

Edmonton Composite Assessment Review Board

Citation: CVG v The City of Edmonton, 2013 ECARB 01909

Assessment Roll Number: 3510005

Municipal Address: 11950 100 AVENUE N W

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 to why they would be unable to hear the matter.

[2] The parties requested argument and evidence be carried forward from roll number 2707172 to this file roll number, 3510005, where applicable.

Preliminary Matters

[3] None noted

Background

[4] The subject property comprises a three and a half storey walk-up apartment building located in the Oliver neighbourhood and known as the *Annamoe Apartments*. The building was constructed in 1915 and has an affective age of 1950. There are ten bachelor suites: twelve 1 bedroom suites and three 2 bedroom suites for a total of twenty five suites. The building is in average condition and is assessed as having 11 river view suites.

[5] The building was assessed by the income approach to value and in particular by the Gross Income Multiplier (GIM) method. The GIM method estimates the effective gross income (EGI) to which is applied a multiplier to produce the assessment. The assessment equates to a rate of \$114,460 per suite.

Issue(s)

[6] Is the 2013 assessment of the subject property correct?

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 submitted a 20 page brief (C-1) in support of their requested 2013 assessment of \$2,350,000 of the subject property.

[9] The Complainant provided eight sales comparables, not all located in the same market area as the subject property and ranging as follows: number of suites from 9 to 110; age from 1921 to 1960; Gross Income Multiplier (GIM) from 8.54 to 10.21; sale price per suite from \$56,250 to \$96,000; average potential gross income (PGI) per suite per month, from \$594 to \$820; and, adjusted sale price per suite from \$86,585 to \$104,144. The subject property has 25 suites, effective year built 1950 (constructed 1915), GIM of 11.21, \$877 average PGI per suite per month, and assessment of \$114,460 per suite.

[10] 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 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 second sales comparable was given to be \$69,900 per suite. This price was multiplied by a factor of the average assessed PGI per suite per month of the subject property, \$877, divided by the average sales PGI per suite per month of that sales comparable, given as \$708. 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, and suite mix.

[11] Based on the average adjusted sale price per suite of the Complainant's sales comparables given as \$88,770, the Complainant considered a value of \$90,000 per suite to be appropriate, indicating a value of \$2,250,000 for the subject property.

[12] Similarly, relying upon the GIMs of two sales comparables considered by the Complainant to be more similar in physical, locational, and income-producing attributes, the Complainant considered a GIM of 8.75 to be appropriate. Applying this GIM to the June 2012 rent roll of the subject property, the Complainant determined a value of \$1,770,151. Applying the same GIM to the 2011 income statement, the Complainant determined a value of \$1,535,695, and to the assessed effective PGI of the subject property the Complainant determined a value of \$2,233,709.

[13] In conclusion, the Respondent requested the 2013 assessment of the subject property be reduced to \$2,250,000.

[14] In response to the Respondent's submission, R-1, the Complainant submitted a rebuttal document (C-2) containing four pages. The Complainant's rebuttal charted the GIM for each of the Respondent's three sales comparables as given by Network compared to that determined by the Respondent. The GIMs for Complainant's sales comparables as determined by Network ranged from 10.44 to 10.67, whereas those determined by the Respondent ranged from 11.25 to 12.16.

Position of the Respondent

[15] The Respondent presented a 41 page brief (R-1) 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, and a law brief.

[16] The Respondent pointed the Board to mass appraisal, valuation, potential gross income model and high-lighted to the Board model significant variables, for potential gross income as average suite size, balcony, building type, condition, effective year built, market area (location, river view suites, stories and suite mix; and for gross income multiplier as building type, effective year built and market area (location). The Respondent also high-lighted to the Board the Network disclaimer regarding reliance on outside sources.

[17] The Respondent directed the Board to a detail report for the 2013 assessment period of the subject property showing a PGI of \$263,176 and a vacancy of 0.03 or 3% (R-1, p. 18).

[18] The Complainant submitted a chart containing five sales comparables, striking two of the sales as they were duplication. Two of the three sales presented by the Respondent were also presented by the Complainant. Regarding the Respondent's sales comparables: all three sales comparables varied in sale GIM from 11.25 to 12.16; and time adjusted sale price (TASP) per suite from \$109,219 to \$115,742. This was compared to the subject property with an assessed GIM of 11.21 and an assessed value per suite of \$114,460 (R-1, p. 21).

[19] The Respondent provided a chart containing five equity comparables (including the subject property) all located in the Oliver neighbourhood, ranging in effective year built from 1915 to 1959, number of stories from 2.5 to 3.5, all in average condition, all assessed a vacancy

of 0.03, with a 2013 estimated GIM of 11.21 and assessment per suite from \$100,854 to 120,850 (R-1, p.27).

[20] In conclusion the Respondent requested the 2013 assessment of the subject property be confirmed at \$2,861,500.

Decision

[21] It is the decision of the Board to reduce the 2013 assessment of the subject property from \$2,861,500 to \$2,645,000.

Reasons for the Decision

[22] Considering the Complainant's rebuttal evidence regarding the variance between the GIM given by Network versus those given by the Respondent for the Respondent's sales comparables, the Board finds that a lower income results in a higher calculated GIM, but in the absence of the assessed GIM, the Board has little upon which it can rely to further analyze the variances.

[23] 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.

[24] The equity comparables provided by the Respondent supported the assessed GIM of the subject property at 11.21 and 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.

[25] The Board finds that two of the Complainant's sales comparables (#1 and #6), are located in the same neighbourhood as the subject property, and, although approximately ten years newer, have an average sales price per suite of approximately \$95,000. The Respondent's three sales comparables are located in the same neighbourhood, and although twenty years newer than the subject, have a time adjusted sales price per suite ranging from \$109,219 to \$115,742 which would indicate that the subject is over assessed at \$114,460 per suite.

[26] The five comparables support an average market value of \$105,800 per suite, or a market value of \$2,645,000. The Board notes, this market value is based on an assessed effective PGI of \$255,281, and this results in a GIM of 10.36.


[27] The Board further notes that the assessment of 11 of the 25 suites in the subject property assessed as river or river view suites may be effectively offset by the assessed effective age of the subject property.

Dissenting Opinion

[28] None Noted

Heard commencing September 17, 2013.

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


Larry Loven, Presiding Officer

Appearances:

Tom Janzen
for the Complainant

Amy Murphy
Ralf Winkler
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.