EDMONTON
Assessment Review Board

10019 103 Avenue, Edmonton, AB T5J 0G9
Ph: 780-496-5026
Email: assessmentreviewboard@edmonton.ca

NOTICE OF DECISION NO. 0098 146/12

CVG
1200-10665 Jasper Avenue
Edmonton, AB T5J 3S9

The City of Edmonton
Assessment and Taxation Branch
600 Chancery Hall
3 Sir Winston Churchill Square
Edmonton AB T5J 2C3

This is a decision of the Composite Assessment Review Board (CARB) from a hearing held on August 13, 2012, respecting a complaint for:

Roll Number	**Municipal Address**	**Legal Description**	**Assessed Value**	**Assessment Type**	**Assessment Notice for:**
3471752	10308 117 Street NW	Plan: 7261AB Block: 17 Lot: 70 / Plan: 7261AB Block: 17 Lot: 71 / Plan: 7261AB Block: 17 Lot: 72	$2,707,000	Annual New	2012

This decision may be appealed to the Court of Queen's Bench on a question of law or jurisdiction, pursuant to Section 470(1) of the Municipal Government Act, RSA 2000, c M-26.

cc: 676996 ALBERTA LIMITED

Edmonton Composite Assessment Review Board

Citation: CVG v The City of Edmonton, 2012 ECARB 1758

Assessment Roll Number:	3471752
Municipal Address:	10308 117 Street NW
Assessment Year:	2012
Assessment Type:	Annual New

Between:

CVG

Complainant

and

The City of Edmonton, Assessment and Taxation Branch

Respondent

DECISION OF
Hatem Naboulsi, Presiding Officer
Petra Hagemann, Board Member
Dale Doan, Board Member

Preliminary Matters

[1] Upon questioning from the Presiding Officer, the parties did not object to the Composition of the Board. In addition, the Board Members expressed no bias in the matter before them.

Background

[2] The subject property is a twenty four suite apartment complex located at 10308-117 Street in the Oliver neighbourhood of the City of Edmonton. It is located on a lot size of 1,620 square feet. The building was constructed in 1969, however due to renovations the City revised the age to 1976. The building is demised into 13 one bedroom suites and 11 two bedroom suites, some of which feature open balconies. The 2012 assessment was based on the Income Approach to value by applying the Gross Income Multiplier (GIM) analysis.

Issue

[3] Is the assessment of $2,707,000 fair and correct?

Legislation

[4] The *Municipal Government Act* reads:

***Municipal Government Act*, RSA 2000, c M-26**

s 1(1)(n) “market value” means the amount that a property, as defined in section 284(1)(r), might be expected to realize if it is sold on the open market by a willing seller to a willing buyer;

s 467(1) An assessment review board may, with respect to any matter referred to in section 460(5), make a change to an assessment roll or tax roll or decide that no change is required.

s 467(3) An assessment review board must not alter any assessment that is fair and equitable, taking into consideration

a) the valuation and other standards set out in the regulations,

b) the procedures set out in the regulations, and

c) the assessments of similar property or businesses in the same municipality.

<u>Position of the Complainant</u>

[5] The Complainant presented the Board with a brief, which contained six sales comparables as indicated in the following chart.

	Address	**Suites**	**Age**	**Sale Date**	**Exp/Suite**	**GIM**	**Cap Rate**
1.	10310-122 Street	24	1977	05/09	$3,499	10.51	6.78%
2.	10340-117 Street	25	1966	11/09	$3,640	10.11	6.65
3.	10190-115 Street	15	1960	12/09	$3,497	7.37	8.55%
4.	10130-121 Street	9	1958	02/10	$3,466	9.49	6.87%
5.	10227/35-119 Street	44	1965	03/10	$3,582	10.67	6.12%
6.	11325-103 Avenue	14	1971	05/10	$3,846	10.14	6.69%
	Average				**$3,588**	**9.72**	**6.94%**
	Subject Property	24	1969		$5,130 Actual ‘10	11.13 Assessment	

[6] The Complainant indicated to the Board that he placed most weight on sales 1, 2, 5 and 6 for a GIM of 10.50 and an overall capitalization rate of 6.5%, as these properties were most similar in physical and locational attributes.

[7] The Complainant indicated that applying a 10.50 GIM to the actual 2010 revenue for the subject property results in a value ranging from $2,534,000 to $2,571,000. Capitalizing the actual net operating income for 2010 and 2011 by 6.5% results in a value ranging from $615,000 to $1,878,000. Given that the expenses were excessive in both 2010 and 2011, deducting the average expenses per suite of $3,588 from the 2011 actual revenue (shown in chart) results in an adjusted net operating income of $155,235 ($241,347-$86,112). Capitalizing this amount by 6.5% equates to a value of $2,388,000.

