



ASSESSMENT REVIEW BOARD

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NOTICE OF DECISION NO. 0098 179/11

CVG
1200-10665 Jasper Avenue
Edmonton, AB T5J 3S9

The City of Edmonton
Assessment and Taxation Branch
600 Chancery Hall
3 Sir Winston Churchill Square
Edmonton AB T5J 2C3

This is a decision of the Composite Assessment Review Board (CARB) from a hearing held on August 22, 2011, respecting a complaint for:

Roll Number	Municipal Address	Legal Description	Assessed Value	Assessment Type	Assessment Notice for:
6792105	14505 - 92 Street NW	Plan: 5247RS Block: 36 Lot: 2A	\$7,932,000	Annual New	2011

Before:

Larry Loven, Presiding Officer
Judy Shewchuk, Board Member
Ron Funnell, Board Member

Board Officer: Nicole Hartman

Persons Appearing on behalf of Complainant:

Peter Smith, CVG

Persons Appearing on behalf of Respondent:

Amy Murphy, City of Edmonton - Observer
Meghan Richardson, City of Edmonton, Assessor
Steve Lutes, City of Edmonton, Law Branch

PRELIMINARY MATTERS

Upon questioning by the Presiding Officer, the parties present indicated no objection to the composition of the Board. In addition, the Board members indicated no bias with respect to this file.

BACKGROUND

The subject property is a two building, 81 suite apartment complex built in 1972. It comprises 9 bachelor suites, 33 one bedroom suites and 39 two bedroom suites.

ISSUE(S)

Is the 2011 assessment of the subject property at \$7,932,000 fair and equitable?

LEGISLATION

Municipal Government Act, RSA 2000, c M-26

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

The Complainant submitted a 22-page evidence package (Exhibit C-1) with five sales comparables, three of which were from market area 12, as is the subject. Based on his analysis of the data from his three best comparables the Complainant suggested that a gross income multiplier (GIM) of 9.5 and a capitalization rate (cap rate) of 7.25% be applied to the subject.

The Complainant conceded that the Respondent's 4% vacancy rate, potential gross income (PGI) of \$857,472, and typical expenses of \$3,600 per suite were appropriate.

First, the Complainant applied the 7.25% cap rate to his net operating income of \$531,573 arriving at a value of \$7,332,000.

Secondly, applying the same cap rate of 7.25% to the actual net income of \$427,903 for 2009 results in a value of \$5,903,000.

Thirdly, applying the same cap rate of 7.25% to the actual net income of \$385,225 for 2008 results in a value of \$5,313,000.

Fourthly, the Complainant applied his GIM of 9.5 to the Respondent's effective gross income of \$823,173 to arrive at a value of \$7,820,000.

Fifthly, the Complainant extracted a figure of \$671,460 from the June 2010 rent roll and deducted a 4% vacancy to arrive at an effective gross income of \$644,602. From this figure he deducted typical expenses of \$291,000 (\$3,600/suite) to arrive at an adjusted net operating income of \$353,002. He then applied his cap rate of 7.25% to arrive at a value of \$4,869,000.

Sixthly, the Complainant applied his GIM of 9.5 to his annualized 2010 rent roll (or effective gross income) of \$644,602 to arrive at a value of \$6,124,000.

Finally, the Complainant requested that the Board place most weight on the cap value of the 2009 actual income and reduce the assessment to \$6,000,000 or \$74,074 per suite.

The Complainant criticized the Respondent's sales comparables reasons including that none were in the same market area as the subject property, and were superior in attributes. The Complainant asked the Board to disregard the Respondent's equity comparables as the Complainant disagrees with the Respondent's methodology.

POSITION OF THE RESPONDENT

The Respondent provided a 124 page 2011 Assessment Brief (Exhibit R-1) containing six sales comparables (R-1, p.49). The brief included Network's information on the six comparables (R-1, p.47) as well as Anderson Data Online information on the same six sales comparables (R-1, p.48).

