

Re: Assessment of Values on Industrial Properties

On October 15, 1974, Council received a report on the manner in which the Municipality determines market value for assessment purposes on major industrial establishments. Council during consideration of this matter requested more specific information on the subject, namely, an explanation on how assessments are established with respect to the following properties:

1. Standard Oil Refinery
2. Loughheed Shopping Mall
3. Two types of single family dwellings
4. Typical high rise apartment building
5. Dominion Glass Company Ltd.
6. Dairyland

Information on assessment of these properties is contained in the following report from the Municipal Assessor.

This is for the information of Council.

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TO: MUNICIPAL MANAGER

DATE: DECEMBER 31, 1974

FROM: MUNICIPAL ASSESSOR

RE: ASSESSED VALUE DETERMINATIONS

On October 15, 1974, a report was forwarded to Council describing how assessed values of industrial properties are established. When this information was received, a further explanation was requested about assessments on six specific properties. The following report provides this explanation.

The delay in producing the report resulted from the many other demands on staff occasioned by the takeover by the B. C. Assessment Authority and by the very recent change in the rules governing production of the 1975 assessed values.

CHEVRON OF CANADA, OIL REFINERY

An inventory of all structures listing the details of construction, dimensions and age is compiled by on-site inspections and a review of architectural and engineering plans. The costs of construction are obtained from the contractor or the owner. These are compared with three other sources of cost data - costs of construction of similar structures in Burnaby, cost indices supplied by the Assessment Commissioner and cost indices compiled by national valuation service companies.

An inventory of machinery is established in a similar way. The sources of cost information are contractors, owners, the Assessment Commissioner and suppliers.

Assistance in this process is provided by having access to the company's records. Owners are required to make such information available to this Department for assessment purposes. (We, in turn, are required by the same statute to keep this information confidential).

Depreciation rates are established from data supplied by the Assessment Commissioner, trade journals and experience obtained from knowledge of the expected life of similar structures and machinery.

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The Replacement Cost New Less Depreciation is calculated for each structure and item of machinery using the data obtained. The sum of these figures is then used to establish the current assessed values of the improvements.

The assessed value of the land is determined by considering recent sales of similarly zoned property and as there is considerable variation in the usefulness of the land owned by Chevron - from flat areas to steep ravines - the acreage rates are varied to reflect how much each section would bring on the open market. The sum of these values is then used to establish the current assessed value.

The three ways of establishing assessed values include the Cost Approach, the Income Approach and the Market Approach. Each one of these is considered when arriving at the assessment for every property but in only a few instances are all of the three approaches applicable. In regard to the Refinery the structures and machinery can only be valued by the Cost Approach as they are owned by the occupier and refineries are rarely sold on the open market. The land, however, is valued by the Market Approach as neither the Cost nor the Income Approach can be utilized.

LOUGHEED SHOPPING MALL

The methods of valuation for the Mall are the same as used for the Chevron Oil Refinery but, in addition, as the space is rented to a number of separate merchants, the income and operating costs of this complex are used to derive a comparative figure according to the Income Approach.

A decision must then be made about which of these two values would most closely reflect the amount which would be received if the property was sold on the open market. This value is then used to establish the assessment.

TWO SINGLE FAMILY DWELLINGS

1) Recently Constructed Standard House

An inventory is taken of this house to determine its size, types of finish, age etc. This is done in accordance with a classification system created by the Assessment Commissioner. From this data a Replacement Cost New Less Depreciation value is produced - a value according to the Cost Approach.

As this type of house sells quite frequently there is considerable market evidence of value. Recent sales of similar properties are analyzed and from this data a value according to the Market Approach is produced. As this is the approach preferred by statute it usually governs and the assessment is related to it.

1i) Old Non-Standard House

The Replacement Cost New Less Depreciation is determined in the same manner as indicated above and is common for all houses. Because there are few if any sales of such a non-typical house, the Market Approach cannot be used so the assessment has to be related to the Cost Approach.

The land value for all residences is established by comparison with sales of vacant lots.

TYPICAL HIGH RISE APARTMENT BUILDING

The Replacement Cost New Less Depreciation is determined by reviewing contractors' costs, indices recommended by the Assessment Commissioner and by national valuation service companies, and by knowledge gained from the valuation of other similar structures.

A value according to the Income Approach is also obtained by reviewing rental income and costs of operating the building.

The value determined by the Income Approach is generally the one which governs the assessed values of this type of property as investors normally predicate a bid for a property on the return that can be expected.

DOMINION GLASS CO. AND DAIRYLAND

As both of these properties are owner occupied and as sales of comparable properties rarely occur, the valuation of them for assessment purposes is done in the same manner as Chevron Oil Refinery.


N. J. Goode
MUNICIPAL ASSESSOR

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