

NOTICE OF DECISION NO.0098 212/12

Canadian Valuation Group
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 27, 2012, respecting a complaint for:

Roll Number	Municipal Address	Legal Description	Assessed Value	Assessment Type	Assessment Notice for:
2781581	11720 - 124 Street NW	Plan: RN46 Block: 40 Lot: 5 Plan: RN46 Block: 40 Lot: 6	\$1,969,000	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: Investplus GP IV Inc.

Edmonton Composite Assessment Review Board

Citation: Canadian Valuation Group v The City of Edmonton, 2012 ECARB 1750

Assessment Roll Number: 2781581

Municipal Address: 11720 124 Street NW

Assessment Year: 2012

Assessment Type: Annual New

Between:

Canadian Valuation Group

Complainant

and

The City of Edmonton, Assessment and Taxation Branch

Respondent

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

Preliminary and Procedural Matters

[1] The parties indicated they had no objection to the composition of the Board. Each of the Board Members stated that they had no bias with respect to this complaint.

[2] During the Respondent's argument and summary, the Respondent objected to the Complainant's utilization of the owner's rent roll, as the owner's rent roll had not been disclosed to the Respondent. The Respondent advised the Board that a notice and a reminder notice had been sent to both the previous owner and the purchaser. The Respondent cited sections 294 and 295 of the *Municipal Government Act*, R.S.A. 2000, c. M-26 [MGA] which states,

294(1) After giving reasonable notice to the owner or occupier of any property, an assessor may at any reasonable time, for the purpose of preparing an assessment of the property or determining if the property is to be assessed,

- a) enter on and inspect the property,
- b) request anything to be produced to assist the assessor in preparing the assessment or determining if the property is to be assessed, and
- c) make copies of anything necessary to the inspection.

295(1) A person must provide, on request by the assessor, any information necessary for the assessor to prepare an assessment or determine if property is to be assessed.

[3] In addition, the Respondent cited the *Matters Relating to Assessment Complaints Regulation*, Alta. Reg. 310/2009 [MRAC], s.9(3) which states,

s 9(3) A composite assessment review board must not hear any evidence from a complainant relating to information that was requested by the assessor under section 294 or 295 of the Act but was not provided to the assessor.

[4] The Complainant advised the parties that it was acceptable for the Board to disregard the owner's rent roll. The Board therefore does not consider the owner's rent roll as part of the Complainant's evidence.

Background

[5] The subject property is a walk-up low rise apartment building located in Market Area 4. The subject property has an effective year built of 1970 and contains 20 suites. The condition of the subject property is average and the 2012 assessment is \$1,969,000.

Issues

[6] The Board considered the following issues:

- a. Is the Gross Income Multiplier (GIM) appropriate?
- b. Is the value per suite too high?
- c. Has the sale price of the subject property been considered in the 2012 assessment?

Legislation

[7] 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

[8] The Complainant's position was that the subject property was assessed in excess of market value. In support of this position, the Complainant presented a 21-page brief to the Board marked as Exhibit C-1.

[9] The Complainant advised the Board that the subject property was sold in March 2011, close to the valuation date (Exhibit C-1 page 18). The Complainant stated the Network documents indicated the rents were below market.

[10] The Complainant stated the City looked at three variables when establishing the inputs for the Gross Income Multiplier (GIM) model. The three variables were location, effective age and type of property (Exhibit C-1 page 2).

[11] The Complainant produced nine sale comparables that were time adjusted using the City of Edmonton's time adjustment schedule from the date of sale to the valuation date (Exhibit C-1 page 2). The average time adjusted selling price per suite was \$86,279 and the median time adjusted selling price per suite was \$85,094. In addition, the nine sales comparables had an average GIM of 9.90 and a median of 9.92, whereas the subject property has an assessed GIM of 10.21.

[12] The Complainant produced six equity comparables for the Board in which the assessment per suite averaged \$93,754, and the median assessment per suite was \$93,443. The Complainant stated that this indicated a reduction in the assessment of the subject property was warranted (Exhibit C-1 page 2).

[13] During cross-examination, the Complainant asked the Respondent if the subject property sale was included in the model and the Respondent answered in the affirmative. The Complainant further asked the Respondent if the sale of the subject property was a valid sale and the Respondent answered in the affirmative.

[14] During argument and summary, the Complainant stated the corporate strategy brought forth by the Respondent was irrelevant (Exhibit R-1 page9).

[15] The Complainant advised the Board that the key indicator was the value per suite and requested the Board to reduce the 2012 assessment of \$1,969,000 to \$1,710,000 to reflect the sale price of the subject property.

