EDMONTON
Assessment Review Board

10019 103 Avenue, Edmonton, AB T5J 0G9
Ph: 780-496-5026
Email: assessmentreviewboard@edmonton.ca

Edmonton Composite Assessment Review Board

Citation: John C. Manning v The City of Edmonton, 2012 ECARB 2249

Assessment Roll Number: 3810538
Municipal Address: 10024 154 Street NW
Assessment Year: 2012
Assessment Type: Annual New

Between:

John C. Manning

Complainant

and

The City of Edmonton, Assessment and Taxation Branch

Respondent

DECISION OF
Hatem Naboulsi, Presiding Officer
Jasbeer Singh, Board Member
Mary Sheldon, 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 are carried forward, where relevant, to this file from roll number 1333210.

Background

[3] The subject property is a walk-up apartment building, containing 24 suites. Of these suites, one is a bachelor, 18 are one bedroom and 5 contain two bedrooms. Built in 1965, the property is located in the west Edmonton Market Area 5A. It is valued at $1,890,500, 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 $78,770.

Issue

[4] Is the current assessment of the subject property 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 fifteen page brief to the Board (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 for the subject nor was there any issue with the typical vacancy rate used by the municipality to calculate the effective gross income (Exhibit C-1, pages 7-8). However, the Complainant took issue with the GIM of 9.32 used by the Respondent to arrive at the 2012 assessment and argued that market evidence supported a GIM of 8.00. The Complainant also argued that the market evidence supported a capitalization rate of 7.50% which would result in a lower current assessment for the subject.

[8] To support the position that a GIM of 8.00 and a capitalization rate of 7.50% were appropriate for the current assessment, 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 1966 to 1975. The GIM range was from 7.52 to 9.39 with an average of 8.47 and the capitalization rate range was from 6.42% to 9.05%, with an average of 7.60%. The average sale price per suite of these comparables was $84,413.

[9] The Complainant argued that if a GIM of 8.00, based on the above market evidence, was applied to the subject's effective gross income of $202,798, the resulting value for the subject would be $1,622,000. As well, the Complainant argued that a capitalization rate of 7.5%, 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 $1,551,000.

[10] The Complainant also submitted that a value of $70,000 per suite would be appropriate to be applied to the subject and that this would result in a value of $1,680,000 for the subject.

[11] The Complainant advised the Board during questioning that his sales comparables #1 and #5 were located in Market Area 5. He also advised that the subject was older than all the sales comparables he presented. The Complainant argued that values derived from market activity were more relevant in establishing value for the subject. The Complainant also pointed out that his sales comparable #6 required upgrades but sold for $70,000 per suite and that, in his opinion, the subject should not be assessed at a per suite value higher than that.

[12] The Complainant requested that the Board reduce the current assessment of the subject to $1,600,000.

Position of the Respondent

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

[14] 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 the 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 24). Vacancy rates were determined for each Market Area by analyzing reported vacancies from owners' income and expense statements. The Respondent confirmed to the Board that the PGI figures and vacancy rates used by the Complainant in his analysis were the figures collected and used by the municipality.

[15] 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.

[16] 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 used by the Complainant to derive the GIM and cap rate used in its calculation were flawed and potentially inaccurate.

[17] The Respondent provided a chart of six sales of comparables properties (Exhibit R-1, page 12). The range of calculated GIM was from 8.309 to 9.947. The adjusted sale price per suite of the comparables ranged from $80,500 to $95,000. The Respondent argued that this evidence supported the current assessment of the subject.

[18] The Respondent also provided chart of the assessments of sixteen properties which, in his opinion, were comparable to the subject. The GIM range for these equity comparables was from 9.26 to 9.54 and the assessment per suite ranged from $75,437 to $90,473. The Respondent argued that this evidence supported the current assessment per suite of the subject at $78,770.

[19] The Respondent also stated it was inappropriate to apply a GIM and capitalization rate based upon third party documentation to the Respondent's typical income and vacancy rate information. Such an application would be inconsistent and result in an unreliable estimate of market value

[20] The Respondent concluded by requesting that the Board confirm the 2012 assessment of the subject at $1,890,500

Decision

[21] The decision of the Board is to confirm the 2012 assessment of the subject at $1,890,500.

Reasons for the Decision

[22] The Board is concerned that the sales data and information presented by the Complainant to derive its requested GIM and capitalization rate might not be reliable and could be problematic. 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.

[23] As well, 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.

[24] The Board acknowledges that the current assessment of the subject falls within the range of the values demonstrated by the sales and equity comparables presented by the Respondent.

[25] The Board also notes that the assessed value per suite of $78,770 for the subject is supported both by the sales and equity comparables presented by the Respondent but also by the

range of values per suite of the Complainant's comparables. This indicates that the subject's assessment is fair and correct.

[26] For the above reasons, the Board concludes that the 2012 assessment of the subject is fair and equitable. The evidence presented by the Complainant is not sufficiently compelling to alter the assessment.

Dissenting Opinion

[27] 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, Canadian Valuation Group
for the Complainant

Renee Redekopp, Assessor
Steve Lutes, Legal Counsel
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.