



## **ASSESSMENT REVIEW BOARD**

MAIN FLOOR CITY HALL  
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EDMONTON AB T5J 2R7  
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### **NOTICE OF DECISION NO. 0098 517/10**

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:

<b>Roll Number</b> 10003484	<b>Municipal Address</b> 9903 88 Avenue NW	<b>Legal Description</b> Plan: 0227394 Block:112 Lot: A
<b>Assessed Value</b> \$2,924,000	<b>Assessment Type</b> Annual - New	<b>Assessment Notice for</b> 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 Dymtruk, Assessor, City of Edmonton

## **PRELIMINARY MATTERS**

1. No objections were raised by either party with respect to the Board. Neither did the Board indicate any circumstances that would raise an apprehension of bias with respect to the file or the parties to it.
2. The Presiding Officer reminded the parties that they are still under oath.
3. At the commencement of the hearing, roll number 1383496 which had been selected as the pilot file, from which the relevant evidence and arguments would be carried forward, was referred to.

## **BACKGROUND**

The subject property is a two and a half storey, 26 suite walk-up apartment building located in the Strathcona subdivision in south Edmonton. It was built in 1969 and contains 15 one bedroom suites and 11 two bedroom suites. The total 2010 assessed value for the subject building is \$2,924,000.

## **ISSUE(S)**

1. Is the assessment of the subject property in excess of its market value?
2. Is the gross income multiplier (GIM) the best method of estimating the market value of the subject property?
3. Is the capitalization rate (cap rate) the best method?

## **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 or income multiplier issues as set forth in the complaint reasons. The Complainant indicated the actual effective gross income of the subject property from the 2008 income statement was \$231,808, as compared to the Respondent's estimated effective gross income of \$251,435 (R-1, page 19).

The Complainant provided the Board with a graph of 5 sales (Exhibit C-1, page 2) indicating they supported a value lower than the current assessment of the subject property. The 5 sales showed the expenses averaged \$3,349 per suite, the capitalization rate (cap rate) averaged 5.89%

and the average time adjusted sale price (TASP) was \$94,612 per suite. The Complainant noted the actual expenses from the 2008 income statement equated to \$5,144 per suite but considered expenses of \$3,400 per suite to be appropriate for the subject property.

He also considered a cap rate of 6.00% to be appropriate for the subject property. In support of their cap rate, the Complainant supplied with Board with a third party report from Cushman and Wakefield that indicated the cap rate in 2009 for all multi-family sales was 6.7%.

The Complainant used the Respondent's effective gross income of \$251,453 and vacancy rate of 3% and deducted the Complainant's expenses to leave a net operating income of \$163,053. When capitalized at 6.00%, a value of \$2,718,000 was indicated for the subject property.

Using the effective gross income from the March 2008 income statement (C-1, page 14), he applied the Respondent's vacancy rate and the Complainant's typical expenses to produce a net operating income (NOI) of \$101,528. When the 6% cap rate was applied to this NOI, a value of \$1,692,000 was indicated 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 comparables 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 11.62931 and the comparable sales provide GIMs ranging from 10.85 to 11.90 when "typical" gross income and "typical" vacancies were applied to the sales. These support the assessment GIM (bottom chart). 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 per suite to \$110,943 per suite, which does not support the assessment of the subject property at \$115,333 per suite.

The Respondent provided the Board with an equity comparable chart (Exhibit R-1, pages 35/36). The 80 equity comparables are similar in terms of age, building type, market area, condition, number of stories and vacancy. The GIMs range from 11.00 and 12.00+ which supports the subject GIM of 11.62931.

### **DECISION**

The decision of the Board is to confirm the 2010 assessment of \$2,924,000 as fair and equitable.

### **REASONS FOR THE DECISION**

1. The Board was persuaded by the Respondent's equity comparables chart (Exhibit R-1, pages 35/36). The comparables were similar in terms of location, building type, number of stories, condition and vacancy. The GIM of the subject property at 11.62931 per suite falls within this range.
2. The Board placed little weight on the Complainant's third party support for the 6.7% cap rate 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 the specific

types of multi-family properties such as high rise, low rise and row houses. The Board did not receive any other information to justify this cap rate.

3. 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 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 sales when using typical income and vacancy rates is 5.60% which gives which gives good support to the assessment.
4. 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.
5. The Board concluded that the Complainant is using inconsistent methodology to value the subject property. The Complainant is applying GIMs and cap rates derived from the Network's reported actual income to the Respondent's typical income. This inconsistency results in an unreliable estimate of market value. The Board believes that, under appraisal theory, typical income, vacancy and cap rates should be derived and applied in the same consistent manner.
6. The Board therefore 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 16<sup>th</sup> day of November, 2010, at the City of Edmonton, in the Province of Alberta.

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**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.*

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cc: Municipal Government Board  
JKBC Holdings Ltd