[8] The Complainant also presented a rebuttal, which lists the assessments of the sales provided by the Respondent. These ranged from $92,417 to $99,841 per suite compared to the assessment of the subject at $112,791 per suite.

[9] The Complainant requested the Board reduce the 2012 assessment to $2,450,000.

Position of the Respondent

[10] To support the 2012 assessment, the Respondent provided four sales of low rise apartment buildings all located in the Oliver neighborhood. The sales occurred from November 2009 through to February 2011. Effective year built ranged from 1961 to 1969, compared to the subject's effective year built of 1976. Total suites ranged from 12 - 43 compared to the subject's 24 suites. The range of Potential Gross Income (PGI) varied from $106,937 to $400,590 compared to the subject's PGI of $250,823. The Respondent applied a 3% vacancy allowance to each of the sales comparable PGI to arrive at an Effective Gross Income (EGI) that ranged from $103,729 to $388,573 compared to the subject's EGI of $243,298. The calculated GIM of the sales comparables ranged from 11.11 to 11.73 compared to the subject at 11.13. The sale price per suite of the comparables ranged from $96,000 to $106,000 compared to the subject's assessment per suite of $112,791.

[11] To further support the 2012 assessment, the Respondent provided three equity comparables all located in the Oliver neighbourhood. The effective year built ranged from 1975 to 1983. Total suites ranged from 22 to 25, PGI estimates varied from $231,938 to $260,742, the GIM ranged from 11.10 to 11.34 and the assessment per suite of the three comparables ranged from $112,458 to $113,477.

[12] The Respondent analyzed the Complainant's sales information as provided by the Network and advised the Board that the GIM for sale #1 should be 10.62, sale #2 should be 11.35, sale #4 should be 10.83, and sale #5 should be 11.74. By averaging the GIMs for the three comparable sales provided by the Complainant (sale #1, 2 and 5), a new GIM of 11.24 was derived. The effective gross rent per suite per month for these six sales comparables ranges from $790 to $997 compared to the subject's rent of $845.

[13] Based on the Direct Comparison as well as the Equity Comparison analysis, the Respondent asked that the 2012 assessment be confirmed.

Decision

[14] The decision of the Board is to confirm the 2012 assessment of $2,707,000.

Reasons for the Decision

[15] The Board examined the six sales comparables provided by the Complainant and places little weight on comparable #3 and #4 due to their age and size difference to the subject property. Also, comparable #3 and #6 had been sold as condominiums and as a result, their selling prices may not reflect a market value comparable to an income producing property as is the subject. For the above reason, little weight is given to these three sales.

[16] The Board was not provided with evidence as to how the GIM of 10.5 was derived by the Complainant to recalculate the requested reduction in the assessment and thus, the Board is not persuaded to change the GIM from 11.13 to 10.5.

[17] The Complainant provided the Board with income for 2010 and 2011. Unfortunately rental income for 2011 cannot be considered as it is post facto and was not available on the valuation date of July 1, 2011.

[18] The Board agrees with the Respondent in their use of "typical" rather than "actual" income as actual income may be distorted by rather large expenditures, below market rents, or poor management and therefore does not reflect typical market conditions. The Board therefore places less weight on the actual rental income of the subject for 2010.

[19] The Board is persuaded by the Respondent's four sales comparables ranging in GIM from 11.11-11.73 and in sale price per suite from $96,000 to $106,000 compared to the subject's assessment per suite of $112,791. Considering that these suites feature mostly one bedroom suites, it stands to reason that the sale price per suite should be somewhat lower than that of a building with a mixture of one and two bedroom suites.

[20] The Board is also persuaded by the three equity comparables provided by the Respondent. These are apartments located in the area of the subject with a mix of one and two bedroom suites. Their estimated GIMs range from 11.1-11.34 and their assessment per suite range from $112,458 to $113,477 as compared to the assessment of the subject (GIM 11.13 and assessment per suite of $112,791).

[21] In addition, the Board finds that the Respondent's analysis of the Complainant's sales comparables, the GIM, and the effective gross rent per suite per month further supports the 2012 assessment.

[22] The Board finds that the 2012 assessment of the subject is correct, fair and equitable.

Dissenting Opinion

[23] There was no dissenting opinion.

Heard, commencing August 13, 2012.

Dated, this 15th day of August, 2012, at the City of Edmonton, Alberta.

Hatem Naboulsi, Presiding Officer

Appearances:

Tom Janzen, CVG
for the Complainant

Amy Murphy, City of Edmonton
Allison Cossey, City of Edmonton
for the Respondent