

NOTICE OF DECISION 0098 220/12

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 28, 2012, respecting a complaint for:

Roll Number	Municipal Address	Legal Description	Assessed Value	Assessment Type	Assessment Notice for:
2917805	11425 - 132 Street NW	Plan: 7720986 Block: 17 Lot: 1	\$4,697,000	Annual New	2012
2917854	11429 132 Street NW	Plan: 7720986 Block:17 Lot:2	\$11,449,500	Annual New	2012
2917904	11405 132 Street NW	Plan: 7720986 Block:17 Lot:3	\$16,502,500	Annual New	2012
2918159	11504 St Albert Trail NW	Plan:7720986 Block:18 Lot:1	\$9,342,500	Annual New	2012
2918209	11505 132 Street NW	Plan:7720986 Block:18 Lot:2	\$7,633,000	Annual New	2012
2918258	11465 132 Street NW	Plan: 7720986 Block:18 Lot:3	\$2,335,500	Annual New	2012
2918324	11605 132 Street NW	Plan:5025HW Block:19	\$7,007,000	Annual New	2012
2918449	11564 132 Street NW	Plan:5025HW Block:20	\$9,342,500	Annual New	2012
10054328	11404 132 Street NW	Plan:5025HW Block:21	\$9,394,000	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: Osgoode Property Clearing Acct
Osgoode Properties

Edmonton Composite Assessment Review Board

Citation: Canadian Valuation Group v The City of Edmonton, 2012 ECARB 505

Assessment Roll Numbers: 2917805, 2917854, 2917904, 2918159, 2918209, 2918258, 2918324, 2918449, 10054328

Municipal Addresses: 11425 132 Street NW, 11429 132 Street NW, 11405 132 Street NW, 11504 St Albert Trail NW, 11505 132 Street NW, 11465 132 Street NW, 11605 132 Street NW, 11564 132 Street NW, 11404 132 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
Petra Hagemann, Board Member
Brian Frost, Board Member

Preliminary Matters

[1] The Parties indicated they had no objection to the composition of the Board. In addition, the Board members indicated they had no bias with this file.

[2] The Parties agreed, since the evidence was identical for nine files, that only one master file would be heard and all the evidence would be carried forward to the other eight files.

Background

[3] The subject properties are walk-up, low rise apartment buildings located in Market Area 4. The subject properties are all part of the Baywood Apartment complex.

Issues

[4] The Board considered the following issues:

1. What is the market value per suite in relation to other similar properties?
2. What is the assessed value per suite in relation to other similar properties?
3. Is the assessed Gross Income Multiplier (GIM) appropriate for the subject property?

Legislation

[5] 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

[6] The Complainant’s position was that the subject properties were assessed in excess of market value. In support of this position, the Complainant presented a 29-page brief to the Board marked as Exhibit C-1.

[7] The Complainant challenged the gross income multiplier, the sale price per suite and the assessment per suite used by the Respondent.

[8] The Complainant advised the Board the subject properties were part of the Baywood Park complex that was built in two phases. Phase 1 had 600 units and phase 2 had 175 units, with an effective age built of 1975.

[9] The City income was close to the actual income and therefore the City income used in calculating the assessment was not in dispute.

[10] The Complainant produced 17 sales comparables that were time adjusted using the City of Edmonton’s time adjustment schedule from the date of sale to the valuation date. The Complainant stated that the first nine sales were located in Market Area 4 and the remaining eight were outside of Market Area 4. The average time adjusted selling price per suite was \$91,805 and the median selling price per suite was \$90,000. The average assessment per suite was \$95,446 and the median assessment per suite was \$96,854.

[11] The Complainant noted that the number of suites was not a factor in the GIM model, but the effective age was a factor. With an effective year built of 1975, this resulted in a higher factor than what would be appropriate given the actual age of the majority of the units in the property, some 20 years older. Notwithstanding, the average GIM for the comparable sales was 9.78 and the median GIM was 9.82. The Complainant therefore stated the appropriate GIM should be 9.75 and the subject properties should be reduced accordingly (Exhibit C-1 page 2).

[12] During summation, the Complainant noted that the subject properties had been reduced by a previous Composite Assessment Review Board, and since there was no change within the year, the 2012 assessment should remain the same as the 2011 assessment.

[13] During the closing argument, the Complainant stated there was agreement with the income used by the City in the assessment; however the market indicated that a GIM of 9.75 would be appropriate. Accordingly, the Complainant requested a reduction in the 2012 assessment.

Position of the Respondent

[14] In defending the Respondent's position, the Respondent provided the Board with:

1. a 46-page assessment brief (Exhibit R-1);
2. a 85-page brief entitled *Errors Inherent in Mixing and Matching the City GIM's/Incomes with Third Party GIM's/Incomes* (Exhibit R-2); and
3. a 44-page law and legislation brief (Exhibit R-3).

