

Edmonton Composite Assessment Review Board

Citation: Liz McLeod, MNP LLP v The City of Edmonton, 2013 ECARB 00200

Assessment Roll Number: 3441755

Municipal Address: 10220 - 116 Street NW

Assessment Year: 2013

Assessment Type: Annual New

Between:

Liz McLeod, MNP LLP

Complainant

and

The City of Edmonton, Assessment and Taxation Branch

Respondent

DECISION OF

Steven Kashuba, Presiding Officer

Brian Hetherington, Board Member

Dale Doan, Board Member

Procedural Matters

[1] Upon questioning by the Presiding Officer, the parties indicated that there was no objection to the composition of the Board. In addition, the Board members indicated that they had no bias in the matter before the hearing.

Background

[2] The subject property is a 2.5 floor walk-up apartment building, known as Clarice Manor and located at 10220 - 116 Street in the Oliver neighborhood. The 16,622 square foot building, which was constructed in 1968 and has an effective year built of 1979, has a suite mix of 5 bachelor suites, 12 one-bedroom suites and 6 two-bedroom suites, for a total of 23 suites. It is classified as being in average condition and provides surface parking for tenants. The 2013 assessment is \$2,599,500.

Issue(s)

[3] Is the City's calculation of \$226,918 as the potential gross income of the property correct?

[4] Is the City's calculation of 11.81 as the Gross Income Multiplier correct?

[5] Based on the above two issues, is the City's assessment of the subject property at \$2,599,500 correct?

Legislation

[6] The *Municipal Government Act*, RSA 2000, c M-26, reads:

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

[7] In support of their request for a reduction in the assessment amount, the Complainant presented the Board with a 68-page brief (Exhibit C-1).

[8] Included in the brief were detailed explanations in support of the requested adjustments; a Gross Income Multiplier chart of seven comparable properties in the same Oliver neighborhood as the subject, with detailed sales information on each of the properties; a 2013 GIM valuation chart supporting a request for a valuation of \$2,058,500 and a summary of factors supporting the request.

[9] A Potential Gross Income (PGI) of \$212,190 was requested by the Complainant, in contrast to the City of Edmonton’s application of \$226,918.

[10] Similarly, the Complainant requested the application of a Gross Income Multiplier (GIM) of 10.00 in reaching the appropriate assessment, while the City had used a GIM of 11.81.

[11] In support of the request for a revised GIM, the Complainant presented the Board with a chart of seven comparable properties, which are all located in the Oliver area, similar to the subject. These properties sold between February 2010 and November 2011. Two properties have vacancy rates of 3% while five have vacancy rates of 4%.

[12] Six of the seven comparables were built between 1958 and 1971, with one being built in 2001, while the subject property was built in 1968 and was classified as having an effective year built of 1979.

[13] The same six older properties have surface or a combination of surface and covered parking, while the newer property has underground parking.

[14] The newer property was also considerably larger, with a total of 305 suites, while the others ranged from 9 to 99 suites, compared to the subject property having 23 suites, comprised of 5 bachelor suites, 12 one-bedroom suites and 6 two-bedroom suites.

[15] An average GIM of 10.22, with a median of 10.19 was indicated from the list of seven properties, which the Complainant submitted, supported his request for a GIM of 10.00.

[16] A GIM Valuation chart (Exhibit C-1, page 20) for the subject property was prepared by the Complainant. This chart used a GIM of 10.00, which supported the Complainant's request for an assessment of \$2,058,500.

[17] The Complainant also presented the Board with a Capitalization Valuation Chart of the subject property (Exhibit C-1, page 21), prepared to support the request for an assessment of \$2,058,500. While the capitalization rate was not listed by the Complainant as one of the issues, the chart supported their other two issues in seeking the lower assessment.

Position of the Respondent

[18] Three packages were presented to the Board by the Respondent in support of the request to confirm the City's assessment of \$2,599,500. They included a 39-page City brief (Exhibit R-1), a 14-page abbreviated City brief (Exhibit R-2) and a 1-page chart of comparable properties (Exhibit R-3).

[19] In support of the assessment, the Respondent presented a chart of six sales of similar walk-up apartment buildings in the Oliver area, as well as two multi-building apartment building sales and one apartment building converted into condos after the sale. All the buildings, as well as the subject property, were 2.5 storeys high.

[20] The comparable single building properties ranged in size from 6 – 25 suites, compared to the subject property which has 23 suites.

