Edmonton Composite Assessment Review Board

Citation: Colliers International Realty Advisors Inc for Mainstreet Equity Corp v The City of Edmonton, 2014 ECARB 01063

Assessment Roll Number:	3017019
Municipal Address:	10723 102 Street NW
Assessment Year:	2014
Assessment Type:	Annual New
Assessment Amount:	$2,382,500

Between:

Colliers International Realty Advisors Inc for Mainstreet Equity Corp

Complainant

and

The City of Edmonton, Assessment and Taxation Branch

Respondent

DECISION OF
Harold Williams, Presiding Officer
Brian Carbol, Board Member
Judy Shewchuk, 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.

Preliminary Matters

[2] There were no preliminary matters.

Background

[3] The subject property under complaint is classified by the City as a low rise apartment and is located at 10723 – 102 Street NW within the Central McDougall neighborhood. The subject property is made up of one three and one half story building containing 24 one bedroom suites. The gross building area is listed as 20838.93 square feet. The building has balconies and surface parking. The subject property was valued by the City based on an income approach using typical Potential Gross Income, typical vacancy, and typical Gross Income Modifier (GIM), resulting in a 2014 assessment of $2,382,500. The year built is listed as 1977.

Issues

[4] Does the GIM used in the assessment of the subject property result in a fair and equitable assessment?

[5] Is the assessment of the subject property fair and equitable when considering the per suite time adjusted sales prices and the per suite assessed values of comparable properties?

Position of the Complainant

[6] The Complainant argued that the GIM used in the Respondent's calculations was far too high. As support for this position the Complainant submitted sale comparables and equity comparables.

[7] The sale comparables included 19 properties in the Central McDougall and Queen Mary Park areas. The years of construction ranged from 1954 to 2002 with an average year of construction of 1968. The sale dates ranged from January 2012 to September 2013. The number of suites ranged from six to 42. The GIMs ranged from 7.94 to 12.5 with an average of 9.75 and the adjusted GIMs ranged from 7.68 to 10.52 with an average of 9.07. (In response to the Respondent's query, the Complainant stated that they had arrived at the "adjusted GIMs" by adjusting the rents to market value using Canada Mortgage and Housing Corporation (CMHC) data.) The Complainant submitted that these values supported a reduction of the subject's GIM from 10.43 to 9.10 with a resultant assessment of $2,078,500.

[8] The equity comparables included eight properties in the same market area as the subject. The years of construction ranged from 1967 to 1968. The number of suites ranged from 15 to 24 with a variety of suite mixes (bachelor, one-bedroom, two-bedroom, and three-bedroom). The GIMs ranged from 9.93 to 9.98 with an average of 9.96. The Complainant submitted that these values supported a reduction of the subject's GIM from 10.63 to 9.50 with a resultant assessment of $2,170,000.

[9] The Complainant also argued that the subject was over-assessed based on the time adjusted sale prices (TASP) and assessments per suite of nine comparable properties. The years of construction ranged from 1967 to 1971 with an average of 1968. The sale dates ranged from February 2012 to November 2012. The number of suites ranged from 20 to 21 with a variety of suite mixes. The TASP ranged from $91,499 to $105,550 with an average of $97,060. The assessments of these same comparables ranged from $88,775 to $100,575 with an average of $95,594. The Complainant stated that because the subject is newer, has more suites, and has an inferior suite mix the averages should be adjusted downward. These values supported a reduction of the subject's assessment from $99,270 to $90,000 per suite for a final assessment of $2,160,000.

[10] In rebuttal the Complainant presented the 2014 assessments per suite of the Respondent's four sales comparables. These ranged from $96,143 to $113,667 with an average of $101,361. The Complainant argued that these values further supported a reduction in the assessment of the subject to $90,000 per suite.

[11] In conclusion the Complainant requested that the Board reduce the 2014 assessment of the subject to $2,160,000.

Position of the Respondent

[12] In support of the assessment of the subject property the Respondent noted that the income approach was used to derive market estimates for low-rise apartments like the subject. The income approach uses typical Potential Gross Income (PGI), typical vacancy and typical GIM to derive the value of low-rise properties. The Respondent provided information on the model used by the City of Edmonton.

[13] The Respondent argued that income approach to value requires that typical values be used rather than actual values and that the actual values provided by the Complainant rely on third party sources (in this case, The Network"). These may not be reliable because there is no way to question the third party source, there is no way to know whether the income listed is actual or estimated, and there is no way to know the source of the information.

[14] In support of the GIM used to derive the assessment of the subject property, the Respondent presented four comparable sales from the same market area as the subject. The sales ranged in age from 1970 to 1977 (subject 1981), in suite total from 20 to 24 (subject 30) and all had a mix of bachelor, one, two or three bedroom suites (subject, all one bedroom suites). The GIM for these properties ranged from 10.67 to 11.69 (subject 10.63). The Respondent argued that the GIM of the subject is supported by these s comparable sales, as it is within the range.

[15] In further support of the GIM used to derive the assessment of the subject property, the Respondent presented four equity comparable properties from market area 2 that were similar in age and in suite total to the subject property. These properties showed a range for the GIM from 10.43 to 10.63 (subject 10.43). The Respondent cited this as evidence that the subject property has been assessed equitably with similar properties.