[15] The Respondent advised the Board the Baywood project was built in two phases, the first in 1955 and the second in 1977. The effective age was 1975. The market area for the subject property was 4. The project was very well maintained, resulting in the previous assessor having increased the effective age. The Respondent stated that if the effective age was reduced to the actual age, the condition of the subject property would change from average to good, and the potential pro-forma would indicate a higher 2012 assessment than the present assessment. The Respondent was not however asking for an increase (Exhibit R-1 page 15).

[16] The Respondent explained to the Board that the subject assessment and other 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 use of GIM to value multi-residential housing was widely used in the assessment field (Exhibit R-1 page 38).

[17] With reference to the potential gross income model, 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 39).

[18] Sales occurring from August 2008 through June 2011 were used in GIM model development and testing. Through the review of sales, the collective action of buyers and sellers in the market place were analyzed to determine the contributory value of specific property characteristics that drive 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 replicates the forces of supply and demand in the market place (Exhibit R-1 page 39). A GIM is defined as the factor by which income is multiplied in order to obtain and estimate of value. Simply stated, the GIM expressed the relationship between property value and potential gross income.

[19] The Respondent produced 11 sales comparables apartments that were all located in Market Area 4. The 11 sales comparables were all time adjusted using the City of Edmonton's time adjustment schedule from the date of sale to the valuation date (Exhibit R-1 pages 24-34). The time adjusted selling price per suite ranged from a low of \$79,375 to a high of \$141,667. The GIM's ranged from a low of 8.66 to a high of 15.01.

[20] The Respondent produced an equity chart for the Board that included 23 equity comparables. All 23 properties were low rise apartments, in average condition, utilized a 4% vacancy allowance and were located in Market Area 4. The GIM's ranged from 10.21 to 11.36. The assessment per suite ranged from \$87,761 to \$126,657 (Exhibit R-1 page 35). The Respondent stated the subject property's 2012 assessment per suite, \$97,854, clearly fell within the range.

[21] The Respondent requested the Board to confirm the 2012 assessments for the subject properties.

Decision

[22] The decision of the Board is to reduce the 2012 assessment of the subject properties to the Complainant's request as per the following:

Roll Number	# of Suites	2012 Assessment	2012 Revised Assessment
2917805	48	\$ 4,697,000	\$4,450,000
2917854	105	\$11,449,500	\$10,500,000
2917904	168	\$16,502,500	\$15,600,000
2918159	96	\$ 9,342,500	\$8,850,000
2918209	70	\$7,633,000	\$7,000,000
2918258	24	\$2,335,500	\$2,210,000
2918324	72	\$7,007,000	\$6,650,000
2918449	96	\$9,342,500	\$8,850,000
10054328	96	\$9,394,000	\$8,850,000

Reasons for the Decision

[23] The Board is persuaded by the Respondent's 11 sales comparables. In order to examine the data in detail, the Board constructed a schedule of these sales. The sales comparables were all located in Market Area 4, had a 4% vacancy rate applied and were all in average condition. The schedule attached herein as "Addendum A" reflects the median time adjusted selling price per suite of \$90,000. The Board places the most weight upon the Respondent's 11 sales comparables, an analysis of which supports a reduction of the assessment. When multiplying the \$90,000 median by the subject properties' number of suites, the result is a decrease in the 2012 assessment, as shown according to the above schedule.

[24] The Board examined the Complainant's sales comparables. The Board distinguishes between the two groups of sales comparables, only reviewing the first nine identified as being in Market Area 4. The Board did not review those sales comparables outside Market Area 4, as the market area is a significant variable when considering the potential gross income model according to the mass appraisal brief presented by the City. The nine sales comparables in Market Area 4 presented by the Complainant shows a median time- adjusted selling price per suite of \$85,094, which supports a reduction in the 2012 assessments.

[25] The Board notes that both the Complainant and the Respondent have five sale comparables in common, those being identified as sales #2, 6, 7, 9 and 10 in "Addendum A" and further listed in "Addendum B." The time-adjusted selling price per suite for the common comparables ranges between \$79,375 and \$94,000 and reflects a median of \$85,000. The Board notes that the assessment to sales ratio (ASR) for these common comparables approximates 106.5% and therefore the assessments appear to be higher than the market value.

[26] While the Board places little weight on the GIM's, the Board notes the GIM of the common comparables ranges between 8.87 and 10.23, according to the City's sales sheets. However, the Board notes that the median GIM of the common comparables, at 9.89 (Addendum B) generally supports the Complainant's requested GIM of 9.75.

[27] The Board notes that the Complainant's requested assessment amounts are greater than the \$90,000 assessment per suite supported by the evidence. Accordingly, the Board grants the Complainant's requested reduction, in accordance with the table contained at paragraph 22.

Dissenting Opinion

[28] There is no dissenting opinion.

Heard commencing August 27, 2012.

Dated this 26 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