EDMONTON
Assessment Review Board

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Edmonton Composite Assessment Review Board

Citation: CVG v The City of Edmonton, 2012 ECARB 1566

Assessment Roll Number: 9993392
Municipal Address: 5211 25 Avenue 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
Mary Sheldon, Board Member
Jasbeer Singh, Board Member

Preliminary Matters

[1] The parties to the hearing did not raise any objection to the composition of the Board. The members of the Board did not indicate any bias with respect to this matter.

[2] Evidence, arguments and submissions will be carried forward, so far as relevant, to this file from file # 1333210.

Background

[3] The subject property is a low-rise apartment building located in the Mill Woods Town Centre neighbourhood, Market Area 9, of southeast Edmonton. Built in 2002, the subject contains 202 suites, including 68 one bedroom suites and 134 two bedroom suites. The subject property is valued at $25,708,500 based on the Income Approach using typical potential gross income (PGI), typical vacancy, and typical gross income multiplier (GIM). The assessment per suite of the subject is $127,269.

Issue

[4] Is the 2012 assessment of the subject fair?

Legislation

[5] 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.

Position of the Complainant

[6] In support of its position that the 2012 assessment of the subject was excessive, the Complainant presented a fourteen page brief (Exhibit C-1).

[7] The Complainant submitted that the Respondent had used the income approach in valuing the subject for assessment purposes and that the Complainant had no issue with this method of valuation. The Complainant also stated that there was no issue with the PGI estimated by the Respondent nor was there any issue with the typical vacancy rate used by the municipality to calculate the effective gross income (Exhibit C-1, pages 6-7). However, the Complainant took issue with the GIM of 10.47 used by the Respondent to arrive at the 2012 assessment and argued that market evidence supported a GIM of 9.50.The Complainant also argued that the market evidence supported a capitalization rate of 7.00%, which would result in a lower assessment for the subject.

[8] To support his position that a 9.50 GIM and a 7.00% capitalization rate would be appropriate for the subject, the Complainant provided details of the sales of six low rise apartment buildings (Exhibit C-1, page 2). The age range of these comparables was from 1978 to 2002. The GIM range was from 8.77 to 10.39 with an average of 9.33 and the capitalization

rate range was from 5.95% to 7.45% with an average of 7.04%. The average sale price per suite of these comparables was $103,642.

[9] The Complainant argued that if a GIM of 9.50, based on the above market evidence, was applied to the subject's effective gross income as calculated by the municipality, the resulting value for the subject would be $23,327,000. As well, the Complainant argued that a capitalization rate of 7.00%, extracted from the above market data, would be appropriately applied to the net operating income of the subject, assuming average expenses per suite. This would result in a value of $23,983,000 for the subject.

[10] The Complainant also submitted that a value of $110,000 per suite would be appropriate for subject, resulting in a value of $22,220,000.

[11] During questioning, the Complainant advised the Board that many of its sales comparables were located in different market areas of the City. The Complainant indicated that sales comparable #6 was located in the same market area as the subject but only included nine suites. The Complainant also acknowledged that most of the comparables were older and smaller than the subject.

[12] The Complainant argued that market data could be used in conjunction with the municipality's estimate of PGI and vacancy rate as the sales showed a close correlation between the Network's reported actual income and the typical income estimated by the municipality.

[13] The Complainant also argued that even though the municipality has chosen not to use the capitalized income method of valuation it is a valid method and provides support for the analysis that the Complainant has used.

[14] The Complainant requested that the Board reduce the 2012 assessment of the subject to $23,500,000.

<u>Position of the Respondent</u>

[15] The Respondent stated that the 2012 assessment of the subject was fair and equitable.

[16] The Respondent advised the Board that low rise residential apartments were valued using the income approach to value. Typical PGI and vacancy rate figures were used. The Respondent advised that typical rental figures for the low rise apartments were derived from request for information (RFI) documents received from landlords across the municipality. This information was then adjusted in the computer model for variables such as market area, effective age, condition, suite size and mix etc. (Exhibit R-1, page 23). Vacancy rates were determined for each market area by analyzing reported vacancies from owners' income and expense statements. The Respondent confirmed that the PGI figures and vacancy rates used by the Complainant in his analysis were the figures collected and used by the municipality.

