



ASSESSMENT REVIEW BOARD

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NOTICE OF DECISION NO. 0098 468/10

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 15, 2010, respecting a complaint for:

Roll Number 10005572	Municipal Address 13904 121 Street NW	Legal Description Plan: 7721588 Block: 35 Lot: A
Assessed Value \$6,268,500	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

Tom Janzen, CVG

Persons Appearing: Respondent

Bozena Anderson, Assessment and Taxation Branch
Cameron Ashmore, Law Branch

PRELIMINARY MATTERS

On questioning, the parties were satisfied with all procedural elements including the composition of the Board. The witnesses to the hearing were sworn in.

At the outset of the hearing, the Board was advised that the City Assessor, who prepared the City's evidence, submitted a doctor's note at a late date saying that he could not attend the hearing. This did not allow sufficient time for the City to provide a replacement Assessor. The City's lawyer advised that with respect to this hearing, and for the four additional roll numbers which were scheduled to be heard that same day, the City would be supplying written evidence only.

BACKGROUND

The subject property, built in 1978, is a 48 suite apartment building located in north-central Edmonton, and is of a somewhat unique architectural design. It contains 12 one-bedroom and 24 two-bedroom apartment units located above 12 three-bedroom row house units. The average suite size is approximately 1,184 square feet and the land base of the development is approximately 1.89 acres.

ISSUE

Has the City of Edmonton assessment model incorrectly assessed this property because it used the GIM (gross income multiplier) Income Approach to Value method which does not take into account operating costs?

LEGISLATION

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

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.*

COMPLAINANT'S POSITION

The Complainant advised the Board that he would not be pursuing the arguments pertaining to equity or the GIM used by the Respondent.

He accepted the Potential Gross Income (PGI), the vacancy rate and the Effective Potential Gross Income (EPGI) used by the Respondent in calculating the assessment as being reasonable estimates for valuation purposes.

The Complainant presented a list of six apartment complex sales which had occurred through the period July 2007 to September 2009, from which he said he could extract an operating expense estimate and a market capitalization rate (C1, p. 2). He applied these parameters to the accepted City's effective gross income estimate and proposed a market value for the subject property of \$5,657,000 or \$117,861 per suite (C1, p. 2). He then went on to provide what he determined were proper expenses from the subject's 2008 income statement, and when applying a capitalization rate from his sales comparables of 7%, he determined a value for the subject property of \$5,325,000 or \$110,938 per suite.

The Complainant then pointed out that the average time adjusted sale price on a per suite basis for his comparables was \$89,172 per unit. He agreed that this value indication contemplated typical walk-up apartment architectural design and that the subject property contained a significant component of three bedroom row house units, which would have a 'somewhat higher value'. He therefore suggested a unit value of \$110,000 per suite would be reasonable, resulting in a value of \$5,280,000 for the subject property.

In his final analysis, he relied upon the capitalized net operating income approach to value and requested that the assessment be reduced to \$5,600,000.

RESPONDENT'S POSITION

The Respondent presented exhibit R1 which consisted of an explanation of the mass appraisal process, a subject property detail report, a rent roll for the subject property as at February 28, 2009, an MGB decision in 2009 which references capitalization rate calculation methodology, and property detail reports for the five comparable sales which the Respondent relied upon to support his assessment.

In R2, the Respondent provided a chart of comparable sales and details of the subject property which demonstrated that the Complainant's use of mixing incomes, from various sources in the calculation of his capitalization rate was incorrect.

Finally, in exhibit R3 the Respondent provided law and legislation which mandates his assessment responsibilities.

DECISION

The complaint is denied and the 2010 assessment is confirmed at \$6,268,500.

REASONS FOR THE DECISION

The Board noted that the subject property was of a different architectural design, given that the parties agreed that it contained a significant component of row house design. It was therefore unlike any of the comparables presented by either party.

The Board determined that there was little support for the Complainant's request which was based upon the six sales comparables presented by the Complainant.

Although the Board noted that the Respondent had attempted to defend his assessment also using walk-up apartment complex sales, it is not for the Respondent to defend his assessment in the absence of a reasonably supported complaint.

Given the parties agreement with respect to the existence of the row housing component, it would be necessary for the Board to have before it, details which would distinguish walk-up

apartment valuation rationale (valuation parameters) from row house valuation rationale. The Board lacks the appropriate information to reduce an assessment for a project, a portion of which is row housing, based on walk-up apartment building valuation parameters.

Dated this 10th 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
1001677 Alberta Inc