



ASSESSMENT REVIEW BOARD

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NOTICE OF DECISION NO. 0098 94/11

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 August 8, 2011, respecting a complaint for:

Roll Number	Municipal Address	Legal Description	Assessed Value	Assessment Type	Assessment Notice for:
3055985	8409 112 Street NW	Plan: I23A Block: 162 Lot: 16 / Plan: I23A Block: 162 Lot: 17	\$5,626,500	Annual New	2011

Before:

Ted Sadlowski, Presiding Officer
Jack Jones, Board Member
Jasbeer Singh, Board Member

Board Officer: Nicole Hartman

Persons Appearing on behalf of Complainant:

Tom Janzen, Canadian Valuation Group

Persons Appearing on behalf of Respondent:

Abdi Abubakar, City of Edmonton, Assessor
Tanya Smith, City of Edmonton, Law Branch

PRELIMINARY MATTERS

There were no preliminary matters. Upon questioning by the Presiding Officer, the parties present indicated no objection to the composition of the Board. In addition, the Board members indicated no bias with respect to this file.

PROCEDURAL MATTERS

Both parties desired to carry forward relevant evidence and arguments presented before the Board during the hearing for the roll number 1079268.

BACKGROUND

The subject property is a five-storey building constructed in 1964 as an office building, with the upper four floors having been renovated and redesigned in 2005 to serve as 35 apartment units. These renovations changed the effective year built for the building to 1990. The subject property is in 'average' condition.

ISSUE(S)

The 2011 assessment of \$805,500 in respect of the main floor commercial space is not in dispute. Although the Complainant had identified several reasons for the complaint in the document attached with the complaint form, at the hearing the Complainant narrowed the list down to the following two items.

1. Is the residential component of the subject property correctly classified as 35 'one bedroom' suites?
2. Is the Gross Income Multiplier (GIM) used to derive the 2011 assessment value of \$5,626,000 for the subject property fair and equitable?

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

The Complainant attended the hearing and presented a brief (C-1) comprising 20 pages of evidence including details of five comparable properties, maps, photographs and third party information in support of a lower 2011 assessment for the subject.

At the Board hearing, the Complainant asserted the following:

1. The 35 residential units are small (approximately 490 square feet each) and are designed to serve as 'bachelor' suites.
2. The Complainant provided pictures of the typical interior of the residential suites (C-1, page 8) that showed a pony-wall separation between the sleeping and living areas.
3. The Respondent had applied a monthly rental value of \$1,023 per unit. While this may be typical for a 'one bedroom' residential unit, in the Complainant's view this was not fair and equitable for 'bachelor' suites.
4. Third party industry information showed that the average monthly rents for bachelor suites were \$135 per month lower than for one bedroom suites (\$708 versus \$843), in the Edmonton market area in 2010 (one page extract from Cushman & Wakefield report, C-1, page 10).
5. The Complainant argued that a monthly rent of \$900 per suite was the appropriate market / typical rental rate in respect of the subject property.
6. These units are 'fully furnished' and it was not possible to ascertain how much of the (face) rent on rent rolls was attributable to the real estate alone.
7. The Complainant further argued that the Gross Income Multiplier (GIM) value of 11.57 used by the Respondent was too high for the subject property.
8. The five sales comparables used by the Complainant (C-1, page 2) showed an average GIM value of 11.92. All these sales took place in 2007 (noting that no other high-rise sales had occurred prior to the valuation date of July 1, 2010). The Complainant then utilized data from a Cushman & Wakefield report (C-1, page 20) that showed that the Gross Rental Multiplier (GRM) for multi-family sales had dropped from 13 in 2007 to 10.1 in 2010. The Complainant argued that this drop of 22.3% (or value of 2.9) must be reflected in the GIM used to derive the 2011 assessment value. The Complainant asked for a GIM of 10 for the 2011 assessment value (C-1, page 2).
9. Applying the reduced requested rental value (\$900 per suite, per month) and the Gross Income Multiplier of 10, the Complainant requested that the 2011 total assessment for the subject property be reduced from \$5,626,500 to \$4,472,000 (C-1, page 3).

POSITION OF THE RESPONDENT

The Respondent attended the hearing and presented a 107 page brief (R-1) dealing with the issue of the Gross Income Multiplier (GIM), and a separate assessment brief of 39 pages (R-2) dealing with the subject property in specific.

At the Board hearing, the Respondent advised the Board of the following:

1. Several pictures of the interior of the property (R-2, pages 5 – 15) highlight the extent and quality of improvements made to the subject residential suites.
2. The tenants paid premium rents for these premises because of the location and easy access to amenities. This added substantial value to the property.

