

## Edmonton Composite Assessment Review Board

**Citation: Mainstreet Equity Corp as represented Colliers International Realty Advisors Inc  
v The City of Edmonton, 2014 ECARB 01133**

**Assessment Roll Number:** 1387372  
**Municipal Address:** 10128 161 Street NW  
**Assessment Year:** 2014  
**Assessment Type:** Annual New  
**Assessment Amount:** \$3,447,000

Between:

**Mainstreet Equity Corp as represented by Colliers International Realty Advisors Inc**  
Complainant

and

**The City of Edmonton, Assessment and Taxation Branch**

Respondent

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### DECISION OF

**Shannon Boyer, Presiding Officer**  
**Joseph Ruggiero, Board Member**  
**Taras Luciw, Board Member**

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### Procedural Matters

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

[2] The Respondent carried forward comments relative to mass appraisal from roll 2748036 and the overview of deriving Gross Income Multipliers (GIM) from Exhibit R-2, the Law and Assessment Brief.

### Background

[3] The subject property is a four storey 24 suite multifamily walk up, located at 10128 – 161 Street NW with an effective year built of 1978. The subject property is unique in that it also contains 5,391 square feet of commercial space, but that portion of the assessment, \$797,000, is not disputed. The 2014 assessment is \$3,447,000 and \$2,650,000 is under appeal.

### Issue

[4] Is the assessment of the subject property excessive when compared to the time adjusted sale price of similar properties and their respective GIM?

### Position of the Complainant

[5] The Complainant appealed the assessment based on an analysis of comparable properties and their respective assessment per suite, GIMs and comparable sales. In support, the Complainant presented the Board with briefs and oral evidence.

[6] The Complainant presented a chart of 7 equity comparables illustrating the assessment per suite range from \$82,028 to \$116,389, averaging \$103,324 compared to the subject at \$110,417. After undisclosed adjustments for differences between the average of the comparable properties and the subject property, it was suggested that the subject should have an assessment of \$104,000 per suite. This results in an assessment of \$3,293,000, inclusive of the commercial portion.

[7] The Complainant provided a list of 5 comparable properties whose assessed GIM averaged 9.97, while the subject property was assessed using a GIM of 10.48. Based on this chart, the Complainant suggested applying a 10.00 GIM, which results in an assessment of \$3,325,500, inclusive of the commercial portion.

[8] The Complainant presented a table containing 49 multi-family properties that sold between January, 2012 and September, 2013. The GIM averaged 10.07 and the adjusted GIM averaged 9.40. The Complainant again proposed a GIM of 10.00 which results in an assessment of \$3,325,500, inclusive of the commercial portion.

[9] The Complainant requested a reduction of the assessment to \$3,293,000.

### **Complainant's Rebuttal**

[10] The rebuttal included a map showing the location of the Complainant's sale and equity comparable properties in response to the Respondent's claim that the comparables were in inferior locations.

[11] The Complainant addressed the Respondent's Law Brief wherein the mixing of "actual" and "typical" was addressed. The Complainant detailed monthly rents from the CMHC rental market report, applied them to the subject and compared them to the respondent's potential gross Income (PGI) as shown in the assessment detail report. The annual rent based on CMHC rents totaled \$269,424 compared to the Respondent's PGI of \$260,692. The Complainant concluded that the rental rates provided in the Assessment Detail Report are within a reasonable threshold to be considered market rates. Therefore, the application of the GIM as presented in the Complainant's disclosure is warranted and correct.

[12] The Complainant also challenged the Respondent's sales comparables on the basis that the majority of them are currently under appeal.

### **Position of the Respondent**

[13] The Respondent submitted evidence defining mass appraisal, comparable sales and equity comparables as support for the position that the assessment is correct. The evidence included an overview of Mass Appraisal and its approaches, definitions and variables.

[14] The Respondent presented 5 sales comparables located in market area 5 which occurred between March, 2011 and March, 2013. The sales ranged in price from \$100,496 to \$108,151 (time adjusted) per suite, with an average of \$103,959, compared to the subject's assessment of \$110,416. The GIM ranged from 10.09 to 11.74, averaging 10.67 compared to the subject at 10.48. The properties ranged in size from 10 to 24 units, compared to the subject with 24 units.

[15] The Respondent submitted a chart with 14 equity comparables, all located in market area 5, all in average condition and built between 1973 and 1983, with 12 to 44 units. The

assessments ranged from \$94,750 to \$116,666 and the GIMs ranged from 10.23 to 10.73. The subject is in the upper range of the equity comparables at \$110,416.

