

NOTICE OF DECISION NO. 0098 211/12

Canadian Valuation Group
1200-10665 Jasper
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 27, 2012, respecting a complaint for:

Roll Number	Municipal Address	Legal Description	Assessed Value	Assessment Type	Assessment Notice for:
2682250	13416 109 Avenue NW	Plan: 3751HW Block: 1 Lot: 16 / Plan: 3751HW Block: 1 Lot: 17 / Plan: 3751HW Block: 1 Lot: 18	\$1,518,500	Annual New	2012

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: 424363 ALBERTA LTD.

Edmonton Composite Assessment Review Board

Citation: CVG v The City of Edmonton, 2012 ECARB 2097

Assessment Roll Number: 2682250
Municipal Address: 13416 109 Avenue NW
Assessment Year: 2012
Assessment Type: Annual New

Between:

CVG

Complainant

and

The City of Edmonton, Assessment and Taxation Branch

Respondent

DECISION OF
Robert Mowbrey, Presiding Officer
Petra Hagemann, Board Member
Brian Frost, Board Member

Preliminary Matters

[1] Upon questioning by the Presiding Officer, the parties indicated they had no objection to the composition of the Board. In addition, the Board members stated they had no bias on this file.

Background

[2] The subject property is a 15 unit row (townhouse) development located in the North Glenora neighborhood of west central Edmonton, one of four similar properties known collectively as Glenora Patio Homes. They are located proximate to one another and operated as one asset, though separately titled and assessed. The subject property, located at 13416 – 109 Avenue NW, was built in 1953 and, save, for normal maintenance, is in as-built condition. The condition is classed as “fair”. The units all contain 2 bedrooms and comprise an average of 120 square metres plus a full basement. The 2012 assessment of the subject is \$1,518,500.

Issue

[3] While the Complaint Form expressed several issues, the parties confirmed there was only one issue applicable to this complaint:

Is the Gross Income Multiplier (GIM) too high, resulting in too high an assessment?

Legislation

[4] The *Municipal Government Act* reads:

Municipal Government Act, RSA 2000, c M-26

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.

Position of the Complainant

[5] It was the position of the Complainant that the Assessment was excessive due to the use of too high a Gross Income Multiplier (GIM). In support, the Complainant provided a brief, entered into evidence as Exhibit C-1.

[6] Included within the evidence were eight sales in the subject’s Market Area 4 (Exhibit C-1, pages 9 - 16), which were summarized in table form in Exhibit C-1, page 2. The GIM’s for those sales ranged from 8.71 to 11.06, averaged 9.90 and reflected a median of 9.92.

[7] The Complainant explained that the ages of the comparable sales ranged from 1963 to 1970 and averaged 1967. Given the subject was effectively (and actually) aged 1953, the Complainant stated the GIM found in the comparables could correctly be reduced by a factor of 0.030996 per year of age differential between the comparables’ average age and that of the subject. This would result in a reduction of the average and median GIMs to 9.47 and 9.49 respectively.

[8] The Complainant summarized in Exhibit C-1, page 3, the GIM’s used by the Respondent in assessing eight townhouse properties located in market areas other than the subject’s Market Area 4. The GIM’s ranged from 9.38 to 9.94 and averaged 9.73 compared to the subject’s 9.97. All had newer effective ages. Applying the age factor of 0.030996 per year would result in evidence suggesting that a GIM of 8.85 would be most appropriate in assessment of the subject property.

[9] Based on this, the Complainant requested that the Board decrease the 2012 assessment for the subject property to \$1,363,500; the result of applying a 8.95 GIM to the City's Effective Gross Income of \$152,372.

Position of the Respondent

[10] It was the position of the Respondent that the subject property's assessment was both fair and equitable. In support, the Respondent provided the following evidence:

- a. a brief, (Exhibit R-1);
- b. a brief entitled *Errors Inherent in Mixing and Matching City GIM's/Incomes with Third Party GIM's/Incomes* (Exhibit R-2); and
- c. a Law and Legislation brief, (Exhibit R-3).

[11] The Respondent stated that it researched every sale and reconstituted income data for each sale to "typical" to arrive at the resultant GIM. This ensured data was formed from all sales in a consistent manner. It stated that mixing outside data, be it data from Network, Anderson, Bourgeois or any other third party source, with City Income or other City data, would be contrary to findings and conclusions in its Exhibit R-2.

[12] On page 48 of Exhibit R-1 the Respondent listed eleven low rise sales comparables, seven of which were in Market Area 4 and the similar and adjacent Market Area 2, and four of which were in Market Area 4 and on 124 Street. The Respondent considered the most comparable to the subject while latter were provided to illustrate comparable low rise sales more consistent with the location of those provided by the Complainant. The GIM's for the first seven ranged from 9.66 - 10.71 and reflected a median of 10.35 while the set of four showed a range of 8.87 – 10.08 and reflected a median of 9.92. Two of each set were used by the Complainant in its submission however, the Respondent explained that the resultant GIM was different from the Complainant's because the Respondent applied typical Gross Income and vacancy in its derivation of Potential Gross Income (PGI) rather than an amalgam of actual and Network/Anderson/Bourgeois data as used by the Complainant. The Respondent in its Exhibit R-1, pages 49 – 55, displayed its own reconstituted data sheets for the first seven sales comparables.

