Edmonton Composite Assessment Review Board

Citation: Mainstreet Equity Corp as represented by Colliers International Realty Advisors Inc v The City of Edmonton, 2014 ECARB 01134

Assessment Roll Number:	2748036
Municipal Address:	11124 124 Street NW
Assessment Year:	2014
Assessment Type:	Annual New
Assessment Amount:	$1,716,500

Between:

Mainstreet Equity Corp as represented by Colliers International Realty Advisors Inc

Complainant

and

The City of Edmonton, Assessment and Taxation Branch

Respondent

DECISION OF
Shannon Boyer, Presiding Officer
Joseph Ruggiero, Board Member
Taras Luciw, Board Member

Procedural Matters

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

Preliminary Matters

[2] There were no preliminary matters.

Background

[3] Known as Sunshine Mills, the subject property is a 2.5 storey walk up located at 11124 - 124th Street in the Inglewood neighborhood, Market Area 4. The subject has an effective year built of 1950 and has 20 suites in two adjoining buildings. The subject property is assessed under the income approach and the 2014 assessment is $1,716,500.

Issue

[4] Is the 2014 assessment of the subject property at $1,716,500 appropriate and equitable?

Position of the Complainant

[5] The Complainant filed this complaint on the basis that the subject property's assessment of $1,716,500 exceeds market value and in support of this position, the Complainant presented briefs and oral evidence.

[6] The Complainant stated that the subject sold in November 2012 for $1,569,934. Using the Respondent's time adjustment factor, the time adjusted sales price as of July 2013 is $1,601,000.

[7] The Complainant presented a chart of twelve sales comparables from the northwest quadrant that sold between January 2012 and September 2013. The Complainant calculated the simple average of the twelve time adjusted sales prices (TASP), resulting in $78,932 per suite. Comparing this to the subject's TASP of $80,051 per suite and to the subject's 2014 assessment of $85,825 per suite, the Complainant concluded that the subject is over-assessed by $6,893 per suite. The Complainant argued that the average TASP of the twelve comparables supported an assessment of $1,578,500.

[8] Using the same comparables, the Complainant calculated the assessment to sales ratio (ASR) for each and concluded that there is an average over-assessment of 11% on the 12 comparables. He argued that being from the same quarter of the city, the subject is also over assessed at the same rate of 11%. If the subject's assessment was reduced to correct the 11% overvaluation, it would result in a valuation of $77,320 per suite and the proposed assessment of $1,546,000.

[9] Upon questioning by the Respondent, the Complainant agreed that the subject sale was part of a 10 property portfolio sale, however, he denied that the purchase price was discounted. In rebuttal, the Complainant provided a chart of 9/10 of the properties, accounting for $17,000,000 of the total sale price of approximately $20,000,000 and which allocated $1,601,000 to the sale of the subject.

Position of the Respondent

[10] The Respondent cautioned the Board that the subject sale was part of a multi-parcel portfolio transaction involving ten properties. The Respondent explained that multi-parcel portfolio purchases result in economies of scale to purchasers as properties usually sell for substantially lower than market value. In this case, the portfolio was sold as whole for approximately $20 million, however, the allocation of the $20 million purchase price to each property is unknown. The Respondent does not consider the subject sale to be a valid sale for assessment purposes.

[11] The Respondent presented a chart of 50 valid sales in Market Areas 2, 4 and 5A from July 2010 to May 2013. Of these sales, 9 were from Market Area 4, like the subject, and had TASPs per suite ranging from $91,408 to $170,435. This supports the assessment of the subject at $85,825 per suite.

[12] The Respondent presented a chart of equity comparables consisting of 21 average condition 2.5 story properties, located in Market Area 4. The number of suites range from 9 to 20 with the subject at 20 suites. The effective year build ranged from 1950 to 1960 with the subject at 1950. The average assessment per suite ranged from $86,272 to $102,583, compared to the subject with an assessment per suite of $85,825.

[13] The Respondent argued that the Complainant's methodology used in the direct sales comparison approach was flawed because it used the simple average TASP from the average TASP per suite of the twelve comparables. The direct sales comparison approach requires selecting comparable sales and then adjusting each comparable for differences. The Complainant has not adjusted for differences in characteristics with the subject. For these reasons, the Respondent argued the results from the Complainant's analysis are meaningless.

[14] The majority of the Complainant's comparables are located in inferior locations to the subject. The Respondent argued that only one of the Complainant's properties, 11503 – 109 Avenue, from a different Market Area, could be considered as a comparable. This property has a TASP of $91,500 per suite and an average assessment of $88,775 per suite, both of which are substantially higher than the subject's assessment at $85,825 per suite.

Decision

[15] The decision of the Board is to confirm the 2014 assessment of the subject at $1,716,500.

Reasons for the Decision

[16] The Board is not persuaded that the sale of the subject in November 2012 was valid for assessment purposes. The Board cannot rely on the sale price because the Complainant failed to present all the details of the sales transaction, including the total portfolio sale price, the apportionment of the sale price between all ten properties in the portfolio sale, and supporting documentation.

[17] The Board agrees that the accepted 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. The Board references the assessment authority presented by the Respondent in support of this methodology. The Board does not accept the methodology of determining market value using the average of unadjusted sales.

[18] The Board reviewed the Complainant's and the Respondent's sales comparables and sales sheets. The Board placed less weight on the Complainant's sales comparables for the reasons that, while both the Complainant and the Respondent presented sales outside the subject's market area, six of the Complainant's 12 sales were located in inferior locations, two were condominiums which cannot be used as sales comparables for apartment buildings, and one was sold as part of a multi-parcel transaction. The three other comparables had TASPs per suite that supported the subject's valuation. The Board also had concerns with the age and number of suites of several of the sales comparables.

[19] The Respondent did not adjust its sales comparables for individual characteristics either. However, the Board accepts the Respondent's explanation that the Respondent determined the market value of the subject using the income approach to value, and the Respondent's sales comparables were presented as a test of its assessment and as a challenge to the Complainant's sales comparables. The Board finds that the Respondent was able to produce sales closer in location and more similar in characteristics to the subject than those presented by the Complainant. The Board placed more weight on the Respondent's sales comparables as they were more similar to the subject in providing support for the 2014 assessment.

[20] The Board is not convinced that walk up properties similar to the subject are over assessed by 11% on average in the northwest quadrant of the city because, in part, the Complainant's theory is based on a chart of 12 comparables, representing three market areas. The Board does not accept the Complainant's methodology of calculating market value based on adjusting the subject's assessment by 11% to bring it in line with a 1.0 assessment to sales ratio.

[21] The Board places greater weight on the Respondent's equity comparables for the reasons that the Respondent presented almost double the number of comparables and the ages and locations of the comparables are more similar to the subject. The Respondent also provided detailed information about the equity comparables such as condition, number of suites, suite-size and suite-mix, which the Board found helpful in determining comparability. The Board finds that the assessment of $1,716,500 is supported by the Respondent's equity comparables with the subject sharing the same GIM and enjoying the lowest assessment per suite of all the comparables.

<u>Dissenting Opinion</u>

[22] There was no dissenting opinion.

Heard July 14, 2014.

Dated this 6 day of AUG, 2014, at the City of Edmonton, Alberta.

Shannon Boyer, Presiding Officer

Appearances:

Stephen Cook
James Phelan
for the Complainant

Amy Cheuk, Legal Counsel
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, 59 pages
2. Complainant's Rebuttal, C-2, 34 pages
3. Respondent's Brief, R-1, 85 pages
4. Respondent's Surrebuttal, R-2, 4 pages