[17] The Respondent further advised that the GIM for the low rise apartment buildings was derived from another computer model using validated property value information and the PGI model described above. The Respondent advised that the significant variables for the GIM model were market area, building type and effective age. The market value of a property was derived from the PGI less vacancy, multiplied by the GIM, all derived as described above.

[18] The Respondent argued that the analysis submitted by the Complainant used inconsistent information. The PGI, vacancy rate and effective gross income figures used in the Complainant's calculations were the values calculated and used according to the municipality's methodology described above. The Respondent submitted that the sales data extracted from Network documents used by the Complainant to derive the GIM and capitalization rate used in its calculations were flawed and potentially inaccurate.

[19] The Respondent provided a chart of the sales of six properties which, in the opinion of the Respondent, were comparable to the subject (Exhibit R-1, page 11). Two of the comparables were in the same market area as the subject. One was a high rise building rather than a low rise apartment complex. The ages of the comparables ranged from 1964 to 2002. The calculated GIM of the comparables ranged from 9.71 to 14.07 and the adjusted sale price per suite ranged from $100,000 to $189,542. The Respondent noted that the Complainant had also included #2 and #5 from the Respondent's sales comparable chart (Exhibit R-1, page 11, see Complainant's sales comparables #4 and #2 at Exhibit C-1, page 2). The Respondent also noted that the subject had the added advantage of a heated underground parkade. The Respondent acknowledged that it was difficult for both parties to find sales that were comparable to the subject in terms of suite numbers, market area and age.

[20] The Respondent also provided a chart of the assessments of fourteen properties comparable to the subject (Exhibit R-1, page 18). The GIM calculated for these properties ranged from 9.69 to 10.72 and the assessment per suite ranged from $114,624 to $146,378. The Respondent argued that this evidence supported the current assessment of the subject.

[21] The Respondent cautioned against the Complainant's method of applying a GIM and capitalization rate derived from the actual information reported by third party documentation to the Respondent's typical income and vacancy rate information. This method was inconsistent and would result in an unreliable estimate of market value. A brief (Exhibit R-3) presented by the Respondent outlined the errors inherent in mixing such information.

[22] The Respondent concluded by requesting that the Board confirm the 2012 assessment of the subject at $25,708,500.

Decision

[23] The decision of the Board is to confirm the 2012 assessment of the subject at $25,708,500.

Reasons for the Decision

[24] The Board notes that both parties have included sales comparables from different market areas in Edmonton. The two sales comparables used by both parties (#2 and #5 from the Respondent are identical to #4 and #2 of the Complainant) are both older and have fewer suites and a different suite mix than the subject. As well, according to the Respondent's evidence, the GIMs for these comparables, 10.43 and 9.l7, respectively, are different than the GIMs used by the Complainant for the identical properties and extracted from market data (9.34 and 9.50).

[25] Of concern to the Board is the fact that the sales data and the information presented by the Complainant to derive its requested GIM and capitalization rate might not be reliable and could be problematic.

[26] The Board agrees with the Respondent that inconsistent data should not be used in deriving the GIM or capitalization rates. In this case, the Complainant has used rental and vacancy data collected by the municipality according to its methodology to establish a PGI but has used sales data from other sources to establish a GIM. As noted above, the market data used by the Complainant could be unreliable.

[27] The Board agrees with the Complainant that the capitalized income method of valuation is a valid approach. However, the Board notes that the municipality uses the GIM method to value these types of properties and not the capitalized income method. In any event, the capitalization rate suggested by the Complainant was derived from actual sales data and then applied to income data which was derived from typical data used by the municipality.

[28] The Board notes that the assessment per suite of the subject falls within the range of the assessments per suite of the Respondent's equity comparables.

[29] For the above reasons, the Board is of the opinion that the Complainant did not present sufficiently compelling evidence to alter the assessment and concludes that the 2012 assessment of the subject is fair and equitable.

<u>Dissenting Opinion</u>

[30] There was no dissenting opinion.

Heard October 4, 2012.
Dated this 19 day of October, 2012, at the City of Edmonton, Alberta.

Hatem Naboulsi, Presiding Officer

Appearances:

Tom Janzen
for the Complainant

Renee Redekopp
Steve Lutes
for the Respondent

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.