



## ASSESSMENT REVIEW BOARD

Churchill Building  
10019 103 Avenue  
Edmonton AB T5J 0G9  
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### NOTICE OF DECISION      NO. 0098 180/11

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:
5207634	140 Harrow Circle NW	Plan: 4907TR Block: 13 Lot: 1	\$9,555,500	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:**

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

## **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 95 suite apartment complex built in 1978 and located in northeast Edmonton. It contains 48 one bedroom suites, 36 two bedroom suites, and 11 three bedroom suites.

## **ISSUE(S)**

Is the 2011 assessment of the subject property at \$9,555,500 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 15 page evidence package (Exhibit C-1) with five sales comparables, #5 of which was a re-sale of #3. Based on his analysis of the data from his comparables the Complainant suggested that a gross income multiplier (GIM) of 9.5 and a capitalization rate (cap rate) of 7.0% be applied to the subject.

The Complainant conceded that the Respondent's 4% vacancy rate, potential gross income (PGI) of \$1,016,447 and typical expenses of \$3,600 per suite were appropriate.

First, the Complainant applied the 7.0% cap rate to the Respondent's calculation of net operating income of \$633,789 arriving at a value of \$9,0545,000.

Secondly, applying the same cap rate of 7.0% to the actual net income of \$567,359 for 2010 (C-1, p. 11) results in a value of \$8,105,000.

Thirdly, applying the same cap rate of 7.0% to the actual net income of \$668,758 for 2009 (C-1, p. 11) results in a value of \$9,554,000.

Fourthly, the Complainant applied his GIM of 9.5 to the Respondent's effective PGI of \$975,789 to arrive at a value of \$9,270,000.

Finally, the Complainant requested that the Board place most weight on the capitalized value of the 2010 actual income and reduce the assessment to \$8,500,000.

## **POSITION OF THE RESPONDENT**

The Respondent provided a 124 page 2011 Assessment Brief (Exhibit R-1) containing six sales comparables (R-1, p. 50). The brief included Network's information on the six comparables (R-1, p. 48) as well as Anderson Data Online information on the same six sales comparables (R-1, p. 49). Pages 48 - 50 of R-1 were reproduced and submitted as R-2.

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 (R-1, p. 51).

The Respondent spoke to the City of Edmonton Income (SPSS) Detail report of the subject property (R-1, p. 26) which featured a Potential Gross Income of \$1,016,447, a vacancy allowance of 4% or \$40,657 and an effective potential gross income of \$975,789. Application of the Respondent's Gross Income Multiplier of 9.79282 produced a 2011 Assessment of \$9,555,500 or \$100,584 per suite.

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

When reviewing the Complainant's favoured sales comparables #2, #3, #4, and #5 the Respondent pointed out that sales #3 and #4 were motivated sales and not indicative of market value.

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 assessment at \$9,555,500.

## **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 7.0%, 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 the Respondent. The Board notes that 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.

<b>Variable</b>	<b>Complainant Minimum</b>	<b>Complainant Maximum</b>	<b>Subject (Assessed)</b>	<b>Respondent Minimum</b>	<b>Respondent Maximum</b>
<b>Effective Age</b>	1973	2002	1978	1964	2003
<b>% Suite Mix (B;1-B;2-B;3-B)</b>	(0;68;32;0)	(0;42;52;6)	(0;50;39;11)	(18;55;29;0)	(0;14;86;0)
<b># Suites</b>	12	192	95	40	156
<b># Stories</b>	2.5	4	3.5	2.5	4
<b>SP/Suite</b>	\$81,250 (non TA)	\$125,000 (non TA)	\$100,584	\$90,000 (TA)	\$145,000 (TA)
<b>GIM</b>	9.04	11.60	9.79282	9.4	12.23
<b>Cap Rate (%)</b>	6.46	7.42		5.60	7.09

Furthermore, the Board finds that the Respondent's proforma, based on the actual income of the subject property, supports the assessment.

In its consideration of the above reasons, the Board finds the subject property to be fairly and equitably valued at \$100,584 per suite or \$9,555,500.

## **DISSENTING OPINION AND REASONS**

There were no dissenting opinions.

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

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Larry Loven, Presiding Officer

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*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.*

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cc: GOLD BAR DEVELOPMENTS LTD.