



**ASSESSMENT REVIEW
BOARD**

MAIN FLOOR CITY HALL
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NOTICE OF DECISION NO. 0098 486/10

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 21, 2010, respecting a complaint for:

Roll Number 7139603	Municipal Address 10757 – 83 Avenue NW	Legal Description Plan: RN4 Block:132 Lot: 19/ 20
Assessed Value \$1,502,000	Assessment Type Annual - New	Assessment Notice for 2010

Before:

Robert Mowbrey, Presiding Officer
John Braim, Board Member
Tom Eapen, Board Member

Board Officer: Annet N. Adetunji

Persons Appearing: Complainant

Peter Smith, Canadian Valuation Group

Persons Appearing: Respondent

Tim Dmytruk, Assessor, City of Edmonton

PRELIMINARY MATTERS

1. Upon questioning by the Presiding Officer, the parties indicated no objection to the composition of the Board.
2. In addition, the Board advised the parties that the Board was not aware of any circumstances that would raise an apprehension of bias with respect to this file.

BACKGROUND

The subject property is a 15 suite walk-up apartment building located in the Garneau subdivision in South Central Edmonton. It was built in 1928 with three and a half stories and is in average condition. The total 2010 assessed value for the property is \$1,502,000, which equates to \$100,133 per suite.

ISSUE

Is the assessment of the subject property in excess of its market value?

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.*

POSITION OF THE COMPLAINANT

At the commencement of the hearing, the Complainant informed the Board they were not pursuing the equity issue as set forth in the complaint reasons.

The position of the Complainant is that the capitalization rate (cap rate) is the best method of estimating the market value of the subject property for assessment purposes, as rental producing apartment properties are most commonly bought and sold on the overall capitalization approach in which a rate of return (cap rate) is applied to the net income after the operating expenses have been deducted (Exhibit C-1, pages 1-3).

The Complainant did not disagree with the Respondent's estimate of potential typical income and vacancy which had been applied to the subject building. The Complainant advised the Board that the actual effective gross income for the subject property from the 2009 income statement was \$124,212, as compared to the Respondent's typical effective gross income of \$133,764. The Complainant provided a list of expenses, on both a price per suite and a percentage basis, that were taken from 9 low-rise apartment buildings all located in the same market area as the subject (Exhibit C-1, page 2). The expenses ranged from \$3,189 to \$3,469 per suite with an average of

\$3,349 per suite. The Complainant noted the actual operating expenses of the subject property were \$3,200 per suite but concluded a reasonable typical operating expense that should be applied to the subject property should be \$3,400 per suite. The Complainant deducted the total expenses from the Effective Gross Income to arrive at the Net Operating Income. The same chart also indicated the time adjusted sale price (TASP) per suite for each of the nine sales and again using the three sales closest to valuation day indicated the appropriate cap rate for the subject property to be 6.00%. This was applied to the Net Operating Income of \$75,119 to produce a value estimate of \$1,252,000.

In support of the cap rate, the Complainant provided a third party report from Cushman & Wakefield (Exhibit C-1, page 11). The chart indicated the overall cap rate for multi-family residential sales in Edmonton was 6.7%.

The Complainant provided a rent roll of the subject property (Exhibit C-1, page 16) effective March 31, 2009. The Complainant also produced an income statement on the subject property as of December 2008.

The Complainant informed the Board the average TASP for all 5 sales is \$94,612 per suite with a value of \$90,000 per suite being considered reasonable. When applied to the 15 suites, this resulted in an assessment of \$1,350,000 for the subject property.

POSITION OF THE RESPONDENT

The position of the Respondent is that the Gross Income Multiplier (GIM) is the correct method of estimating the value of the subject property and was the method used.

The Respondent provided a chart with 5 sales of walk-up apartment buildings (Exhibit R-2) that had sold in 2009 (1 sale) and 2008 (4 sales). The subject property is assessed using a GIM of 11.23124 and the comparable sales provide GIMs ranging from 9.37 to 11.41 which support the assessment. From this same chart analysis, the Respondent produced a price per suite for each of the 5 sales and then time adjusted them to arrive at a range in values from \$96,312 to \$110,943 per suite. The assessment of the subject property is \$100,133 per suite which falls within this range.

The Respondent informed the Board the GIMs and the price per suite, noted above, were all based on the 5 sales using actual gross rents and vacancies of between 3% and 3.5%. The Respondent indicated that typical gross rents and typical vacancies should be used in the assessment calculation and in the second chart (Exhibit R-2), the Respondent repeated the above calculations using typical rents and vacancy rates. The resulting figures provided a GIM range from 10.85 to 11.90 which supports the assessment as it falls within this range.

The Respondent provided the Board with an equity comparable chart (Exhibit R-1, pages 36/37/38). The 80 equity comparables are similar in terms of building type, market area, condition, number of storeys and vacancy. The GIMs range from 11.00 and 12.00+ which supports the subject GIM of 11.23124.

DECISION

The decision of the Board is to confirm the 2010 assessment of \$1,502,000 as fair and equitable.

REASONS FOR THE DECISION

1. The Board was persuaded by the Respondent's equity comparables chart (Exhibit R-1, pages 36/37). The comparables were similar in terms of location, building type, number of stories, condition and vacancy. The GIM of the subject property at 11.23124 per suite falls within this range.
2. The Board accepts the procedure of selecting a median value and a sample of five is an acceptable number of sales for the mass appraisal method stratification model. The Board notes when reviewing the Complainant's five comparable sales, the median time adjusted selling price per suite is \$96,311. When using the median times the number of suites (15), the resulting value is \$1,450,000. This figure of 3.8% difference is within the accepted guidelines of .95 to 1.05 and would not warrant a reduction in the assessment.
3. The Board placed little weight on the Complainant's third party support information from Cushman and Wakefield as it covered the entire City of Edmonton and it was not broken down into areas. In addition, the report was not broken down into specific types of multi-family properties such as high rise, low rise and row houses.
4. The Board accepts that the cap rate approach is an accepted methodology for valuation. However, the Board was not persuaded by the Complainant's use of the cap rate approach (C-1, page 2). The Complainant had supplied five comparable sales all close to the subject property to derive the expenses per suite and also a cap rate for the subject property. The Board noted sale #5 contained 100 suites and the Board did not consider this to be a meaningful comparable sale due to its relatively large size. The Board also noted three of the sales were used by both the Complainant and the Respondent. Utilizing these three common sales only, the median cap rate of the three sales when using typical income and vacancy rates is 5.55% which gives good support for the assessment.
5. In addition, the Board was not persuaded by the Complainant's analysis in respect of "typical" expenses. The Complainant had supplied 5 comparable sales (C-1, page 2) but the Board noted there was no evidence or documentation on the sales to support the figures provided.
6. The Board concludes the Complainant did not provide sufficient or compelling evidence to alter the assessment.

DISSENTING OPINIONS AND REASONS

There was no dissenting opinion.

Dated this 16th day of November, 2010, at the City of Edmonton, in the Province of Alberta.

Robert Mowbrey
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
717186 Alberta Ltd.