Edmonton Composite Assessment Review Board

Citation: mark havin v The City of Edmonton, 2013 ECARB 00812

Assessment Roll Number: 3174109
Municipal Address: 10651 108 AVENUE N W
Assessment Year: 2013
Assessment Type: Annual New

Between:

Mark Havin

Complainant

and

The City of Edmonton, Assessment and Taxation Branch

Respondent

DECISION OF
Petra Hagemann, Presiding Officer
Pam Gill, Board Member
John Braim, Board Member

Procedural Matters

[1] Upon questioning by the Presiding Officer, the parties before the Board indicated no objection to the Board's composition. In addition, the Board Members indicated no bias with respect to this file.

Background

[2] The subject property is an eight unit low rise apartment building located at 10651 108 Ave in the Central McDougall area of the City of Edmonton. It includes a four car garage and an attached residence. Its effective age is 1953, is assessed in fair condition based on the income approach at $618,500 or $77,312/suite.

Issue(s)

[3] Is the subject property assessed in excess of its market value?

Legislation

[4] 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

[5] The Complainant drew the Board's attention to the wording on the reverse of the assessment notice (C-1, pg4) which defines "market value" as the "most probable value your property would sell for on the open real estate market". It further states that "your 2013 assessment reflects the market value of your property as of July 1, 2012 and any physical changes up to December 31, 2012".

[6] The Complainant included the Purchase Contract (C-1, pg 5-11) showing that the subject was purchased May 21, 2012 in the amount of $535,000, having been listed on the open market for some time for $595,000.

[7] Renovations in the amount of $43,063 were completed prior to December 31, 2012 (C-1, pg 15-26).

[8] Based on the purchase price and the amount of the renovations, the Complainant claimed the market value as of July 1, 2012 should have been $575,000.

[9] To further support that the assessment of the subject is in excess of market value, the Complainant provided the Board with an appraisal. This appraisal prepared by Pawel Martyniak, AACI of Cowan & Associates, dated April 26, had been prepared to obtain financing. The appraisal placed the estimated market value at $550,000.

[10] The Complainant requested the Board reduce the 2013 assessment of the subject from $618,500 to $575,000.

Position of the Respondent

[11] The Respondent advised the Board that the subject property is favorably located in Central McDougall close to LRT, shopping, schools, hospital, the new arena and downtown.

[12] The Respondent suggested the subject may have been purchased below market value due to its high vacancy of 60% and its below average condition. At the time of sale the subject was 100% vacant.

[13] The Respondent provided the Board with a Law and Legislation brief (R-2) outlining the principles of assessment such as market value and fairness and equity. All properties are assessed on the mass appraisal vs. individual appraisal method. Included were also decisions illustrating that assessments could vary within a 5% range of market value.

[14] The Respondent noted that as a result of the renovations, the subject should have had its condition changed from fair to average. Furthermore there had been an error on the income detail report (R-1, pg 24) showing parking as "surface" rather than "covered" neglecting to assess the four car garage. A hypothetical income detail report was produced (R-1, pg 25) incorporating these two changes. This would have resulted in increasing the assessment by $30,000 to $648,500 illustrating that the subject had been under assessed. The Respondent stated that these corrections will be reflected in the following year's assessment.

[15] The Respondent included six comparable sales (R-1, pg 31) all within the Central McDougall area. The first three were similar to the subject in total number of suites, age and gross building area. These properties ranged in time adjusted sales prices from $78,284 to $97,000 per suite and in assessments from $81,555 to $84,777 per suite. Although they were assessed in average condition compared to the subject's fair condition, the Respondent noted they support the assessment of the subject.

[16] The Respondent also supplied 93 equity comparables in Central McDougall most in average condition (R-1, pg 32-54). Three of these were in fair condition with surface parking with assessments ranging from $74,684 to $79,850 per suite thus showing that the subject's assessment is fair and equitable.

[17] Based on the evidence provided, the Respondent asked the Board confirm the assessment of the subject at $618,500.

Decision

[18] The decision of the Board is to confirm the assessment of the subject.

Reasons for the Decision

[19] The Board examined the evidence of both parties in great detail.

[20] The Board understands that the sale of the subject is a strong indication of market value. Mass appraisal however takes all sales of similar properties into account in arriving at a fair market value. One sale alone does not make an entire market.

[21] The Board is aware that at the time of sale the subject was in need of significant repair which may have contributed to its high vacancy and may have affected the selling price.

[22] The Board accepts the Respondent's opinion that the improvements which were completed after the purchase price and prior to December 31, 2012 (condition date) raised the subject's actual condition from fair to average.

[23] The Board notes that the subject was assessed on the income approach to value which determines the market value as follows: (Potential Gross Income {PGI} less Vacancy) x Gross Income Multiplier (GIM). The PGI is based on typical market rent assuming the property is fully occupied at the date of valuation. The GIM expresses the relationship between property value and the PGI and is derived from market analysis of sales. The PGI as reported by the owner as of March 31, 2012 (R-1, pg 27) is listed as $68,400 which is slightly higher than the typical rent of $67,617 applied in the assessment. The vacancy of 4.5% is typical for this type of income property and the GIM of 9.58% is based on market sales. The Board cannot find fault in the process and factors used to calculate the assessment.

[24] The PGI as reported by the owner as of March 31, 2012 (R-1, pg 27) is listed as $68,400/suite which is slightly higher than the typical rent of $67,617/suite applied in the assessment. The vacancy of 4.5% is typical for this type of income property and the GIM of 9.58% is based on market sales. The Board cannot find fault in the process and factors used to calculate the assessment.

[25] The Board was persuaded by the sales comparables presented by the Respondent. Although these properties were assessed in average condition, they support the assessment of the subject.

[26] The Board was further persuaded by the equity comparables presented by the Respondent illustrating that the subject's assessment is fair and equitable.

[27] The Board examined the appraisal presented by the Complainant. This report values the subject property at $550,000 as of April 25, 2012. The Board is of the opinion that renovations of $43,063 which occurred after the appraisal date likely increased the market value of the subject to $593,000. This is within 4.1% of the assessed value of $618,000 and falls within an acceptable range suggesting the assessment of the subject is correct.

[28] In the *Matters Relating to Assessment and Taxation Regulation,* AR 220/04, there are quality standards for statistical testing required by the Government of Alberta for the equalized assessment for each municipality. These quality standards direct that the assessment ratio of assessments to market value indicators for properties containing 1-3 dwelling units is acceptable if it lies between .95 and 1.05.

[29] The Board finds that the assessment of the subject at $618,500 reflects fair market value and is equitable when compared to similar properties.

Dissenting Opinion

[30] There were no dissenting opinions.

Heard commencing June 25, 2013.
Dated this 19th day of July, 2013, at the City of Edmonton, Alberta.

Petra Hagemann, Presiding Officer

Appearances:

Mark Havin
for the Complainant

Andy 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.