Edmonton Composite Assessment Review Board

Citation: CVG v The City of Edmonton, 2013 ECARB 01892

Assessment Roll Number: 10227834
Municipal Address: 10915 124 STREET NW
Assessment Year: 2013
Assessment Type: Annual New

Between:

CVG

Complainant

and

The City of Edmonton, Assessment and Taxation Branch

Respondent

DECISION OF
Larry Loven, Presiding Officer
John Braim, Board Member
Pam Gill, Board Member

Procedural Matters

[1] At the outset of the hearing the parties confirmed that they had no objections to the composition of the Board, and the Board confirmed that they had no reasons as why they would be unable to hear the matter.

[2] The parties requested argument and evidence be carried forward from roll number 2917805 to this file, 10227834, where applicable.

Preliminary Matters

[3] None noted.

Background

[4] The subject property is a low rise apartment building, known as *Greenglen Apartments,* containing 21suites (3 bachelor suites, 16 one bedroom suites and 2 two bedroom suites), built in 1964, and assessed at $91,214 per suite

Issue(s)

[5] Is the 2012 assessment of the subject property 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] The Complainant submitted a 16 page brief (C-1) in support of their requested 2013 assessment of $1,710,000 of the subject property (C-1, p. 2).

[8] The Complainant provided six sales comparables, all located in the same market area as the subject property and ranging as follows: number of suites from 9 to 39; age from 1968 to 1970; Gross Income Multiplier (GIM) from 8.71 to 9.88; sale price per suite from $85,000 to $94,000; average potential gross income (PGI) per suite, from $807 to $852, and adjusted sale price per suite from $75,063 to $85,250; compared to the subject property at 21 suites, year of construction 1964, GIM of 10.58, $748 average PGI per suite per month, and assessment of $91,214 per suite. The Complainant explained the adjusted sale price per suite was determined by multiplying the sale price per suite of each sales comparable by a multiplier determined by the average assessed Potential Gross Income (PGI) per suite per month of the subject property divided by the average sales PGI per suite per month of that sales comparable. For example, the sale price per suite of the first sales comparable was given to be $85,500 per suite. This price was multiplied by a factor of the assessed PGI per suite per month of the subject property, $748, by the average PGI per suite per month of that sales comparable, given as $852. It was the argument of the Complainant that this adjustment accounted for any changes in sale price and rental rates from the date of sale as well as any variation in such site specific factors as age, location, suite mix.

[9] Based on the average and median adjusted sale price per suite of the Complainant's sales comparables given as $81,523 and $82,549, respectively, the Complainant considered a value of $82,000 per suite to be appropriate, indicating a value of $1,722,000 for the subject property.

[10] Similarly, relying upon an average and median of the GIMs of the sales comparables, given as 9.41 and 9.47, respectively, the Complainant considered a GIM of 9.4 to be appropriate. Appling this GIM to the assessed effective PGI of the subject property, the Complainant determined a value of $1,701,917.

[11] In conclusion, the Complainant requested the 2013 assessment of the subject property be reduced to $1,710,000.

[12] In response to the Respondent's submission, R-1, the Complainant submitted a rebuttal document (C-2) containing 8 pages. The Complainant's rebuttal charted the GIM for each of the Respondents 7 sales comparables as given by the Network compared to that determined by the Respondent. The GIMs for the Respondent's sales comparables as determined by the Network ranged from 9.10 to10.87, whereas those determined by the Respondent ranged from 10.13 to 15.10.

Position of the Respondent

[13] The Respondent presented a brief (Exhibit R-1, 35 pages) containing a testimonial statement, a 2013 low-rise apartment brief, market area maps, aerial photographs, photographs, a profile report, complainant issues, comparable sales, equity comparables, Request for Information (RFI), additional evidence and a law brief.

[14] The Respondent requested its argument and evidence regarding the 2013 low-rise apartment assessment brief be carried forward from roll number 2917805.

[15] The Respondent directed the Board to a detail report for the 2012 assessment period of the subject property showing a PGI of $188,599 and a vacancy of 0.04 or 4% (R-1, p. 22).

[16] The Respondent submitted a chart containing seven sales comparables, as well as four of Complainant's six sales comaparables. Regarding the Respondent's sales comparables: all seven sales comparables were assessed with a GIM of 10.58; varied in sale GIM from 10.13 to 15.10; assessment per suite from $90,333 to $101,916; and Time Adjusted Sale Price per suite (TASP) per suite) from $87,500 to $145,531. Whereas, the four Complainant's sales comparable ranged in assessment per suite from $91,833 to $103,250 and a time adjusted sales price per suite from $87,058 to $95,700 (R-1, pp. 25-26).

[17] The Respondent provided an example of third party documentation showing variances in GIM for the sale of a property as prepared by three different third parties and questioned the accuracy of the prediction of value based on incorrect, inconsistent and inaccurate GIMs (R-1, p. 32).

[18] The Respondent provided a chart containing 24 equity comparables (including the subject property) all located in Market Area 4 in the Westmount neighbourhood, and all assessed at a 2013 GM of 10.58 (R-1, p. 27).

[19] In conclusion the Respondent requested the 2013 assessment of the subject property be confirmed at $1,915,500.

Decision

[20] It is the decision of the Board to confirm the 2013 assessment of the subject property at $1,915,500.

Reasons for the Decision

[21] Notwithstanding the Respondent's authority to utilize the GIM method, the Board is not persuaded that it accurately reflects the value attributable to each individual property in each and every case, as it totally ignores expense ratios that are traditionally higher in older buildings. The weakness of the GIM method is clearly demonstrated when the two GIM columns (R-1, p. 26) are compared as both columns are produced using typical rents and stabilized vacancy rates. Furthermore the Board finds that the typical PGI utilized by the Respondent is lower than the average rents supplied by the CMHC survey for market area 4 (C-1, p. 16). Consequently the resulting GIM will be higher when applied to the sale price of the comparable sale.

[22] The Board finds the Complainant's unique methodology regarding adjustment of the sales comparables price per suite to be unverifiable by standard appraisal principles and appears to create an inequity with the actual (or even the time adjusted) sales price per suite. Accordingly, the Board places little reliance on these adjusted sales price per suite of the Complainant's sales comparables.

[23] The equity comparables provided by the Respondent supported the assessed GIM of the subject property at 10.58. The Respondent's 2013 low-rise apartment assessment brief, states the value of low-rise apartment buildings, such the subject property, was based on the typical PGI, typical vacancy and typical potential GIMs. However, as both parties submitted sales comparable on which they relied to support their respective valuations of the subject property, the Board places greater reliance on section 4.6.3 of the International Association of Assessment Officers (IAAO) standard (as quoted by the Respondent in their 2013 low rise apartment assessment brief): *"...Sales comparison models can be equally effective in large jurisdictions with sufficient sales..."*. The Board is then drawn to closely consider the sales comparables provided.

[24] The Complainant's time adjusted sales comparables (C-1, page 2) range from $87,058/suite to $95,700/suite. The subject's assessment at $91,214/suite falls within this range and is well supported by the Complainant's sales.

[25] The Board finds that the Complainant did not meet its onus of persuading the Board that the subject is over assessed and therefore finds that the subject is fairly and equitably assessed at a $91,214 per suite or $1,915,500.

Dissenting Opinion

[26] None noted

Heard commencing September 16, 2013.
Dated this 16th day of October, 2013, at the City of Edmonton, Alberta.

Larry Loven, Presiding Officer

Appearances:

Tom Janzen, CVG
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.