

Glossary of Terms

ACTUAL VALUE: Actual value, or market value, is the most probable price at which a property would sell in a competitive market, if listed long enough to become generally known to real estate agents and prospective purchasers. It assumes that both the buyer and seller are willing (i.e., it is not a forced sale) and that both parties are prudent and knowledgeable.

Actual or market value is really a range of values. The buyer would have a ceiling price (i.e., a price he or she will not exceed). The seller would have a bottom-line price. If the assessed value is within this range, the Property Assessment Appeal Board normally will not intervene, even though the value may be at the high or low end of the range.

APPRAISAL: An appraisal is the orderly and concise method of estimating value. The three common approaches are the Direct Comparison or Market Approach, the Cost Approach, and the Income Approach. An appraiser may rely on all three, although the Direct or Market Comparison Approach is most often used for residential properties. The Cost Approach is often used for new construction, and the Income Approach is appropriate for income-producing properties like apartment buildings, office buildings and shopping centres.

APPRAISER: An appraiser is the person who prepares an appraisal. In British Columbia, there are no legislated standards for real property appraisers. However, most professional appraisers have some form of provincial, national or international accreditation. Persons who present themselves as an appraiser will have to establish professional expertise for the Property Assessment Appeal Board to accept them as an expert in appraisal matters.

ASSESSOR: The assessor is the local representative of the British Columbia Assessment Authority (or BC Assessment). Each assessment area in British Columbia has an assessor responsible for preparing its assessments. The assessor is a party (usually a respondent) to all appeals within his or her assessment area.

CLASSIFICATION: The classification of property is based on its actual or potential use. For assessment purposes, it is generally based on the actual use as of October 31 of the previous year. The tax rate applied to a property varies depending on the classification.

The assessed value of mixed-use properties may be split among more than one class. For example, part of the assessed value may be assigned to Class 6 - Business and Other, while the remainder is assigned to Class 1 - Residential.

The classification of vacant land with no present use depends on its zoning. Descriptions can be found on the BC Assessment Website at bcassessment.ca.

The classifications are:

Class 1 - Residential

Class 2 - Utilities

Class 4 - Major Industrial

Class 5 - Light Industrial
Class 6 - Business and Other
Class 7 - Managed Forest
Class 8 - Recreational Property/Non - Profit Organization
Class 9 - Farm

To be classified as Farm, a property must meet specific requirements set out in the Standards for the Classification of Land as a Farm Regulation.

COMPARABLE SALES: A comparable sale is the sale of a property physically similar to the property under appeal, close in location, and selling close to the **valuation date**. If there are no sales close in physical characteristics, proximity or time, comparable sales of dissimilar properties may be adjusted to estimate the **actual value** of the subject property. Appraisers use comparable sales when estimating value using the Direct Comparison or Market Approach.

FOLIO & ROLL NUMBER: This is the number assigned to a property for assessment administrative purposes. It is normally printed in the top-right corner of your Assessment Notice. Most property taxation jurisdictions also use this number on tax notices. For most properties, one roll number is used for each specific property. It is possible, however, that one property is comprised of several roll numbers, or one roll number can cover several properties.

HIGHEST AND BEST USE: The 'Highest and Best Use' is the use most likely to produce the greatest net return over a period of time. Determining this use is the first step in the appraisal process. It may be the same as the actual use, but could be different if another use would provide a higher net return. If the land value exceeds the value of the property as presently used, the highest and best use will be different from the present use. See also Land and Improvements.

IMPROVEMENTS: Improvements, for assessment purposes, generally mean any buildings, fixtures or structures placed on land or water over land. See also Land and Improvements.

LAND AND IMPROVEMENTS: Land, for assessment purposes, includes the normal definition of land, plus land covered by water. Improvements, for assessment purposes, generally mean any buildings, fixtures or structures placed on land or water over land.

The Assessment Act requires the total assessed value be split between land and improvements. The total is arrived at from market evidence, and the allocation is based on the sales of similar but vacant lots. Any difference is assumed to be a result of the contributory value of the improvements.

It is possible for the improvement value to increase one year over another even if it has not been altered or renovated, since it is the contributory value of the improvements to the total property value that is estimated.

Usually, the allocation between land and improvements does not affect the amount of taxes paid for a single-family residential property. Therefore, changing the allocation will not usually change the amount of taxes payable. The total value (for land and improvements) must be reduced to reduce the taxes. Even if you are only appealing land or improvements, the Property Assessment Appeal Board is required to consider the total value as well as the split between the two.

MARKET VALUE: See Actual Value.

MASS APPRAISAL: Due to the high number of properties it must assess, BC Assessment uses a mass appraisal system, using data from sales, Land Titles, Municipal Planning Departments and other sources. Only a limited number of properties are actually inspected in any given year, and individual property appraisals are usually not undertaken by BC Assessment unless an assessment is appealed.

ROLL NUMBER: See Folio & Roll Number.

USE AND CONDITION DATE: The Assessment Act in section 18(2) requires a property be valued based on its use and physical condition on Oct. 31 of the year when the assessment roll was completed. For the 2005 roll, the use and condition date was Oct. 31, 2004.

VALUATION DATE: The Assessment Act in section 18(1) requires that properties are assessed at actual or market value as of July 1 of the year during which the assessment roll is completed.