a competitive market set must be consistent to maintain equity.



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Resources

Definitions

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

Related Policies

- [Hotel and Motel Properties Policy](#)
- [Industrial, Commercial and Investment \(ICI\) Land Policy](#)

References

- [Goodman Report](#)



Appendices

Appendix 1: Frequently Asked Questions

- 1. How should models calibrated to deal with small or very large rental apartments (smaller or larger than typical for occupancy) be dealt with at the model level? For example, a very small walk-up (eight-unit) rental apartment where the typical size is 16-20 units.**

An adjustment for number of units will be recorded at the model level. Any adjustment should reflect non-typical building size for the competitive set and have market support.

- 2. In some cases, a duplex, with its own title, is part of a larger complex of rental apartments or row houses. Current practice is to value all the larger properties on the income approach. In some cases, the one owner hold title to all properties, while in other cases, multiple owners may be involved. Can an exception to the four-unit threshold for application of the rental apartment practice be made in this situation?**

Some discretion will be required for this type of scenario. If the duplex is clearly part of a larger complex that is valued through a commercial income model, it will be logical to create an income record for the duplex property and apply rates from a commercial income model.

- 3. In some cases, older resorts with cabins have been converted to monthly or longer-term rentals. How should this situation be handled?**

There is no appropriate rental apartment occupancy to associate cabin units of measure. It will be necessary to value these properties using a recreation model with cabin units of measure.



Appendix 2: Residential Apartment Occupancy Standard

Determination of rental apartment building occupancies according to class of building or space within a mixed-use property with similar amenities is subjective since buildings in each class will exhibit a number of the characteristics but not necessarily all. It will be important to ensure that the approach taken to determine the occupancy for rental apartment properties within regions is consistently applied for the competitive market set.

Occupancy code	Size	Age	Defining features	Other features
Apartment over Commercial	No size threshold applies to rental apartments over retail or office (i.e., can be anywhere from one unit to many units)	Any age	Commercial space on ground floor	Any or none of: <ul style="list-style-type: none"> Balconies On-site parking Elevator(s) Separate residential lobby
Apartment with Elevator	Three to five storeys	Constructed c. 1960 to c. 1980	Low rise Elevator	Any or none of: <ul style="list-style-type: none"> Balconies On-site parking (often one stall per suite; open, covered or secured) Penthouse suite(s) on roof
Apartment with Walk-up	One to three storeys	Older for market area; built c. 1900 to c. 1965	No elevator	Any or none of: <ul style="list-style-type: none"> Basement or below ground-level suites
Apartment Concrete Hi-rise	Six or more storeys	Built c. 1970 to 1980	Mid to high rise structure Elevator(s)	Any or none of: <ul style="list-style-type: none"> On-site parking Balconies
Residential Conversions	Varies	Reflects housing stock in market area	A house divided into four or more suites/rooms. This occupancy does not include single-family dwellings with rental suites (e.g., one or more basement suites)	Any or none of: <ul style="list-style-type: none"> Self-contained suites Housekeeping rooms (Greatly variable features)
Apartment, Townhouse, or Row House	Two to three storeys	Built since 1970	Individual exterior entry door for each suite	Any or none of: <ul style="list-style-type: none"> Single or multi-story Basement Assigned yard area Balcony/patio

