Edmonton Composite Assessment Review Board

Citation: CVG v The City of Edmonton, 2013 ECARB 01911

Assessment Roll Number: 3409059
Municipal Address: 10308 115 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] The parties indicated they had no objection to the composition of the Board. In addition, the Board members indicated they had no bias on this file.

[2] The parties requested argument and evidence be carried forward from roll number 2707172 to this file roll number, 3409059, 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 just west of the downtown area. The building was constructed in 1978 and has an effective age of 1983. There are 3 bachelor suites, 17 one-bedroom suites and 4 two-bedroom suites for a total of 24 suites. The building is in average condition and has some covered parking.

[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 $126,645 per suite.

Issue(s)

[6] Is the 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 21 page brief (C-1) in support of their requested 2013 assessment of $2,500,000 of the subject property.

[9] The Complainant provided six sales comparables, all located in the same market area as the subject property and ranging in number of suites form 9 to 99, age from 1958 to 1971, Gross Income Multiplier (GIM) from 9.46 to 10.67, sale price per suite from $88,181 to $121,428, average potential gross income (PGI) per suite per month, from $752 to $1,039, and adjusted sale price per suite from $97,395 to $109,508 compared to the subject property at 24 suites, year of construction 1978, GIM of 12.21, $891 average PGI per suite per month, and assessment of $126,645 per suite.

[10] The Complainant explained the adjusted sale price per suite was determined by multiplying the sale price per suite of each sale comparable by a multiplier determined by the assessed Potential Gross Income (PGI) of the subject property divided by the sales PGI of that sale comparable. For example, the sale price per suite of the first sales comparable was given to be $94,444 per suite. This price was multiplied by a factor of the average assessed PGI per suite per month of the subject property, $891, divided by the average PGI per suite per month of that sale comparable, given as $864. It was the argument of the Complainant that this adjustment accounted for any changes in sale price and rental rates between the date of sale and valuation day 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 $103,474, the Complainant considered a value of $104,000 per suite to be appropriate for the subject property, indicating a value of $2,496,000 for the subject property.

[12] Similarly, relying upon the GIMs of two sales comparables (#2 and #6) considered by the Complainant to be more similar in physical, location, and income-producing attributes, given as 10.67 and 10.44, the Complainant considered a GIM of 11.0 to be appropriate, given the subject properties somewhat newer age. Based on the 2011 and 2012 rent rolls of the subject property, the Complainant determined values of $2,213,013 and $2,290,651, respectively. Applying the same GIM to the assessed effective PGI of the subject property, the Complainant determined a value of $2,738,307.

[13] In conclusion, the Respondent requested the 2013 assessment of the subject property be reduced to $2,500,000.

[14] In response to the Respondent's submission, R-1, the Complainant submitted a rebuttal document (C-2) containing 4 pages. The Complainant's rebuttal charted the GIM for each of the Respondents three sales comparables as given by the Network compared to that determined by the Respondent. The GIMs for the Complainant's sales comparables as determined by the 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 brief 41 page (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, request of information (RFI) additional evidence 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 (R-1, p. 9) for potential gross income such 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 $256,636 and a vacancy of 0.03 or 3% (R-1, p. 18).

[18] The Respondent submitted a chart containing six sales comparables, striking two of the sales as they were duplications. Two of the four sales presented by the Respondent were also presented by the Complainant. Regarding the Respondent's sales comparables: all four sales comparables varied in sale GIM from 11.25 to 14.41; and time adjusted sale price (TASP) per suite from $109,219 to $171,213. This was compared to the subject property which has an assessed GIM of 12.21 and assessed value per suite of $126,645 (R-1, pp. 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 1981 to 1986, number of stories from 2.5 to 3.5, all in average condition, all assessed with a vacancy of 0.03, with a 2013 estimated GIM ranging from 12.01 to 12.51 and assessment per suite from $120,625 to 133,250 (R-1, p.28).

[20] In conclusion the Respondent requested the 2013 assessment of the subject property be confirmed at $3,039,500.

Decision

[21] It is the decision of the Board to confirm the 2013 assessment at $3,039,500.

Reasons for the Decision

[22] Considering the Complainant's rebuttal evidence regarding the variance between the GIM given by the Network versus those given by the Respondent for the Respondent's sales comparables the Board finds the lower income results in a higher calculated GIM, but in the absence of the assessed GIM for the comparables, 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 12.21. 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 even though the Complainant's six sales comparables supported a lower sale price per suite, they ranged 12 to 25 years older than the subject property. The Board notes the newest comparable sold for approximately $5,000 less than the assessment per suite of the subject property. The Board further notes the Complainant's oldest comparable sold in May 2010 for approximately $30,000 less per suite than the per suite assessment of the subject. Based on the apparent trending in increasing sales price per suite with respect to decreasing age, the Board finds the sales comparables provided by the Complainant tends to support the assessment per suite of the subject property at $126,645.

[26] Considering the Respondent's four sales comparables, two of which were also presented by the Complainant, the Board finds that three of these sales comparable are about ten years older than the subject property and sold for approximately $10,000 to $15,000 per suite less than the assessment per suite of the subject property. However, the only sales comparable newer than the subject property (by 15 years), although considered to be a possible outlier by the Board, sold in March 2011 for approximately $45,000 per suite more than the assessment per suite of the

subject property. These sales further support the trending identified in the paragraph above, and therefore the assessment per suite of the subject property at $126,645.

[27] Based on its consideration of the above reasons, the Board finds the subject property to be fairly and equitably valued at $126,645 per suite or $3,039,500.

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.