The Respondent's information regarding its sales comparables included attributes regarding location, size, effective age built, condition, suite mix, GIM, cap rate and sale price. The time adjusted sale price per suite of the Respondent's comparables ranged from \$90,000 to \$145,000.

Also included in the Assessment Brief were thirty-one assessment equity comparables including the subject.

The Respondent spoke to the City of Edmonton Income (SPSS) Detail report (R-1, p. 24) which featured a Potential Gross Income of \$857,472, a vacancy allowance of 4%, \$34,298 and an effective potential gross income of \$823,173. Application of the Respondent's Gross Income Multiplier of 9.6361 produced a 2011 Assessment of \$7,932,000 or \$97,925 per suite.

The Respondent explained that the model uses actual sales information to arrive at typical values.

The Complainant's comparison of its sales comparables to the subject property (R-1, p.51) featured an average suite rent per month. The Complainant's sales comparables average rent per month ranged from \$806 to \$1054 per month. The subject's average rent per month was indicated as \$690 which the Respondent maintained was below market rent.

When reviewing the Complainant's favoured sales comparables #2, #3 & #4 the Respondent pointed out that sales #3 and #4 were motivated sales and not indicative of market value. Further the Complainant's rental income statements (R-1, p. 11-12) were un-audited and should not be used. Also, the Complainant had provided a June 2010 rent roll of the subject property which was not annualized.

The Respondent submitted that the Complainant's evidence was inconsistent and the sales comparables were not time adjusted.

DECISION

The decision of the Board is to confirm the original assessment of \$7,932,000.

REASONS FOR THE DECISION

The vacancy rate of 4% for the subject party was accepted by both the Complainant and the Respondent.

The Board finds that the capitalization rate of 7.25%, with adjustments to the net operating income, deemed to be appropriate by the Complainant to support a market value lower than the assessment, was not supported by the sales comparables provided by either the Complainant or the Respondent. The Board notes the Complainant used the same sales comparables to determine the requested GIM.

The Board notes that the Complainant's GIMs were from a third party source and the Respondent's determined by their model, and finds that the Gross Income Multipliers (GIMs) for the sales comparables given by the Complainant were somewhat lower than those given by the Respondent. Furthermore, the Respondent provided the Network and Anderson data sheets for each of their sales comparables (R-1, pages 47-49; and, reproduced in R-2) to illustrate that there are discrepancies in their published GIM and cap rates even on the same sale. As a result, the Board placed little weight on one or the other and relied upon the Direct Comparison Approach using the time-adjusted sale price per suite, rather than value as determined by various effective gross income, cap rate and GIM factors.

The Board finds that a comparison of the characteristics of the Complainant's four sales comparables and the Respondent's six sales comparables, summarized in the following table, provides the Board with little evidence to support the requested reduction.

Variable	Complainant Min.	Complainant Max	Subject (Assessed)	Respondent Min	Respondnet Max
Effective Age	1968	2002	1972	1964	2003
BuildingType	Low Rise	Low Rise	Low Rise	Low Rise	Low Rise
% Suite Mix (B;1-B;2-B;3-B)	(0;68;32;0)	(0;26;74;0)	(11;41;48;0)	(18;55;29;0)	(0;14;86;0)
# Suites	12	192	81	40	156
# Stories	2.5	4	2.5	2.5	4
TASP/Suite	\$81,250	\$125,000	\$97,925	\$90,000	\$145,000
GIM	8.75	11.60	9.6361	9.4	12.23
Cap Rate (%)	6.46	7.19		5.60	7.09

In its consideration of the above reasons, the Board finds the subject property to be fairly and equitably valued at \$ 97,925 per suite or \$7,932,000.

DISSENTING OPINION AND REASONS

There were no dissenting opinions.

Dated this 19th day of September, 2011, at the City of Edmonton, in the Province of Alberta.

Larry Loven, Presiding Officer

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.

cc: K. Hansen Masonry Ltd.