Position of the Respondent

[16] In defending its position, the Respondent provided the Board with,

- a. a 27 page assessment brief (Exhibit R-1);
- b. a 85 page brief titled *Errors Inherent in Mixing and Matching City GIM's/Incomes with Third Party GIM's/Incomes* (Exhibit R-2); and
- c. a 44 page law and legislation brief (Exhibit R-3).

[17] The Respondent explained to the Board that the subject assessment and similar assessments were valued based on the income approach using typical potential gross income (PGI), typical vacancy, and typical gross income multiplier (GIM). The income approach was the

approach of choice as it best reflected the typical actions of buyers and sellers when purchasing income-producing properties. The application of GIM to value multi-residential housing was widely used in the assessment field (Exhibit R-1 page 19).

[18] The income data from all properties responding to the request for information was analyzed to form the basis of the PGI model. Models were developed using the rental income submitted by owners through the annual Request for Information. This data was used to estimate typical figures for other parcels. The use of models incorporating different types of multi-residential properties was standard practice for income producing properties (Exhibit R-1 page 20).

[19] Sales occurring from August 2008 through June 2011 were used in GIM model development and testing. Through the review of sales, the collection action of buyers and sellers in the market place were analyzed to determine the contributory value of specific property characteristics in driving market value. Once these values were determined through the mass appraisal process, they were applied to the inventory to derive an estimate of market value. Value estimates were calculated using multiple regression analysis, which replicated the forces of supply and demand in the market place (Exhibit R-1 page 20). A GIM is defined as the factor by which income is multiplied in order to obtain an estimate of value. Simply stated, the GIM expressed the relationship between property value and potential gross income.

[20] The Respondent advised the Board that the owner's corporate strategy was to locate and acquire undervalued and undermanaged properties (Exhibit R-1 page 9).

[21] The Respondent provided an equity chart to the Board that included 14 equity comparables. The equity comparables were all low rise apartment buildings, in average condition, with a vacancy of 4% and from Market Area 4. The GIM's ranged from 10.12 to 10.25. The assessment per suite ranged from \$93,075 to \$105,833. The Respondent stated that the subject property assessment fell within the range (Exhibit R-1 page 16).

[22] During cross examination, the Respondent asked the Complainant if the subject property was used in the sales chart comparables. The Complainant answered in the affirmative and the Respondent stated that it was not appropriate to use the subject property in its sales comparables. In addition, the Respondent noted that the subject property had the lowest GIM of the sales comparables and would thus skew the results (Exhibit C-1 page 2).

[23] During cross-examination, the Respondent challenged the Complainant regarding a number of concerns with the Complainant's sales analysis. Some of the concerns were, but not limited to, a partial interest in a property was not typical, rents below market were not adjusted for, one comparable was a condo, and some comparables had vacancy issues. Finally, the Respondent indicated there was a concern in using third party data, as no information was given regarding the source of third party received that data (Exhibit C-1 page 2).

[24] During cross-examination by the Board, the Respondent advised the Board that it did not provide any sales comparables in support of the assessment.

[25] The Respondent provided the Board with a number of printouts from third party sources regarding the subject property, as well as the Respondent's own analysis of the sale. The different third party sources gave different sales data including different GIM's (Exhibit R-1 pages 10-15). The Respondent noted that this was a great illustration to show inconsistencies regarding the use of third party documents.

[26] The Respondent provided the Board with a detail sheet produced by the City respecting the sale of the subject property. The GIM was calculated at 8.87 on what considered a valid sale (Exhibit R-1 page 15).

[27] The Respondent advised the Board of the issues regarding errors inherent in mixing and matching the City's GIM's/incomes with third party sources (Exhibit R-2).

[28] The Respondent requested the Board to confirm the 2012 assessment of \$1,969,000.

Decision

[29] The decision of the Board is to reduce the 2012 assessment of \$1,969,000 to \$1,710,000.

Reasons for the Decision

[30] The Board finds the recent sale of the subject property is the best means of establishing the market value of the subject property. The sale in March 2011 occurred close to the valuation date. Both the Complainant and the Respondent agreed the sale of the subject property was a valid sale. The time adjustment factor produced by the City is 1.0, therefore there is no adjustment to be made to bring the value of the subject property to the valuation date.

[31] The Board notes the Respondent did not provide any sales comparables in defending the 2012 assessment.

[32] The Board considered the Respondent's equity comparables, but finds that the sale of the subject property, so close to valuation date, is superior evidence to the equity comparables.

[33] The Board agrees with the Respondent about the issue of including the subject property in the Complainant's sales comparable chart. This has the effect of comparing the subject property with itself and could skew the results.

Dissenting Opinion

[34] There is no dissenting opinion.

Heard commencing August 27, 2012.

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

Robert Mowbrey, Presiding Officer

Appearances:

Tom Janzen, CVG
for the Complainant

Renee Redekopp, Assessor
Steve Lutes, Legal Counsel
for the Respondent