



ASSESSMENT REVIEW BOARD

Churchill Building
10019 103 Avenue
Edmonton AB T5J 0G9
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NOTICE OF DECISION NO. 0098 95/11

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:
7191257	11147 82 Avenue NW	Plan: I19 Block: 155 Lot: 14 / Plan: I19 Block: 155 Lot: 15 / Plan: I19 Block: 155 Lot: 14 / Plan: I19 Block: 155 Lot: 15 / Plan: I19 Block: 155 Lot: 13 / Plan: I19 Block: 155 Lot: 12 /	\$13,502,000	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 hearings in respect of the roll number 1079268.

BACKGROUND

The subject property is a high-rise residential building in the Garneau neighbourhood, known as 'Concord Tower'. Built in 1965, this twelve-storey building has 56 bachelor suites, 22 one-bedroom, 22 two-bedroom suites and 1 three-bedroom suite, for a total of 101 residential units. This building underwent extensive renovations starting in 2000. Subsequent to the renovations, the condition was upgraded to 'good'.

ISSUE(S)

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 items.

1. Is the Potential Gross Income utilized by the Respondent correct?
2. Is the 'good' condition used by the Respondent for the 2011 assessment of the subject property correct?
3. Is the Gross Income Multiplier (GIM) of 10.91 used to derive the 2011 assessment value of \$13,502,000 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 24 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. Based on five sales comparables from 2007 (C-1, page 2), the average of the capitalization rates was 5.16%. Third party industry information (C-1, page 24) indicated that from 2007 to 2010, the capitalization rates had moved up by 1.5%. Applying this increase to the capitalization rate of the five sales comparables, the Complainant argued for a fair and equitable capitalization rate of 6.75% for the 2011 assessment of the subject property.
2. Using the actual Net Operating Income (NOI) of 2009 and 2010 (C-1, page 1), the Complainant argued that the 2011 assessment for the property should be between \$10,500,500 and \$11,207,000.
3. Sales comparables #2 and #4 (C-1, page 2) were deemed to be the best comparables and the time adjusted sales price (TASP) for these were \$100,006 and \$127,104 per suite. Applying these unit rates to the subject property, the Complainant argued that the 2011 assessment for the subject property should be between \$10,100,500 and \$12,837,500 (C-1, page 3).
4. The Complainant further argued that the Gross Income Multiplier (GIM) value of 10.91 used by the Respondent was too high for the subject property.
5. 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.
6. The Complainant also quoted from a Cushman & Wakefield report (C-1, page 24) that showed that the Gross Rental Multiplier (GRM) values had dropped from 13 in 2007 to 10.1 in 2010, a drop of 2.9 or 22.3%. The Complainant then applied the 22.3% decrease to the average GIM of the sales comparables to derive a requested GIM for the subject property of 9.25.
7. When the requested GIM was applied to the subject property's 2011 assessment the value of the subject building reduced to \$11,443,000 (C-1, page 2).
8. Placing most weight on the 2009 actual values, the Complainant asked for a reduced 2011 assessment of \$11,000,000 (C-1, page 3).

POSITION OF THE RESPONDENT

The Respondent attended the hearing and presented a (site specific) assessment brief of 44 pages (R-2), as well as a 107 page brief applicable to several properties where the Gross Income Multiplier (GIM) had been contested by the Complainant (R-1).

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

1. The Complainant had not responded to the Respondent's request for income information (RFI).
2. Several pictures of the interior of the property (R-2, pages 6 – 37) highlighted the extent and quality of improvements made to the subject residential suites and the added features like the hard-wood flooring, fitness room, covered parking and well-appointed common areas that supported and justified its condition as being 'good'.
3. The Respondent was obliged by legislation to use 'typical' rental rates and not the actual rates as suggested by the Complainant (R-1, page 37).
4. 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.
5. The Respondent noted that none of the Complainant's sales comparables (C-1, page 2), were in the same market area as the subject property.
6. The Respondent presented five equity comparables, from the same market area as the subject (R-2, page 44), that showed that the property had been fairly and equitably assessed both in terms of the assessment per suite and the Gross Income Multiplier (GIM). The GIM for these comparable properties ranged from 10.91 to 11.04 compared to the GIM of the subject property which is 10.91.
7. The Respondent also presented five high-rise sales comparables (R-1, page 87) GIM range of 10.93 to 17.88.
8. In addition, the Respondent presented six sales comparables of walk-up apartments (R-1, 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.
9. The Respondent requested the Board to confirm the 2011 assessment of \$13,502,000 for the subject property as fair and equitable.

DECISION

The Decision of the Board is to confirm the 2011 assessment at \$13,502,000 as it is fair and equitable.

REASONS FOR THE DECISION

1. The Board was persuaded by the Respondent's photographic evidence (R-2, pages 6 – 37) that indicated the extent and quality of the renovations carried out and supported the condition classification as 'good'.

2. The Board agreed with the Respondent's argument that in accordance with the legislation the assessments needed to be based on 'typical' rent rates and not the actual income as suggested by the Complainant (R-1, page 37).
3. The Board was not convinced by the Complainant's argument of using the time adjusted sales price in respect of the selected 2007 sales comparables, to arrive at the 2011 assessment for the subject property. Doing so would also contravene the legislated requirements (MGB BO 038/06 R-1, page 37).
4. The Board placed greatest weight on the equity (R-2, page 44) 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 10.91 utilized for the 2011 assessment as being fair and equitable.
5. The 2011 assessment GIM of 10.91 was further supported by the sales data for high-rise buildings provided by the Respondent (R-1, page 100 & 101). This sales data indicated that the range of the GIM utilized by the Respondent was appropriate for the subject property.
6. 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.
7. The Board finds that the GIM of 10.91 utilized in arriving at the 2011 assessment is appropriate for the subject building's market area, building type and age.

DISSENTING OPINION AND REASONS

There was no dissenting opinion.

Dated this 18th 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: GREAT-WEST LIFE ASSURANCE COMPANY