ASSESSMENT REVIEW BOARD

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NOTICE OF DECISION NO. 0098 473/10

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 13, 2010, respecting a complaint for:

Roll Number	**Municipal Address**	**Legal Description**
3344058	10250 113 Street NW	Plan: B3 Block: 13 Lot: 160/ 161/ 162
Assessed Value	**Assessment Type**	**Assessment Notice for**
$2,450,500	Annual - New	2010

Before:

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

Board Officer: Annet N. Adetunji

Persons Appearing: Complainant

Tom Janzen, CVG

Persons Appearing: Respondent

Abdi Abubakar, Assessment and Taxation Branch
Andrew Lok, 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 were placed under oath prior to commencing the hearing.

BACKGROUND

The subject property is a 2 ½ storey, low-rise apartment building, in average condition built in 1967. There are a total of 25 suites with an average suite size of approximately 840 ft.². The property is located in the Oliver neighborhood on a land base of approximately 17,500 ft.².

The subject property is one of a group of four similar buildings which are located in close proximity. Each building is separately titled and separately assessed and the subject matter of assessment complaints by the same tax agent. While there are differences such as total number of suites and year built, these buildings are sufficiently similar to each other that the same market information can provide valuation conclusions for individual assessments.

ISSUE

Has the City of Edmonton assessment model, which uses the GIM (gross income multiplier) Income Approach to Value method, incorrectly assessed this property by not taking into account operating costs and such other variables as location and condition?

The parties agreed that comparable sales data and each party's comments relating thereto, heard earlier in the day with respect to roll number 3341757, would apply to the complaint being decided at this hearing.

LEGISLATION

The *Municipal Government Act* (MGA), 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.

The *Matters Relating to Assessment and Taxation Regulation*, Alberta Regulation 220/2004;

Part 1, Standards of Assessment, para 2, *An assessment of property based on market value (a) must be prepared using mass appraisal.*

POSITION OF THE COMPLAINANT

Firstly, the Complainant agreed that the City's estimated effective gross income for the subject property of $225,257 closely matched his actual income receipts of $217,038, taken from the 2008 income statement.

The Complainant then argued that a capitalized NOI (net operating income) provided better support for a market value conclusion. To this end, he supplied a chart of nine low-rise apartment building sales which had occurred in the Oliver neighborhood through the period July 2007 to December 2009, (Exhibit C1, page 2. He went on to say that sales 6 through 9 inclusive should be singled out as more indicative because their sales dates ranged from August 2008 to December 2009. He presented an average capitalization rate from these four sales of 6.82% and also referenced a Cushman Wakefield report, which he supplied, that showed an average capitalization rate in 2009 of 6.7% for multi-family property, (Exhibit C1, page 17). From this, he opined that a 6.75% capitalization rate would be appropriate.

The sales data reporting agency provided average expenses on a per suite basis for each of the nine sales. In the opinion of the Complainant, this suggested that the subject property should operate, according to market conditions, with an approximate $3,500 per suite annual cost. Given that the city had projected a 3.5% vacancy allowance, the Complainant used the City effective gross income estimate of $225,257, then subtracted $3,500 per suite to arrive at a net operating income of $137,757. Capitalizing this NOI at 6.75% yielded a value of $2,040,500 or $81,620 per suite.

The Complainant went on to test this value by adjusting each of the nine sales with the City of Edmonton supplied market conditions adjustments. This resulted in an average selling price per suite from all nine sales of $90,407 per suite. The Complainant said that this supported his income approach to value technique and that when rounded, his request for a $2,050,000 assessment was fully supported.

POSITION OF THE RESPONDENT

The Respondent firstly explained to the Board, in his exhibit R3, his legislated mass appraisal requirement and, in his exhibit R1, various components of the mass appraisal process including variables used.

He then presented a list of 11 sales of low-rise apartment buildings which occurred through the period of June 2008 to June 2009, Exhibit R2. These sales were presented in a large chart form demonstrating how the use of the sales reporting firm's data would cause variables such as capitalization rates to change if they had been determined from market data (typical information) used by the City. He said that the essential point of this demonstration was that when selecting a capitalization rate, that rate must be applied to an income stream which originated from the same source as that of the original capitalization rate selection. In short, the Respondent advised the Board that the Complainant could not apply a capitalization rate which was derived from commercial reporting firms calculations, to an income stream which was the result of City rental forecasts.

The Respondent describes sale number seven as being the best comparable to the subject. It is located in the same market area, with a similar number of suites and although they are one-bedroom suites the building is newer than the subject and there are fireplaces in all of the above grade suites. The Respondent pointed out that the time adjusted sale price of $102,115 on a per unit basis, for this comparable sale, supported his assessment of $98,020 per unit assessed value for the subject property.

DECISION

The complaint is denied and the assessment is confirmed at $2,450,500.

REASONS FOR THE DECISION

The Board firstly noted that the Complainant had not 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 Board noted the dated nature of the comparable sales data supplied by the Complainant finding that sale indices number six and seven were the only two sales of the list providing any instruction. On examination, it was discovered that sale number six was a four-story building of concrete block construction. Although sale number seven was a building some 10 years newer and containing fireplaces it nevertheless consisted of only one bedroom suites. If it could be said that there was a balance between the more favorable suite mix in the subject and this comparable sale, which was newer with additional features, then the sale price on a per suite basis more than supported the assessment.

The Board further analyzed the performance of comparable sale number seven and found that its gross income on a per unit basis was $9756 per year while the projected gross income for the subject was $9337 per year. In the opinion of the Board this suggests that this comparable is quite comparable with the subject. Furthermore, the Board recognized the sale of comparable number seven as yielding a 10.85 GIM and the assessor's treatment of the subject with a 10.88 GIM and in the opinion of the Board this was abundant support for his assessment.

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.

As well, there was an utter lack of detail with respect to the expenses required to operate the subject property. It would have been on proof of higher than normal operating costs and its comparison to typical operating expenses that the Complainant could have best made his case for the use of a capitalized net operating income approach. Most particularly the Board recognized the assessor's need for the use of a mass appraisal system and the variables which he accounts for in his valuation conclusions. Assessment complaint decisions have often contemplated this feature of the assessment process and have agreed that unless there is specific evidence suggesting why not, then the GIM technique returns acceptable results.

Dated this 2nd 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.

cc: Municipal Government Board
Fay Brown
Ruth Pakes