



## ASSESSMENT REVIEW BOARD

MAIN FLOOR CITY HALL  
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### NOTICE OF DECISION      NO. 0098 519/10

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 21, 2010, respecting a complaint for:

<b>Roll Number</b> 1383496	<b>Municipal Address</b> 10125 – 157 Street NW	<b>Legal Description</b> Plan: 1924AM Block: 1 Lot: 17/ 18
<b>Assessed Value</b> \$1,976,500	<b>Assessment Type</b> Annual - New	<b>Assessment Notice for</b> 2010

#### Before:

Robert Mowbrey, Presiding Officer  
John Braim, Board Member  
Tom Eapen, Board Member

**Board Officer:** Annet N. Adetunji

#### Persons Appearing: Complainant

Peter Smith, Canadian Valuation Group

#### Persons Appearing: Respondent

Tim Dmytruk, Assessor, City of Edmonton

## **PRELIMINARY MATTERS**

1. Upon questioning by the Presiding Officer, the parties indicated no objection to the composition of the Board.
2. In addition, the Board advised the parties that the Board was not aware of any circumstances that would raise an apprehension of bias with respect to this file.
3. The Complainant advised the Board that the commercial component of the subject property was not in dispute. This commercial component is assessed at \$566,004.
4. At the commencement of the hearing, the Respondent informed the Board that he personally knew the owner/broker of Braden Equities Inc. Upon questioning by the Presiding Officer, the Respondent indicated that he would not be unduly influenced by this relationship.

## **BACKGROUND**

The subject property is a low-rise 14 suite walk-up apartment building located in the Britannia Youngstown subdivision in west Edmonton. It was built in 1978 and contains 4 one bedroom, 8 two bedroom, and 2 three bedroom suites. It has 371 square metres of commercial space on the main floor, which has a 2010 assessment of \$566,004. The commercial portion of this building is not under appeal. The total 2010 assessed value for the subject building is \$1,967,500.

## **ISSUE**

Is the assessment of the subject property in excess of its market value?

## **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.*

## **POSITION OF THE COMPLAINANT**

At the commencement of the hearing, the Complainant informed the Board they were not pursuing the equity issue as set forth in the complaint reasons.

The position of the Complainant is that the capitalization rate (cap 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 (cap rate) is applied to the net income after the operating expenses have been deducted (Exhibit C-1, pages 1-3).

The Complainant did not disagree with the Respondent's estimate of potential typical income and vacancy which had been applied to the subject building. The Complainant provided a list of expenses, on both a price per suite and a percentage basis, that were taken from 9 low-rise apartment buildings all located in the same market area as the subject (Exhibit C-1, page 2). The expenses ranged from \$2,903 to \$3,468 per suite with an average of \$3,372 per suite and a median of \$3,428 per suite. The Complainant noted the actual operating expenses of the subject property were \$4,691 per suite but concluded a reasonable typical operating expense that should be applied to the subject property should be \$3,400 per suite. This was based on the three sales (#7, #8 & #9) closest to valuation day.

The Complainant deducted the total expenses from the Effective Gross Income to arrive at the Net Operating Income. The same chart also indicated the time adjusted sale price (TASP) per suite for each of the nine sales and again using the three sales closest to valuation day, indicated the appropriate cap rate for the subject property to be 6.50%. This was applied to the Net Operating Income of \$92,330 to produce a value estimate of \$1,420,000 for the residential component.

In support of their cap rate, the Complainant provided a third party report from Cushman & Wakefield (Exhibit C-1, page 19). The chart indicated the overall cap rate for multi-family residential sales in Edmonton was 6.7%.

The Complainant informed the Board the average TASP for all 9 sales is \$85,681 per suite and the median is \$86,681 per suite with a value of \$86,000 per suite being considered reasonable. When applied to the 14 suites, this resulted in an assessment of \$1,204,000 for the residential component of the property and \$1,770,000 when the commercial component is added. The Complainant requested the 2010 assessment be reduced to \$1,900,000.

### **POSITION OF THE RESPONDENT**

The position of the Respondent is that the Gross Income Multiplier (GIM) is the correct method of estimating the value of the subject property and was the method used.