3. The Respondent had classified these suites as 'one bedroom' based on the Complainant's own designation of these as 'one bedroom' units on its website and the tenants had leased these suites as such (R-2, pages 19 to 27).
4. The rent roll submitted to the Respondent by the Complainant also showed these premises as 'one bedroom' suites (R-2, pages 33, 34).
5. The high rental values shown on the rent rolls also supported the owner's designation of these units as 'one bedroom' suites (R-2, pages 33 & 34).
6. The typical rent applied by the Respondent for the 2011 assessment is substantially lower than the actual rents received by the owner even after allowing for the included furnishings and the amenities.
7. The Respondent provided a list of five comparable high-rise properties (R-2, page 39) indicating that the subject had the lowest per suite assessment in its class.
8. The Respondent provided a list of five high-rise sales comparables, all dating back to 2007 and relying on The Network data that showed Gross Income Multiplier (GIM) values ranging between 10.93 and 17.88 (R-1, page 87).
9. The Respondent referenced the variables that impact the income a property can achieve as well as the factors that impact the GIM (R-1, page 53). The three key variables impacting the GIM are market area, building type and age.
10. The Respondent presented six sales comparables of walk-up apartments (R-2, page 102) which included income data and the associated GIMs derived from three different sources. The three sources were The Network, Anderson Data and the City of Edmonton. The purpose of the presentation was to illustrate that the data and the results derived from the same data can vary significantly depending on the sources of the information and the way it is analyzed.
11. The Respondent requested that the 2011 assessment of \$5,626,500 be confirmed as fair and equitable for the subject property.

DECISION

The Decision of the Board is to reduce the 2011 assessment from \$5,626,500 to \$5,046,500, based on per unit rent of \$900 per month instead of the previously assessed rent of \$1,023 per month in respect of the 35 residential suites.

Roll Number	Original Assessment	New Assessment
3055985	\$5,626,500	\$5,046,500

REASONS FOR THE DECISION

1. The Board was persuaded by the Complainant's photographic evidence (C-1, page 8) that the subject residential units were 'bachelor' suites.
2. The Respondent failed to convince the Board that the subject premises constituted 'one bedroom' suites.

3. The Respondent also agreed that a typical one-bedroom suite will have an area of approximately 600 square feet or more. According to the rent roll provided by the Respondent (R-2, pages 33 & 34), only one suite in the subject building (#508) was found to be larger than 600 square feet.
4. During cross-examination, the Respondent agreed that a bachelor suite will receive lower rent than a corresponding one-bedroom suite.
5. The Board deemed the rental rate differential between 'bachelor' and 'one bedroom' suites, shown on a third party industry publication (C-1, page 10), to be reasonable and acceptable.
6. The Board placed greatest weight on the equity (R-2, page 39) and sales (R-1, page 87) comparables provided by the Respondent which were similar to the subject property in market area, building type and age. These comparables supported the GIM of 11.57 utilized in the 2011 assessment as being fair and equitable.
7. The 2011 assessment GIM of 11.57 was further supported by the sales data for multi-family non high-rise buildings provided by the Respondent (R-1, page 103). This sales data indicated that the range of the GIM utilized by the Respondent was appropriate for the subject property.
8. The Board placed little weight on the methodology employed by the Complainant to derive their requested GIM as it relied heavily on mixing GIM and GRM data and was derived from a broad base of market areas and building types that were not similar to the subject property.
9. The Board finds that the GIM of 11.57 utilized in arriving at the 2011 is appropriate for the subject building's market area, building type and age.
10. Applying the rental rate of \$900 per month, as requested by the Complainant, to the 35 residential units yielded a Potential Gross Income (PGI) of \$378,000. After allowing for the permissible vacancy rates (3%) and applying the Respondent's Gross Income Multiplier (11.56732), this provided a figure of \$4,241,274 which the Board rounded to \$4,241,000 as the revised 2011 assessment for the residential component of the subject property. Adding the undisputed 2011 assessment of \$805,500 for the commercial component brought the 2011 assessment value to a total of \$5,046,500.

Gross Income (\$900x12x35)	\$378,000
3 percent vacancy allowance	\$11,340
Effective Gross Income	\$366,660
GIM = 11.56732	
2011 Assessment	\$4,241,274
→Rounded	\$4,241,000
Commercial Component	\$805,500
Total 2011 Assessment	\$5,046,500

DISSENTING OPINION AND REASONS

There was no dissenting opinion.

Dated this 16th day of August, 2011, at the City of Edmonton, in the Province of Alberta.

Ted Sadlowski, 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: THE GALEN RESIDENCES INC
1037695 ALBERTA LTD