Edmonton Composite Assessment Review Board

Citation: Colliers International Realty Advisors Inc v The City of Edmonton, 2013 ECARB 00905

Assessment Roll Number:	2709152
Municipal Address:	10320 123 STREET NW
Assessment Year:	2013
Assessment Type:	Annual New

Between:

Colliers International Realty Advisors Inc

Complainant

and

The City of Edmonton, Assessment and Taxation Branch

Respondent

DECISION OF
Shannon Boyer, Presiding Officer
Pam Gill, Board Member
John Braim, Board Member

Procedural Matters

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

Preliminary Matters

[2] Upon the Presiding Officer asking the parties if there were any preliminary matters, the Respondent made a recommendation for the 2013 assessment to be reduced to $2,930,000. This recommendation was based on a correction to the suite mix in the subject property. The original assessment had stated the property contained 14 one bedroom suites and 8 two bedroom suites whereas the correct suite mix is 15 one bedroom and 7 two bedroom suites.

[3] The Complainant accepted the correction but stated that the recommended assessment was not acceptable.

Background

[4] The subject property comprises a 3.5 storey walk-up apartment build in 1971 but having an effective age of 1984 and is in average condition. The property is located in the Oliver neighbourhood (market area 1C) and the 22 suites are comprised of 15 one bedroom suites and 7 two bedroom suites with an average size of 915 sq ft (85 sq m).

[5] The assessment of the subject property was produced by the income approach to value and in particular by using the gross income multiplier method. The assessment of $2,949,000 equates to $134,045/suite.

Issue(s)

[6] Is the subject assessment equitably assessed with similar apartments?

Legislation

[7] 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

[8] The Complainant contended the subject property was inequitably assessed based on age and on a price per suite basis, when compared to other walk-up apartments in the same market area. In support of this contention the Complainant provided the Board with 3 charts and supporting data (Exhibit C-1, pages 6 & 7).

[9] The first chart listed 11 comparable apartment buildings ranging in age from 1915 to 1980. The sizes ranged from 17 suites to 66 suites and the unit prices ranged from $9,197/suite to $10,372/ suite with the subject being assessed at $11,227/suite. The gross income multipliers (GIM) ranged from 11.21 to 11.91 with the subject being assessed with a GIM of 12.31.

[10] The second chart listed the same 11 apartment buildings with their assessments arranged in ascending age order from $100,854/ suite to $119,818/suite. The average assessment of the comparables was $108,495/suite with the subject being assessed at $134,045/ suite.

[11] The third chart listed five comparables with ages that were within 10 years of the subject. The unit rates ranged from $108,470/suite to $119,818 with an average of $115,186/suite, whereas the subject is assessed at $134,045/suite.

[12] In response to questions the Complainant stated the actual age of the subject building was 1971 but did not know why it had an effective age of 1984. The property owner's policy was to buy apartments with some deferred maintenance and spruce them up with new carpets and paint.

[13] In summation the Complainant contended the request for a reduction to $2,534,000, or $115,180/suite, was based on the fact the subject was assessed significantly higher than the comparable properties. The Complainant questioned why only 3 equity comparables had been supplied by the Respondent considering the large number of comparables available in market area 1C. In addition it was not possible to compare a 6 suite apartment with a 22 suite building (as the Respondent had done) as each catered to a different type of investor; there were more buyers for six suites units, resulting in a higher price per unit.

Position of the Respondent

[14] The Respondent provided an assessment comparable chart (Exhibit R-1, page 24), and supporting data, detailing 3 walk-up apartment buildings located in the same market area as the subject. The buildings ranged in effective age from 1981 to 1986. Two were 2.5 stories and one a 3.5 storey, like the subject. The 1983 building had 24 suites and two had 6 suites. The average suite size ranged from 81 sq m to 101 sq m and the assessments ranged from $126,645/suite to $133,250/suite. The recommended assessment of the subject falls within the range at $133,181/suite.

[15] The Respondent stated the comparables were chosen as they were of similar effective age, building type and location as the subject building. The Respondent contended that age was a significant variable and adjusted the GIM by 0.10 to account for each year of age differential. The number of storeys was also a factor; the higher the building, the higher the value and the subject is 3.5 storeys high. The Respondent contended that suite mix was a significant factor affecting value but total suite number was not a significant variable.