The Respondent provided a chart with 8 sales of walk-up apartment buildings (Exhibit R-2) that had sold in 2009 (7 sales) and 2008 (1 sale). The subject property is assessed using a GIM of 10.01861 and the comparable sales provide GIMs ranging from 7.90 to 11.51 that support the assessment. From this same chart analysis, the Respondent produced a price per suite for each of the 8 sales and then time adjusted them to arrive at a range in values from \$80,263 per suite to \$125,300 per suite. The assessment of the subject property is \$100,107 per suite which falls within this range.

The Respondent informed the Board the GIMs and the price per suite, noted above, were all based on the 8 sales using actual gross rents and vacancies of between 2% and 3%. The Respondent indicated that typical gross rents and typical vacancies should be used in the assessment calculation and in the second chart (Exhibit R-2), the Respondent repeated the above calculations using typical rents and vacancy rates. The resulting figures provided a GIM range from 8.41 to 13.24 which again supports the assessment that falls within this range.

The Respondent provided the Board with an equity comparable chart (Exhibit R-1, pages 40/41). The 14 equity comparables are similar in terms of building type, market area, condition, number of stories, and suite size. The price per suite ranges from \$93,417 to \$123,844 and the subject property, being \$100,107 falls within this range.

## **DECISION**

The decision of the Board is to confirm the 2010 assessment of \$1,967,500 as fair and equitable.

## **REASONS FOR THE DECISION**

1. The Board was persuaded by the Respondent's equity comparables chart (Exhibit R-1, pages 40/41). The comparables were similar in terms of location, building type, number of stories, condition, and vacancy. The assessment of the subject property at \$100,000 per suite falls within the accepted guidelines.
2. The Board accepts the procedure of selecting a median value. Although the sample of three is small, it is an acceptable mass appraisal method stratification model. However, when two of the comparable sales are not comparable to the subject property due to size, age and suite mix, the Board concludes that little weight could be placed on this median value.
3. The Board placed little weight on the Complainant's third party support information from Cushman and Wakefield as, it covered the entire City of Edmonton and was not broken down into areas. Neither was it broken down into specific types of multi-family properties such as high rise, low rise and row houses.
4. The Board accepts that the cap rate approach is an accepted methodology for valuation. However, the Board was not persuaded by the Complainant's use of the cap rate approach (C-1, page 2). The Complainant had supplied eight comparable sales all close to the subject property, but only the three most recent sales were used to derive the expenses per suite and also a cap rate for the subject property. The Board noted sale #7 contained 144 suites, was a three building complex and was located on 5 acres of land. The Board did not consider this to be a meaningful comparable sale due to its relatively large size. The Board also noted sale #9, although a common sale to both the Complainant and the Respondent, was a much older building (14 years) and had 20 one bedroom suites with an average size of 520 sq. ft. whereas the subject had a mixture of one, two and three bedroom suites with an average suite size of 936 sq. ft. The Board considers this comparable to be inferior to the subject property on several counts and again questions its validity as a comparable sale. Sale #9 is a good comparable sale for the number of suites and the suite mix although it is located on a busy traffic artery and is an older property. The Board noted the Complainant had relied on the median of the three sales but the Board could not rely on only one sale to provide a meaningful cap rate for the subject property.
5. In addition, the Board was not persuaded by the Complainant's analysis in respect of "typical" expenses. The Complainant had supplied 8 comparable sales (C-1, page 2), but had again only relied on only three sales to provide a "typical" expense. The Board noted there was no evidence or documentation on the sales to support the figure provided.

6. In conclusion, the Board placed less weight on the cap rate approach as provided by the Complainant, due to the lack of comparability of two of the three comparables sales used.

**Property Assessment Valuation, Second Edition**, International Association of Assessing Officers, Chicago Illinois, 1996, Pages 247, 277-278;

*“Direct capitalization is very reliable when overall rates are selected from comparable sale properties....The overall rate, however, must be developed from sales of improved properties that are highly comparable to the subject property. An important point to remember is that in all cases, the subject property must be comparable in all respects to the sale properties; if it is not, the overall rate will be affected.”*

7. The Board concludes the Complainant did not provide sufficient or compelling evidence to alter the assessment.
8. None of the comparables had a commercial component. The subject has a commercial component but that component was not under appeal.

### **DISSENTING OPINIONS AND REASONS**

There was no dissenting opinion.

Dated this 16<sup>th</sup> day of November, 2010, at the City of Edmonton, in the Province of Alberta.

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**Robert Mowbrey**  
**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.*

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cc: Municipal Government Board

John Ma  
James Ma  
Yuk Lui  
Kan Wong