



## ASSESSMENT REVIEW BOARD

MAIN FLOOR CITY HALL  
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### NOTICE OF DECISION NO. 0098 340/10

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 October 5, 2010 respecting a complaint for:

<b>Roll Number</b> 9990081	<b>Municipal Address</b> 8610 Jasper Avenue NW	<b>Legal Description</b> Plan: 3552RS Block: 6 Lot: 4A
<b>Assessed Value</b> \$33,184,000	<b>Assessment Type</b> Annual - New	<b>Assessment Notice for</b> 2010

#### Before:

Ted Sadlowski, Presiding Officer  
Tom Eapen, Board Member  
John Braim, Board Member

**Board Officer:** Annet N. Adetunji

#### Persons Appearing: Complainant

Tom Janzen, CVG

#### Persons Appearing: Respondent

Tim Dmytruk, Assessor, City of Edmonton  
Tanya Smith, Barrister & Solicitor, City of Edmonton

## **PRELIMINARY MATTERS**

1. No objections were raised by either party with respect to the composition of the Board. Neither did the Board indicate any bias with respect to the file or the parties.
2. The Presiding Officer reminded the parties that they are still under oath.
3. Prior to the first hearing, roll number 1079268 was selected as the pilot file, from which the relevant evidence and arguments would be carried forward.

## **BACKGROUND**

The subject property is a 22 storey high-rise building that was constructed in 1971 and consists of 288 apartment suites (40 bachelor, 124 one bedroom, 80 two bedroom, 40 three bedroom, and 4 penthouse suites). The main floor has some commercial space with an assessed value of \$840,326. This commercial portion of the assessment is not included with this appeal. The subject is located in the downtown area and is known as Riverside Towers.

## **ISSUES**

1. Is the subject property assessed in accordance with section 293 of the *Municipal Government Act* and the *Matters Relating to Assessment and Taxation Regulation* (MRAT), AR 220/2004?
2. Is the assessment of the subject property in excess of its market value?
3. Is the Capitalization Rate method the best method of estimating the market value of the subject property?
4. Is the Gross Income Multiplier (GIM) method the best method of estimating the market value of the subject property?

There was no issue with the assessment of the commercial space that forms part of the total assessment. The total assessment is \$33,184,000 with the commercial space being assessed at \$840,326, leaving \$32,343,674 for the residential component.

Both the Complainant and the Respondent agreed the Income Approach to Value was the best method of estimating the value of the subject property. Furthermore both the Complainant and the Respondent agreed that typical income and typical vacancy rates are what should be utilized in the valuation process for assessment purposes.

## **LEGISLATION**

**The *Municipal Government Act*, R.S.A. 2000, c. M-26;**

S. 293 (1) *In preparing an assessment, the assessor must, in a fair and equitable manner,*

- a) *apply the valuation and other standards set out in the regulations, and*
- b) *follow the procedures set out in the regulations.*

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 position of the Complainant is that the Capitalization Rate is the best method of estimating the market value of the subject property for assessment purposes as rental producing apartment properties are most commonly bought and sold on the overall capitalization approach in which a rate of return (capitalization rate) is applied to net income after the operating expenses have been deducted (C-1, pgs 1-3).

The Complainant agreed with the Respondent's estimates of potential typical income and vacancy which had been applied to the subject building. The Complainant provided a list of typical expenses, on a price per suite basis, that were taken from 12 high-rise apartment buildings that indicated a range in expenses from \$4,744/suite to \$7,300/suite with an average of \$5,700/suite and a median of \$5,272/suite. In the case of the last sale on the list he noted the figures included some non-annual replacement costs. Also in the case of the two sales preceding the last sale, they had significant commercial components that would cause the expense ratio to be higher than typical. Excluding the figures from these three sales, the Complainant indicated the typical average expense estimate would be reduced to \$5,328/suite and the typical median expense estimate reduced to \$5,087/suite. From this further analysis, he concluded a reasonable typical operating expense that should be applied to the subject property is \$5,000/suite. The Complainant then deducted the total expenses from the Effective Gross Income to arrive at the Net Operating Income.