[16] The Respondent questioned the validity of the Complainant's Comparable Sales for GIM Analysis, noting that the many of the sales were not valid. Of the twenty sales, five were part of a portfolio sale, two were buildings sold together, two were condo sales, one was post-facto, two were older and in poor condition. In support of this position the Respondent quoted the International Association of Assessing Officers Standard on Verification and Adjustment of Sales.

[17] The Respondent emphasized that the three significant variables used to arrive at the GIM are: Building Type, Effective Year Built and Market Area. The comparable properties presented by the Complainant differed from the subject only in the aspect of Effective Year Built. As they are all older than the subject the Respondent argued that they are not reliable indicators of value when compared to the subject.

[18] In response to the Complainant's rebuttal, the Respondent noted that the average assessment per suite of $101,361 portrayed in the chart is within 5% of the assessment of the subject property of $103,950 and does not support a reduction in the assessment.

[19] The Respondent also entered a recent Edmonton CARB decision (2014 ECARB 01137) that ruled against a similar argument to that made by the Complainant in this case.

[20] In summation, the Respondent rejected the Complainant's valuation of $90,000 per suite as an estimate with no basis in evidence. He further noted that some of the comparable properties used by the Complainant were older and outside the market area of the subject.

[21] The Respondent further argued that the use of the CMHC chart to adjust the GIM for the Complainant's comparable properties is flawed as the chart is for all types of multi-residential properties and not exclusively for low-rise apartments like the subject.

[22] The Respondent concluded that the assessment of the subject property is fair and equitable and at market value as of July 1, 2013 and request the Board to confirm the 2014 assessment for the subject property at $2,382,500.

Decision

[23] The decision of the Board is to confirm the 2014 assessment of the subject property at $2,382,500.

Reasons for the Decision

[24] The Board recognizes the GIM approach used by the City to value multi-unit rental properties. The approach uses a standard mass appraisal valuation model that takes into account property variables such as suite size and mix, condition, effective year built, and market area. The information gathered by the City to establish the model indicates that effective year built, building type, and market area are the most significant variables driving differences in value. Again, the Board recognizes this approach as standard mass appraisal practice which is required for assessment purposes.

[25] The Complainant also recognized the GIM approach but felt that suite size and mix should be the most significant variables.

[26] The Board reviewed 19 properties listed by the Complainant as comparable to the subject property. The Board finds that while market areas and building type for the comparables were similar to the subject, there were considerable differences in effective year built between the subject and the comparables. The Board accepts effective year built is a significant variable in the GIM approach. As a result, the Board gave little weight to this evidence as the subject property is considerably newer than the comparables provided by the Complainant.

[27] There were also differences in the mix and size of suites, with the comparables generally being superior to the subject in that regard. Although the Complainant felt that this difference should be a significant factor in the assessment of multi-unit properties, the method used by the City gives a lower priority to this factor and a higher priority to age. The Board finds suite size and mix are less significant variables in this GIM approach and gave little weight to this argument.

[28] The Board then reviewed the adjusted GIMs associated with the 19 properties. The adjustments appeared to coincide with GIMs from third party (Network) documents and some were further modified by a CMHC chart of apartment rents for the Edmonton area. There was no further analysis provided in terms of how the CMHC chart was used to adjust the GIMs of the 19 properties or how this information led to an estimate by the complainant that a per suite value for the subject property should be $90,000 rather than the assessed per suite value of $99,271.

[29] The Board reviewed the sale and equity comparables provided by the Complainant. The Board was not persuaded by the Complainant's arguments that "economies of scale" and suite mix differences between the subject and the comparables should provide a lower GIM and a lower assessment because the comparables were generally older than the subject and some were outside the market area. Again there was no further analysis as to how this information led to an estimated GIM of 9.50 nor how the information led to a per suite estimated value of $90,000.

[30] The Board gave most weight to the comparable property sales and comparable property assessments provided by the Respondent as they were from the same market area and close to the subject in effective year built. The GIM used to assess the subject was shown to be within the range of GIMs resulting from the sales of comparable properties and the within the range of GIMs used in the assessment of similar properties. It was noted, however, that the Respondent's sale comparable #4 was not as reliable because it involved a multi building property and likely needed an effective age adjustment. The Board gave no weight to this comparable.

[31] The Board also reviewed a rebuttal document from the Complainant which critiqued the Respondent's sales comparables. The Board noted that the assessed value per suite of these sales was from $96,143 to $113,667 and that the subject per suite assessment of $99,271 fell within the range and supported the 2014 assessment of the subject property.

[32] For the reasons outlined above the Board did not find compelling evidence to adjust the assessment of the subject.

Dissenting Opinion

[33] There were none.

Heard August 18, 2014.
Dated this 9th day of September, 2014, at the City of Edmonton, Alberta.

Harold Williams, Presiding Officer

Appearances:

James Phelan
Stephen Cook
for the Complainant

Keivan Navidikasmaei
Steve Lutes
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.
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> 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.

Exhibits

C-1	Complainant's Brief
C-2	Complainant's Rebuttal
R-1	Respondent's Brief
R-2	City of Edmonton Law and Assessment Brief
R-3	2014 ECARB 01137