Edmonton Composite Assessment Review Board

Citation: Bruce Sembaliuk and Julie Trache as Represented by Altus Group v The City of Edmonton, 2014 ECARB 00756

Assessment Roll Number:	9994251
Municipal Address:	6645 111 Street NW
Assessment Year:	2014
Assessment Type:	Annual New
Assessment Amount:	$1,460,000

Between:

Bruce Sembaliuk and Julie Trache as Represented by Altus Group

Complainant

and

The City of Edmonton, Assessment and Taxation Branch

Respondent

DECISION OF
John Noonan, Presiding Officer
Howard Worrell, Board Member
Jack Jones, Board Member

Procedural Matters

[1] Upon questioning by the Presiding Officer the parties indicated they did not object to the Board's composition. In addition, the Board members stated they had no bias with respect to this file.

Background

[2] The subject property is a 12 suite low-rise apartment building, built in 1958 and located in the Parkallen neighbourhood. The suite mix of the subject property is 2 bachelor suites, 5 one-bedroom suites and 5 two-bedroom suites. The subject property has been assessed utilizing the income approach to valuation.

Issue

[3] Has the correct gross income multiplier (GIM) of 12.07 been utilized in determining the 2014 assessment of the subject property at $1,460,000?

Position of the Complainant

[4] The Complainant presented evidence and argument for the Board's review and consideration.

[5] The Complainant advised that he agreed with utilizing the income approach to valuation for the subject property as well with all the components utilized to determine the 2014 assessment with the exception of the GIM.

[6] In support of a requested reduction to the assessed GIM of 12.07 to 10.64, the Complainant presented twelve sales comparables (subsequently deleting #7 as no supporting data had been included in the disclosure) with a median GIM of 10.64. The sale dates ranged from May, 2010 to October, 2013, number of suites ranged from 6 to 87 and the ages ranged from 1928 to 1982. The Complainant indicated that the most comparable properties were #1, 3, 4, 5 and 10 due to the number of suites.

[7] The Complainant noted that where the sales data sheets for the comparables indicated below market rent, the income of the comparable property had been adjusted to market rent as of the sale date and the GIMs adjusted accordingly.

[8] In rebuttal the Complainant presented evidence to counter the Respondent's suggestion that sales #1 and #3 were not arm's-length sales. The Complainant also questioned the market data the Respondent utilized for the Respondent's sales #2, 4, 6, 7 and 8. With regard to these sales the Complainant presented the Network sales data sheets that indicated a significant variance in the GIMs at the date of sale with the values determined by the Respondent.

[9] In summary the Complainant requested that the 2014 assessment of the subject property be reduced from $1,460,000 to $1,129,000.

Position of the Respondent

[10] The Respondent presented evidence and argument for the Board's review and consideration.

[11] In support of the 2014 assessment of the subject property and a GIM of 12.07, the Respondent presented eight sales comparables with GIMs ranging from 11.16 to 12.96. The sale dates ranged from October, 2010 to November, 2012, number of suites ranged from 7 to 20 and the ages ranged from 1949 to 1971. The Respondent noted that sales #2 and #4 had also been presented by the Complainant (#6 & #7).

[12] The GIMs presented by the Respondent for the sales comparables were not those noted at the time of sale but were derived using the time adjusted sales values (time adjusted to the valuation date of July 1, 2013), market area vacancy rates and market rents as of the valuation date. The market rents were determined utilizing market data obtained from responses to requests for information from apartment owners and supported by third party data obtained from Canada Mortgage and Housing Corporation and CBRE Ltd.

[13] The Respondent also presented fourteen equity comparables from the subject market area which ranged in age from 1958 to 1965 and from 9 to 14 suites. The assessed GIMs were stratified into two groupings, one at a GIM of 12.07 and one at a GIM of 12.12 with all units older than 1965 having an applied GIM of 12.07.

[14] The Respondent presented evidence which drew into question all of the Complainant's sales comparables with the exception of #6 and #7 which had also been used by the Respondent.

[15] The Respondent noted that the Complainant's comparables, which were listed in order of sale date from oldest sale to most recent, indicate in general terms an increasing GIM trend over time.

[16] The Respondent outlined the mass appraisal requirement to use typical market data when utilizing the income approach to determine the market value of a property as per section 2 of the *Matters Relating to Assessment and Taxation Regulation*, Alta. Reg. 220/2004 *(MRAT)*. The Respondent also outlined the importance of a consistent approach in bringing valuation components to a specific point in time, such as the valuation date, by time adjusting the sale value, applying typical market rents and typical market vacancy rates.

[17] The Respondent referenced a number of previous CARB decisions that were in support of the Respondent's valuation methodology.

[18] In summary the Respondent requested the 2014 assessment of the subject property be confirmed at $1,460,000.

Decision

[19] The decision of the Board is that the assessment valuation component GIM of 12.07 is correct and confirms the 2014 assessment of the subject property at $1,460,000.

Reasons for the Decision

[20] After review and consideration of the evidence and argument presented by both parties the Board determined the 2014 assessment of the subject property at $1,460,000 was appropriate.

[21] The argument presented by the Complainant essentially came down to a matter of income valuation methodology. The methodology relied upon by the Complainant was one that used actual sales, income and GIM data as reported by the Network at the time of sale (except where adjusted for below market rents). The use of actual values, whether they are rental rates, vacancy rates or GIMs is contrary to the legislated guidelines which require the assessment to be prepared utilizing typical market values.

[22] The Complainant is essentially relying on the median of the GIMs of a group of sales over a three and a half year period of time but makes no attempt to tie or adjust that GIM to the valuation date. The Complainant does not take into account any changes in market conditions that may have occurred over that period of time.

[23] The Respondent has determined market GIM values through the use of market data derived from requests for information from owners of similar properties and supported by third party sources. The market data has been applied through the use of market rents, market vacancy rates and time adjusted sale prices to derive results as of the July 1, 2013 valuation date. This approach balances out the fluctuations encountered within individual properties that may have above or below market rents.

[24] The Board finds that the Respondent has correctly applied a typical market value analysis in determining the GIM and thus determining the market value of the subject property as of the valuation date.

[25] The Board finds the 2014 assessment of the subject property at $1,460,000 to be fair and equitable as compared to other similar properties within the same market area.

Dissenting Opinion

[26] There was no dissenting opinion.

Heard June 30, 2014.

Dated this 9th day of July, 2014, at the City of Edmonton, Alberta.

John Noonan, Presiding Officer

Appearances:

Brett Flesher, Senior Analyst, Altus Group
for the Complainant

Devon Chew, Assessor, City of Edmonton
Paul Harper, Assessor, City of Edmonton
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.

Appendix

Legislation

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.

The *Matters Relating to Assessment and Taxation Regulation*, Alta. Reg. 220/2004 reads:

s 2 An assessment of property based on market value

(a) must be prepared using mass appraisal,

(b) must be an estimate of the value of the fee simple estate in the property, and

(c) must reflect typical market conditions for properties similar to that property.

Exhibits

C-1 – Complainant's Brief (39 pages)
C-2 – Complainant's Rebuttal (22 pages)
R-1 – Respondent's Brief (129 pages)