The Complainant provided the Board with 8 sales of high-rise apartment buildings that had sold in 2007 and indicated a median Capitalization Rate of 4.75% which he time adjusted to 6.75%. This was applied to the Net Operating Income of \$1,891,364 to produce a value estimate of \$28,020,207. The same chart (C-1, pg 3) also indicated a GIM of 12.03 which was then time adjusted to 9.0. The Complainant then applied this time adjusted GIM to the Effective Gross Income of the subject property to produce a value estimate of \$29,982,276. He concluded the two figures gave good support to each other and concluded that a final value estimate of \$28,940,000 was indicated for the residential component.

## **POSITION OF THE RESPONDENT**

The position of the respondent is that the GIM is the correct method of estimating the value of the subject property. Furthermore, the subject GIM is correct and was derived from the mass appraisal process through the Multiple Regression Analysis Model which is consistent with Provincial Quality Standards and tested by audit.

The Respondent provided 5 sales of high-rise apartment buildings that indicated GIMs ranging from 10.93 to 17.88 (R-1, Tab 3) in support of the GIM of 9.709 (R-2 pg 13) that had been applied to the subject property for the subject's assessment by the MRA Model (noted above). From this analysis, the Respondent produced a price per suite for each of the 5 sales and then time adjusted it to produce a range of values from \$116,932/suite to \$146,483/suite. This supports the assessment of the subject property which is assessed at \$112,306 per suite.

## **DECISION**

The decision of the Board is to confirm the 2010 assessment of the subject property at \$33,184,000.

## **REASONS FOR THE DECISION**

1. The Board was persuaded that the Income Approach is the appropriate approach for high-rise residential properties.
2. The Complainant favoured the use of the Capitalization Rate approach to valuation rather than the Gross Income Multiplier (GIM) approach that was used by the Respondent. The Board was persuaded that the GIM approach should be used as that methodology is also an acceptable approach to valuation.
3. The Board was not persuaded by the Complainant's Capitalization Rate Approach that included the operating expense estimates that were provided using data from 12 high-rise apartments. The Board noted no supporting evidence was provided for the expenses from any of the twelve apartments except for the subject property. The Board notes a rate of \$5,000 per suite was chosen for the subject property, although the actual was reported to be \$7,300 per suite. The Board considers each apartment building to be individually distinctive and operating expenses are a reflection of different management styles, building size, age, condition, and suite combinations. To create a "typical" operating expense/suite that would be applied to all high-rise buildings would not reflect the individual characteristics of each building.
4. The Board considered the equity comparables by the Respondent (R-1, Tab 12). Of particular significance were roll numbers: 9992039, 9994240, 9942678, and 3747482. These comparables are similar to the subject in that all are in the downtown district, all are high-rises, and all are similar in age ranging from an effective year built from 1962 to 1973. The subject has an effective year built of 1971. Only one comparable has enclosed heated parking like the subject. In addition, all are in average condition as is the subject. These 4 equity comparables support the assessment of the subject.

5. The multi-residential assessments for the comparables ranged from \$97,564 per suite to \$117,803 per suite. The subject has an assessment \$112,306 per suite which is within the range of all the comparable sales.
6. Two of the comparables had a commercial component. The subject has a commercial component but that component was not under appeal.
7. The Complainant provided eight sales of high-rise apartments from 2007 as there were no further sales prior to July 1, 2009 (C1, pg. 3). The average GIM for those sales was 12.77 but there was one sale with a GIM of 17.88 that was considered to be an outlier. When that property is removed, the average GIM is 12.04 which would support the assessment of the subject which had a GIM of 9.709 applied by the Respondent. The Board, however, placed little weight on these sales comparables as they varied in location from the subject and had a suite mix that ranged from 37 to 1,076 suites. In addition, 2 of the comparables contained low rise and/or town house units unlike the subject which is a high rise.
8. The Board finds the 2010 assessment of the subject to be fair and equitable.

### **DISSENTING OPINION AND REASONS**

There were no dissenting opinions.

Dated this 2<sup>nd</sup> day of November, 2010, at the City of Edmonton, in the Province of Alberta.

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Presiding Officer  
Ted Sadlowski

*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, R.S.A. 2000, c.M-26.*

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cc: Municipal Government Board  
Devonshire Properties Inc