[21] There was also a difference in the suite mix, with three of the comparables being exclusively comprised of one-bedroom units, two have combinations of one-bedroom and two-bedroom suites, and the sixth and smallest comparable has six suites divided between one, two and three-bedroom suites. In comparison, the subject has five bachelor suites, 12 one-bedroom suites and six two-bedroom suites.

[22] While all suites on the chart have a vacancy allocation of 3%, the Respondent allocated a typical GIM rate of 11.21 for seven of the comparable properties and 13.71 for the smallest comparable property. The attributed GIM for the subject property is 11.81.

[23] A two-page chart of equity comparable apartment properties in the Oliver neighborhood on pages 32 and 33 of Exhibit R-1 was also presented to the Board, but was not commented on by the Respondent during the hearing. This chart contained 55 properties with a range of apartment mixes and assessments per suite ranging from \$110,083 to \$134,045 and one outlier with an assessment of \$162,833, compared to the subject's per suite assessment of \$113,021.

[24] The Respondent informed the Board that with so many apartment buildings across Edmonton, the City out of necessity prepares its assessments by using typical GIMs, rather than an actual for each individual property.

Decision

[25] The decision of the Board is to confirm the assessment of the subject property for 2013 at \$2,599,500.

Reasons for the Decision

[26] The Board notes that – based on numerous decisions made by Assessment Review Boards and Municipal Government Boards – it is not appropriate to mix and match GIMs and cap rates taken from reported actual incomes and then compare them to the Respondent's typical income. The previous decisions suggest that the inconsistencies of approach results in unreliable estimates of market value.

[27] The Board placed considerable weight upon the detail presented by the Respondent in their list of comparable properties in the Oliver neighborhood. While some of these comparable properties failed to meet the desired degree of comparability in their combination of age, size and apartment mix, two of those comparables presented in Exhibit R-3 – comparables # 4 and #5 - are very close in all of these comparable factors.

[28] The assessments per suite of comparables # 4 and 5 from the Exhibit R-3 chart show assessments per suite of \$104,240 and \$112,545 respectively, compared to the assessment of the subject property at \$113,021.

[29] In reviewing the Respondent's chart, the Board did not consider the multi-building properties that had been included and also excluded from its review comparable # 6, as being non-comparable from the perspectives of both age, and apartment size and mix.

[30] The Board also placed little weight on some of the Complainant's comparables because of significant differences between some of those comparables and the subject property. These differences included age, size, allocated vacancy rates, and attributed GIM's taken from third party documents.

[31] Particularly lacking in comparability was the Complainant's # 5 from the chart on page 11 of Exhibit C-1. This property was built in 2001, includes 305 suites and has underground parking, compared to the subject property which was built in 1979, has a total of 23 suites and the availability of only surface parking.

[32] The Board placed little weight on the Complainant's presentation of potential rent per suite for the subject property, ranging from \$625 to \$900. These figures are not reflective of typical rents, as illustrated by the average rents shown for Edmonton's zone 3, which includes the Oliver area, in information from Canada Mortgage and Housing Corporation (Exhibit C-1, page 35).

[33] In reviewing the income of the subject property in comparison to the sizable majority of the comparable properties presented by both parties, the number of bachelor suites in the subject property emerged as a major factor, as they tend to provide lower income. A total of 22% of the suites in the subject property are bachelor suites, which compares with only two of the Complainant's comparables having bachelor suites, and their percentages are approximately 4% and 18%.

[34] The Board also placed little weight on the Complainant's sales comparables as five of the seven comparables are listed with vacancy allowances of 4% and two with 3%, which results in a determination of a lower potential rental revenue, leading to a lower assessment value.

[35] As the Complainant did not list capitalization rates and expense ratios as issues to be resolved, the Board placed little weight on the information presented on Exhibit C-1, pages 12 and 21 on these issues.

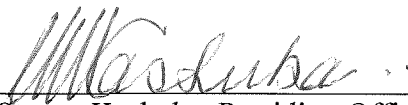
[36] For these reasons, the Board is of the opinion that the assessment of the subject property is fair and should not be disturbed.

Dissenting Opinion

[37] There was no dissenting opinion.

Heard on July 3, 2013.

Dated this 25th day of July, 2013, at the City of Edmonton, Alberta.


Steven Kashuba, Presiding Officer

Appearances:

Walid Melhem
for the Complainant

Andy T. Lok
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.