



ASSESSMENT REVIEW BOARD

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NOTICE OF DECISION 0098 85/11

SUNDANCE HOUSING CO-OPERATIVE
8803 101 AVENUE NW
EDMONTON, AB T5N 0Z2

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 July 19, 2011, respecting a complaint for:

Roll Number	Municipal Address	Legal Description	Assessed Value	Assessment Type	Assessment Notice for:
3861457	8803 101 AVENUE NW	Plan: 4047ET Block: B Lot: 5	\$1,296,500	Annual New	2011

Before:

Don Marchand, Presiding Officer
Brian Carbol, Board Member
Tom Eapen, Board Member

Board Officer: Kristen Hagg

Persons Appearing on behalf of Complainant:

Andrea Rogers, CASA Housing Services Inc.

Persons Appearing on behalf of Respondent:

Tanya Smith, City of Edmonton, Law Branch
Devon Chew, City of Edmonton, Assessor
Amy Murphy, City of Edmonton, Observer

PRELIMINARY MATTERS

The Respondent recommended a reduction of the assessment to \$1,263,500 based on an adjustment of the subject being assessed as a 3-storey building rather than a 3.5-storey.

The recommended revised assessment addresses and puts closure to one of the Complainant's issues.

BACKGROUND

The Sundance Housing Co-operative Ltd. (hereinafter "the Cooperative") was incorporated in 1974 as a non-profit housing cooperative within the requirements of the Cooperatives Act; this fact is not in dispute. In 1978, the first project, consisting of townhouses, duplexes and/or fourplexes, was completed. In 2009, the subject property was built in the Community of Riverdale adjacent to the valley's parks and trails, and overlooking the Saskatchewan River. It is a 3-storey low rise apartment with 9 suites – 3 one-bedroom and 6 two-bedroom units. The gross building area comprises 1,229.62 square meters and is located on a lot area of 891.581 square meters.

In order to build the 2009 low rise apartment complex, the Co-operative received two grants; one in the amount of \$600,000 from the Province's Affordable Housing Partnership and the other for \$410,000 from the City's Cornerstones Plan. Conditions for this grant are as follows: Rent within the provincial funding is limited to 90% of the CMHC market rents. Rent within the City funding is limited to 85% of the CMHC market rents for the area. These restrictions were given a 20 year life.

ISSUE(S)

Should the assessment be reduced as result of the income limits (conditions) placed on the subject's income?

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.

Matters Relating to Assessment and Taxation Regulation, Alta Reg 220/2004 (MRAT);

- s. 2 An assessment of property based on market value
 - a) must be prepared using mass appraisal
 - b) must be an estimate of value of the fee simple estate in the property, and
 - c) must reflect typical market conditions for properties similar to that property

POSITION OF THE COMPLAINANT

The Complainant presented the Cooperative background, along with the restrictiveness of the funding/grant agreements, and argues that the income level used in the computation in the income approach to value is not achievable for the subject property.

The 9 suites in the Cooperative are occupied by low to modest income senior households. The actual income received from the complex, Sundance Place, is \$89,628. The gross potential income used in the revised recommended assessment is \$114,822 (the effective income after a vacancy allowance is \$110,230). This difference, when combined with a gross income multiplier of 11.46281 as used by the City (argued to be higher than 10.1 reported by Cushman & Wakefield), contributes to an assessment that is too high. Applying a 10.1 GIM to the actual income of \$89,628 would yield an assessment of \$ 905,243.

The Complainant submitted that the City provided the grants to make the suites affordable to low income seniors; however, by taxing at full market value, the objective achieved by the grant is essentially being taken back by the City through taxation. The project is being compared to properties which are privately owned and revenues are market driven. Although housing co-op senior organizations have approached both the City and the Province to change legislation allowing municipalities to assess non-market housing differently than private market housing, no changes in legislation have occurred.

POSITION OF THE RESPONDENT

The Respondent explained the use of the mass appraisal methodology and its process in developing the subject's assessment. For the purpose of the 2011 annual Market Value Assessments (MVA), Low-Rise apartments were valued based on the income approach using typical potential gross income (PGI), typical vacancy (VAC), and typical gross income multiplier (GIM). The formula being $MVA = (PGI - VAC) \times GIM$. The assessment is prepared within the legislative standards for Assessments regulation *Matters Relating to Assessment and Taxation* (MRAT):

- s. 2 An assessment of property based on market value
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The Respondent provided the CARB with supporting documentation of market rents for comparables in support of the subject one-bedroom rent of \$757 and two-bedroom rent of \$965 per month. The Respondent also provided four comparable sales indicating a range of GIM from 11.83 to 13.73. Six equity comparables were also provided to the CARB indicating a range in assessments from \$134,880 to 157,210 per suite; the subject is at \$144,088 per suite.

In summary the Respondent drew the CARBs attention to a previous Municipal Government Board order DL022/02 confirming an assessment; in the background it states:

The Appellant owner is a non-profit continuing housing co-operative incorporated under the Co-operative Associations Act of Alberta. The principle objective is to provide accommodation for low and moderate income families and individuals the majority of whom are members of the co-operative.

In the same DL022/02 the Respondent states:

There is nothing atypical about the market rents or expenses of the subject property and mass appraisal does not make allowances for the fact that an owner is a non-profit entity or does not conduct its business with a view to earning a profit. The shortfall between income and expenses is owing to the fact that under its mandate the co-operative collects less than market rents from subsidized tenants.

In closing the Respondent advised the Complainant that the remedy they are seeking may be found in a legislative change. However, current legislation requires the assessment to be a measure the full fee simple estate. Accordingly, the Respondent requested the assessment be confirmed.

FINDINGS

The reduced income, due to limits placed on the subject's income, does not compare to typical market rents. To capitalize the actual income received would not measure the subject's full fee estate.

DECISION

The assessment is revised from \$1,296,500 to \$1,263,500.

REASONS FOR THE DECISION

The CARB accepts the revised assessment provided at the hearing. The revised assessment adjusts the number of floors from 3.5 to 3.0 within the models calculation.

The Complainant's actual income was admittedly lower than the market rent because of the funding/grant restrictions set when the Cooperative choose to accept the final assistance. How the Cooperative applied the funding was at their choosing.

The CARB received no support for the GIM provided from a third party source.

The CARB received no evidence that the assessment was prepared outside the legislated mandates.

The assessment per suite is well within the range of the equity comparables provided by the Respondent.

Dated this 11th day of August, 2011, at the City of Edmonton, in the Province of Alberta.

Don Marchand, 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: SUNDANCE HOUSING COOPER LTD