



ASSESSMENT REVIEW BOARD

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NOTICE OF DECISION 0098 355/10

Canadian Valuation Group (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 October 12, 2010, respecting a complaint for:

Roll Number 3253259	Municipal Address 10740 109 Street NW	Legal Description Plan: B4 Block: 9 Lot: 189, et al
Assessed Value \$2,968,000	Assessment Type Annual - New	Assessment Notice for 2010

Before:

Darryl Trueman, Presiding Officer
George Zaharia, Board Member
Taras Luciw, Board Member

Board Officer: Annet N. Adetunji

Persons Appearing: Complainant

Peter Smith, CVG

Persons Appearing: Respondent

Abdi Abubakar, Assessment and Taxation Branch
Steve Lutes, Law Branch
Colleen Toma, (Observer)

PRELIMINARY MATTERS

On questioning, the parties indicated satisfaction with all procedural elements including the composition of the Board.

BACKGROUND

The subject property is a 2 ½ storey, low-rise apartment building, in good condition built in 1969. There are a total of 30 suites with an average suite size of approximately 870 sq. ft. The property is located in the Queen Mary Park neighborhood on a land base of approximately 20,500 sq. ft.

ISSUES

The Complainant advised the Board that the subject property's rental income performance together with its demonstrated vacancy indicated a lower market value than the Assessor's mass appraisal system had assigned. He also pointed out that the Assessor had considered this property in good condition whereas an average condition rating should apply.

LEGISLATION

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

S.289 (2) Each assessment must reflect (a) the characteristics and physical condition of the property on December 31 of the year prior to the year in which a tax is imposed under part 10 in respect of the property.

S.467 (1) An assessment review board may, with respect to any matter referred to in section S.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 provided a December 31, 2008 financial statement indicating an actual rental revenue, for the subject property, of \$319,541 (Exhibit C1, page 26). He also provided a rent roll for the month of March 2009 which he said indicated a 7.43% vacancy rate (Exhibit C1, page 25).

The Complainant presented a chart of eight sales which occurred through the period of April 2008 to August 2009, which he said were indicators of the locational and operational characteristics of the subject property that had not been captured by the City's mass appraisal system (Exhibit C-1, page 2). From these sales, he was able to determine that an operating expense allowance of approximately 37% and a capitalization rate of 7.25% were appropriate market parameters, which should be applied to the City's estimate of effective gross income. He said that the City's estimate of gross income at \$321,381 was very similar to his reported actual income. The Complainant said that it was reasonable to accept the City's effective gross income before applying his concluded expense ratio and capitalization rate. This income approach to value yielded an estimate of market value of \$2,681,000 for the subject property. The Complainant said that this was confirmed because he applied the City's time adjustments factors to unit sale prices for each of his comparable sales and this yielded a value of \$2,550,000.

Based upon the foregoing, the Complainant requested that the assessment be reduced to \$2,600,000. The Complainant testified that with respect to the condition rating, it was theoretically correct to examine the income level of, for example, one-bedroom suites in the subject property to that of other buildings which had been assessed as average. An income level difference, if any, would be indicative of a condition difference.

POSITION OF THE RESPONDENT

The Respondent provided a great deal of analysis at pages 28 and 29 of Exhibit R1 which demonstrated that by using generally agreed income for the subject property, his applied gross income multiplier of 9.6 (rounded) supported a capitalization rate of 6.86%. This, he said, was similar to the Complainant's indicated 6.66% from all of the Complainant's sales indices. He was also able to demonstrate that with using the actual income from the subject property he was able to arrive at the assessed amount with a capitalization rate of 7.35%. He stated that the essential point of this demonstration was that when selecting a capitalization rate, that rate must be applied to an income stream which originated from the same source as that of the original capitalization rate selection. In short, the Respondent advised the Board that the Complainant could not apply a capitalization rate which was derived from commercial reporting firms calculations, to an income stream which was the result of city rental forecasts.

The Respondent presented a total of six sales comparables which sold through December 2008 to August 2009 (Exhibit R2). These adjusted sales prices ranged from \$85,788 to \$101,820 per unit which the Respondent argued was a better indication of market value for the subject property assessed at \$98,933 per unit. The Respondent agreed that a comparison of rental revenue between one bedroom suites in buildings with known condition ratings could support an argument for a condition rating change. However, he noted that the Complainant's evidence lacked any means by which a condition rating change could be quantified.

DECISION

The complaint is denied and the assessment is confirmed at \$2,968,000.

REASONS FOR THE DECISION

The Board noted the financial statements presented by the Complainant preceded the effective condition date for assessment purposes according to section 289 above by one full year. In addition, the Board noted that the sales which the Complainant submitted contained more similar physical and locational attributes and yielded a capitalization rate of 6.66% and not 7.25%. The Board recognized that the parties had each considered the sale of a 15 suite apartment building at 10830-112 St., close to the valuation date, May 22nd 2009, as being an indicator of value for the subject to which the Board agreed. It was noted that this building supported a gross income multiplier similar to that used by the City and that its unit sale price also supported the subject's assessment according to Network reporting. With respect to the Complainant's argument for a condition rating change from good to average, the Board noted that it was able to determine that little difference in the rental revenue of one bedroom suites existed in the material it had before it. However, this became moot when there was no evidence of a value adjustment that would be

applicable to such a change. In all, the Board found more support for the City's assessed value than it did for the assessment requested by the Complainant based upon the evidence presented by both parties.

Dated this 1st day of November, 2010, at the City of Edmonton, in the Province of Alberta

Presiding Officer

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.

cc: Municipal Government Board
1274244 Alberta Ltd