[16] The Respondent reproduced the Complainant's chart (R-1, page 23) of 5 equity comparables with added columns including age, suite mix, and suite sizes. The Respondent contended there is an increase in the PGI/suite when the building is newer; when the size increases and when there are more bedrooms per suite.

[17] The Respondent contended that further adjustments needed to be made to the assessed values per suite of the 5 comparables provided, to account for the bachelor suites in two buildings; the age of all the comparables and the storey height. These adjustments would result in higher assessments than the comparables as the subject is newer, has no bachelor suites and is 3.5 stories in height.

[18] In conclusion the Respondent contended the only issue was equity and the Complainant's 5 comparables were older, with an average age of 1978, compared to the subject's effective age of 1984. Both parties agree that age is a factor in a market area. In addition the average size of the comparable suites was smaller; the number of stories was less and some had bachelor suites with lower income potential.

Decision

[19] The decision of the Board is to reduce the 2013 assessment from $2,949,000 to $2,827,000.

Reasons for the Decision

[20] The Board was persuaded by the Complainant's equity argument as supported by the unit values found in the third chart of 5 comparables (C-1, page 7). The five comparables, though older than the subject, were reasonably close in age to the subject property and the chart demonstrated that older properties generally sell for less per unit than newer ones. The Board noted the chart also demonstrates that there is a large price gap of $19,000+/- unit between the subject at 1984 and the average of the 5 comparables at 1978. There is also a large price difference ($14,000+) between the subject at 1984 and the nearest comparable in age at 1980.

[21] The Respondent's replica of the 5 sales with added columns demonstrated that sales #3, #4, & #5 had a very similar proportion (68%, 73% & 73%) of 1 bedroom suites as the subject property (68%). In addition, each of these 3 sales also had a proportion of 3 bedroom units which elevates the PGI of the comparables. All 3 sales are assessed in the $119,000/suite range, substantially below the subject.

[22] The Board noted the Respondent had provided 3 equity comparables and they were all close in age to the subject property (R-1 page 24). The Board noted that generally the same principles relating to age, size and number of bedrooms (as noted in paragraph #20, above) were evident in the Respondent's chart. The Board also noted the first two comparables were very similar in size to the subject and also had a similar suite mix. At $126,645/ suite and $130,500/ suite they each indicate that the subject assessment is high. The third sale at $133,181/ suite, though older than the subject property, has a superior suite mix with a much higher proportion of two bedroom units and the size is substantially larger, again indicating the subject assessment is high.

[23] The Board accepts in principal, that newer apartments sell for a higher price than older ones; that larger apartments sell for a higher price than smaller ones; that apartments with a higher proportion of 2 and 3 bedroom suites sell for a higher price than apartments with more bachelor or 1 bedroom suites. The Board was not provided with any evidence or a formula with which to make such adjustments other than the Respondent's internal policy of adjusting for age.

[24] The Board recognizes the issue is an equity issue only. Although not disputed by the Complainant the Board finds that the GIM method of estimating the value of multi-family properties is an appropriate method for the subject property. However the Board noted that both parties primarily utilized the direct comparison approach to question and defend their respective assessments.

[25] The Board finds that the level of assessment is high for the reasons noted above (paragraph 20, 21 & 22) and concluded the most meaningful evidence of value is provided by the 3 equity comparables (paragraph22). Sale #3 suggests at $133,181/suite is high but the Board has no method of adjusting down by a quantitative amount. Sale #1 and Sale #2 are the most directly meaningful comparables as they are the most similar to the subject in terms of percentage of one bedrooms. The Board finds the average of these two, at $128,500/ suite, to be the best indicator of value as they are older and newer than the subject property by similar amounts.

[26] The Board used the value of $128, 500 per suite and multiplied it by the total number of suites in the subject property (22) to reach the revised assessment of $2,827, 000.

Dissenting Opinion

[27] There was no dissenting opinion.

Heard commencing July 25, 2013.

Dated this 19th day of August, 2013, at the City of Edmonton, Alberta.

Shannon Boyer, Presiding Officer

Appearances:

Stephen Cook, Colliers International
for the Complainant

Colleen Kutcher, Assessor, City of Edmonton
Tanya Smith, City of Edmonton Law Branch
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.