[16] The Respondent critiqued the Complainant's equity comparables and noted 4/7 properties are not within the same market area as the subject property. As well, the Complainant used an average GIM, taken from a third-party source, and argued that it should be applied to the Respondent's effective potential gross income resulting in a lower assessment. Using a GIM from one source and applying it to the rent from another source is a gross error and not an appropriate method of valuation.

[17] The Respondent also addressed the Complainant's 49 sales comparables and described numerous properties as located in inferior locations to the subject. A number of them are condo properties and thus not comparable as they are assessed on the direct sales approach with no GIM. As well, the Complainant made no adjustments to any of the comparables, but instead simply averaged the time adjusted sale price per suite and GIM of a wide range of unadjusted and non-comparable properties. This methodology was described as inappropriate and any results as meaningless.

[18] The Respondent requested that the Board confirm the 2014 assessment of \$3,447,000.

### **Respondent's Surrebuttal**

[19] The Respondent noted that the Complainant argued that third-party GIMs are equal to market GIMs while claiming that the Respondent's are not equal to market. However, the Complainant did not explain why.

[20] The Respondent also noted that third-party sources will all have different GIMs from the same sale because each source derives the GIM using different methodologies to estimate income. The Complainant asked the Board to use a Network (third-party data source) GIM derived using Network's income, and then apply this to the Respondent's income. This, in the Respondent's view, is not valid methodology.

### **Decision**

[21] The Board confirms the 2014 assessment of \$3,447,000.

### **Reasons for the Decision**

[22] The Board is not convinced that the assessment is inequitable based on the Complainant's equity assessment per suite analysis. While the year built and the number of suites was similar to the subject, two important variables were not, being location and suite mix. The difference in the subject's assessed price per suite and the average assessment per suite of the equity comparables may narrow substantially if adjustments were made for these and other variables such as suite size and balconies.

[23] The Board does not accept applying an average price per suite to the subject when some of the comparables used to determine the average are clearly inferior to the subject. In the Board's view, the most similar property, 9535 – 156 Street, is assessed at \$110,487 compared to the subject at \$110,417. The data in the Complainant's equity chart leads the Board to conclude that the subject's assessment is appropriate and equitable.

[24] The Board accepts the Respondent's explanation that determining market value for assessment purposes by applying an average GIM from unadjusted properties in dissimilar locations is not an appropriate method of valuation.

[25] The Board acknowledges that the Respondent cannot or is unwilling to share GIM and typical rent data with the Complainant, however, there was no evidence that third-party providers of data have a consistent and accepted method of collecting data specifically for use in mass appraisal, as legislated. The error is compounded when the GIM is adjusted using more third-party data, which is not collected and adjusted for the purpose of mass appraisal, as legislated. Further, the process followed and the discretion used to adjust the GIM is unknown and is therefore, unreliable.

[26] The Board gave little weight to the Complainant's sales comparables, which were the basis for the GIM comparison analysis, as they are too dissimilar to the subject in their age, location and suite number and they were not adjusted. Important variables such as suite mix are unknown. The Board is of the view that the correct application of the direct sales approach is to select the most comparable sales and to apply market derived adjustments to account for variance where characteristics differ between the subject and the comparable sales.

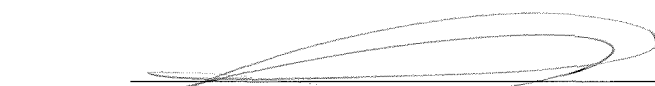
[27] The Board does not accept the Complainant's argument that the assessment is excessive because it's GIM is .83 higher than the average assessed GIM of 5 walk-ups in 3 neighborhoods. The Board questions the comparability of these properties in terms of location, number of suites and suite mix. The Board does not accept the application of the average of dissimilar properties as the basis for determining market value of the subject.

**Dissenting Opinion**

[28] There was no dissenting opinion.

Heard July 14, 2014.

Dated this 7 day of AUG, 2014, at the City of Edmonton, Alberta.

  
Shannon Boyer, Presiding Officer

**Appearances:**

Stephen Cook  
for the Complainant

Amy Cheuk  
Paul Harper, Assessor  
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.

### Exhibits

1. Complainant’s Brief, C-1, 42 pages
2. Complainant’s Rebuttal, C-2, 30 pages
3. Respondent’s Brief, R-1, 88 pages
4. Respondent’s Law and Assessment Brief, R-2, 81 pages
5. Respondent’s Surrebuttal, R-3, 4 pages