[13] The Respondent provided 14 equity comparables, four of which were the four Glenora Patio Homes properties. The GIM for each of these four, and an additional average quality property that was 3-years newer, was 9.96658. The GIM was greater on the remaining nine comparables, all newer and in better condition than the subject property. The Respondent stated this confirmed the GIM of 9.97 for the subject property is correct, fair and equitable.

[14] Based upon the evidence presented, the Respondent requested the Board confirm the assessment.

Decision

[15] The decision of the Board is to confirm the 2012 assessment of the subject at \$1,518,500.

Reasons for the Decision

[16] The Board reviewed the Respondent's Exhibit R-2 in detail pertaining to the derivation and application of GIM in the valuation of an income producing property. The Board is mindful that the subject property, while townhouse in design, is somewhat unique inasmuch as the monthly rents are inclusive of utilities (except power). This is similar in nature to apartment style properties, whereas most townhouse units separately meter all utilities which are then paid directly by the tenant. The result is that the Effective Gross Income (EGI) for the subject should not correctly be compared to townhouse properties but rather should be compared to apartment properties. The Board is particularly drawn to Exhibit R-2, page 3, paragraph 4, which states,

In developing an income or rent multiplier, it is essential that the income or rent of the properties used to derive the multiplier is comparable to that of the subject and that the specific multiplier derived be applied to the same income.

This message is reiterated in the first paragraph on page 26 of Exhibit R-2, boxed and highlighted in an excerpt from *The Appraisal of Real Estate, Second Canadian Edition*, the Appraisal Institute of Canada's own publication.

[17] The Board considered the Respondent's evidence (Exhibit R-1, pg 56) regarding equity comparables for townhome properties in the subject's Market Area 4. The Board noted the subject's GIM and assessment per suite is lowest of all properties listed. The Board is however mindful of the comparable listed immediately below the subject, located in Woodcroft at 13535 – 115 Ave. The property is effectively three years newer than the subject, and in average condition while the subject is fair, yet the GIM is the same as that for the subject. The Board however is not provided with evidence to suggest there was a difference in income derivation, (see paragraph 15 above) for that or any of the other comparable assessments that would reduce the GIM for the subject.

[18] The Board considered the Complainant's position that the average and median GIM's, as drawn from the sales comparables, suggest the Respondent's applied GIM is excessive. However, the Board is satisfied by the Respondent's position that a GIM cannot be derived from averaging comparables unless the subject is "highly similar" to the sales. The Board acknowledges that there are significant differences between the subject and the comparables in terms of physical, location and investment characteristics, notwithstanding the income similarity due to inclusion of most utilities in the EGI of the subject and the comparables.

[19] The Board reviewed the GIM data provided by the Complainant in its Exhibit C-1, page 2, and noted that the primary source for the GIM data for the eight sales is Network. One sale is part of a strata titled interest, (30 of 38 units). Three are suggested as having sub market rents, two of which are adjusted by Network while the third is not. The title to this third property changed to condo title after the sale, suggesting a different motivation for the purchase. Accordingly, the Board finds the data suspect and unreliable. The remaining four sales reflect GIM's of 9.88, 10.17, 10.48 and 11.06, all supporting the subject's 9.97 GIM.

[20] The Board heard the Complainant's statement that the actual rent as disclosed in the rent roll was greater than that used by the Respondent in its assessment. The Board further heard that the Complainant presumed this was the result of the Respondent excluding utility costs from the

gross rent. The Board agreed that the Respondent's rent was not in dispute and could appropriately be utilized in the assessment calculation.

[21] The Board heard from the Respondent that the typical rent as used in arriving at the assessment was indeed inclusive of utilities. The Board agreed with the Respondent who stated any mixing and matching of rents or GIM's is not only contrary to the existing case law, it is contrary to both assessment and appraisal principles.

[22] The Board heard the Complainant's argument that the Respondent's assessment model reflects an average 0.030996 reduction in GIM for every additional year in effective age. While the Board is sympathetic to the Complainant's argument, there is no evidence to confirm that this is the case.

[23] Jurisprudence has established that the onus of showing an assessment is incorrect rests with the Complainant. The Board is satisfied that the Complainant did not provide sufficient and compelling evidence to enable the Board to form an opinion as to the incorrectness of the assessment.

Dissenting Opinion

[24] There is no dissenting opinion.

Heard commencing August 27, 2012.

Dated this 17 day of September, 2012, at the City of Edmonton, Alberta.

Robert Mowbrey, Presiding Officer

Appearances:

Tom Janzen, Canadian Valuation Group
for the Complainant

Devon Chew, City of Edmonton
Steve Lutes, City of Edmonton
for the Respondent