ASSESSMENT REVIEW BOARD

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NOTICE OF DECISION NO. 0098 470/10

Canadian Valuation Group
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 October 15, 2010, respecting a complaint for:

Roll Number	**Municipal Address**	**Legal Description**
6792253	14519 92 Street NW	Plan: 5247RS Block: 36 Lot: 3A
Assessed Value	**Assessment Type**	**Assessment Notice for**
$7,039,500	Annual - New	2010

Before:

Darryl Trueman, Presiding Officer
George Zaharia, Board Member
Taras Luciw, Board Member

Board Officer: Annet N. Adetunji

Persons Appearing: Complainant

Tom Janzen, CVG

Persons Appearing: Respondent

Bozena Anderson, Assessment and Taxation Branch
Cameron Ashmore, Law Branch

PRELIMINARY MATTERS

On questioning, the parties were satisfied with all procedural elements including the composition of the Board. The witnesses to the hearing were sworn in.

At the outset of the hearing, the Board was advised that the City Assessor, who prepared the City's evidence, submitted a doctor's note at a late date saying that he could not attend the hearing. This did not allow sufficient time for the City to provide a replacement Assessor. The City's lawyer advised that with respect to this hearing, and for the four additional roll numbers which were scheduled to be heard that same day, the City would be supplying written evidence only.

BACKGROUND

The subject property, built in 1972, is a 75 suite, low rise apartment building located in north-central Edmonton. It contains 23 bachelor, 17 one-bedroom, 34 two-bedroom and one three-bedroom apartment suites. The average suite size is approximately 883 square feet and the project is located on a land base of 96,855 ft.² or 2.2 acres.

ISSUE

Has the City of Edmonton assessment model incorrectly assessed this property because it used the GIM (gross income multiplier) Income Approach to Value method which does not take into account operating costs?

LEGISLATION

The *Municipal Government Act*, R.S.A. 2000, c. M-26;

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.*

COMPLAINANT'S POSITION

The Complainant advised the Board that he would not be pursuing an argument pertaining to an equitable assessment compared with other similar properties.

He accepted the Potential Gross Income (PGI), the vacancy rate and the Effective Potential Gross Income (EPGI) used by the Respondent in calculating the assessment as being reasonable estimates for valuation purposes. He said that he thought capitalizing a net operating income would produce a better result for a market value conclusion than the City's use of a GIM.

The Complainant presented a list of six apartment complex sales which had occurred through the period July 2007 to September 2009, from which he said he could extract an operating expense estimate and a market capitalization rate. He applied these parameters to the accepted City's effective gross income estimate and proposed a market value for the subject property of $6,561,000 or $87,485 per suite. Given that the average capitalization rate from the comparable sales presented was 6.68%, he thought that a 7% capitalization rate was appropriate. He also referenced a Cushman Wakefield report, which he supplied, that showed an average capitalization rate in 2009 of 6.7% for multifamily property (C1, p.14).

The Complainant then pointed out that the average time adjusted sale price on a per unit basis for his comparables was $89,174 per unit. The Complainant suggested that from this, it was reasonable to determine a value of $90,000 per suite or $6,750,000 for the subject property.

In his final analysis, he relied upon the capitalized net operating income approach to value and requested that the 2010 assessment be reduced to $6,600,000.

RESPONDENT'S POSITION

The Respondent presented exhibit R1 which consisted of an explanation of the mass appraisal process, a subject property detail report, a rent roll for the subject property as at February 28, 2009, an MGB decision in 2009 which references capitalization rate calculation methodology, and property detail reports for the five comparable sales which the Respondent relied upon to support his assessment.

In R2, the Respondent also provided a chart of comparable sales for the subject property which demonstrated that the complainant's use of mixing incomes, from various sources in the calculation of his capitalization rate was incorrect.

Finally, in exhibit R3 the Respondent provided law and legislation which mandates his assessment responsibilities.

DECISION

The complaint is denied and the 2010 assessment is confirmed at $7,039,500.

REASONS FOR THE DECISION

The Board noted that neither the complainant nor respondent had supplied a reasonable description of the subject property. It is most difficult to determine similarity to so-called comparable sales without a good understanding of the physical attributes and other characteristics of the subject.

The capitalization rate selected by the Complainant was a result of five sales, the most recent of which, prior to the valuation date, was some eleven months old. The sixth and last sale was approximately 3 months post facto. Sale indices one and five were of the same property which sold approximately one year after its original sale date and while increasing both its gross and net operating performance 40% and 60% respectively, its sale amount did not increase. These properties together with the sale index number 4 were in the order of four to five times larger than the subject. Sale index number three was 10 years older, without balconies, and arguably in a poorer neighborhood. Sale index number six was a much newer building constructed in 2002, and contained an elevator. Sale index number two might be said to have some comparability, however, without the presence of financial information there was no capitalization rate indicator available.

The Board placed little weight on the Cushman Wakefield data because the report was entitled "Edmonton Multifamily Sales 2009" which would very likely have contemplated capitalization rates from across the complete universe thus including such things as high rise developments.

Sales comparables presented by the Respondent occurred through the more recent and reasonable period of February 2008 to May of 2009. The average ages of these properties were similar to the subject and while three of the five sales were much larger developments, 144 to 156 suites, two of the comparables were similar at 48 and 61, suites so as to be instructive. It was noted that these two comparables' average gross income per unit per month was $876 while the subject was $835. The average Time Adjusted Sale Price of these two comparables was $105,058 per unit while the assessment for the subject property is $93,860 per unit.

In the opinion of the Board, this data was much stronger support for the assessment than the data which backstopped the Complainants proposition for a capitalized net operating income approach to value.

The Board was persuaded, based on the evidence, that the 2010 assessment at $7,039,500 is fair and equitable.

Dated this 10th day of November, 2010, at the City of Edmonton, in the Province of Alberta.

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Presiding Officer

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, R.S.A. 2000, c.M-26.

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cc: Municipal Government Board
Derik Ventures Limited.