

Edmonton Composite Assessment Review Board

Citation: Liz McLeod, MNP LLP v The City of Edmonton, 2013 ECARB 00201

Assessment Roll Number: 3275757

Municipal Address: 11015 - 109 Avenue NW

Assessment Year: 2013

Assessment Type: Annual New

Between:

Liz McLeod, MNP LLP

Complainant

and

The City of Edmonton, Assessment and Taxation Branch

Respondent

DECISION OF

Steven Kashuba, Presiding Officer

Brian Hetherington, Board Member

Dale Doan, Board Member

Procedural Matters

- [1] Upon questioning by the Presiding Officer the parties before the Board indicated no objection to the Board's composition. In addition, the Board Members indicated no bias with respect to this file.

Preliminary Matters

- [2] At the outset of the hearing, both parties requested that the evidence presented in the hearing for Roll Number 7110257 be carried forward to this Roll Number, 3275757.

Background

- [3] The subject property, known as Taiga Manor, is a 2.5 storey apartment building consisting of fifteen one-bedroom suites. Located in the Queen Mary Park Neighborhood, the building has an effective year built of 1980, is in average condition, with a gross building area of 1,367.8 square meters (14,723 square feet), and a lot size of 1,393.9 square meters (15,004 square feet). The 2013 assessment is \$1,425,000.

Issue(s)

- [4] Does the income stream of the subject property support the assessment?
- [5] Is the sale of the subject property the best indication of market value?

Legislation

[6] The *Municipal Government Act*, RSA 2000, c M-26, reads:

s 1(1)(n) “market value” means the amount that a property, as defined in section 284(1)(r), might be expected to realize if it is sold on the open market by a willing seller to a willing buyer;

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

[7] In support of their request for a reduction in the assessment amount, the Complainant submitted Exhibit C-1, consisting of 73 pages.

[8] The subject property is assessed by utilizing a Gross Income Multiplier (GIM) of 10.28.

[9] A list of ten comparable sales presented in Exhibit C-1, page 13, indicated an average GIM of 9.25 and a median of 8.92.

[10] For the two years leading to the valuation date, the actual GIMs in the area indicated a range of 8.23 to 10.67. These figures indicate that the assessment of the subject property is too high.

[11] The Complainant submitted ten sales comparables (Exhibit C-1, page 14) which reflected income streams, vacancy rates, operating expense ratios, net operating income, and capitalization rates.

[12] Based on a potential rent of \$745 per suite for one-bedroom suites and by applying a gross income multiplier of 9.25, the Complainant calculates that an assessment of \$1,202,000 (Exhibit C-1, page 25) would be fair.

[13] As for the application of a capitalization rate (Exhibit C-1, page 26) of 7.0% to a net operating income of \$83,166, the Complainant calculates an assessment of \$1,188,000.

[14] By applying an actual income stream to the subject property and having regard for an income multiplier of 9.25 and a capitalization rate of 7.00 %, an assessment of \$1,200,000 is requested by the Complainant.

Position of the Respondent

- [15] In support of their position, the Respondent submitted Exhibit R-2 consisting of 37 pages.
- [16] Fourteen sales comparables presented by the Respondent (Exhibit R-2, pages 23-24) reflect assessments per suite ranging from \$79,416 to \$102,136, while the subject apartment building is assessed at \$95,000 per suite.
- [17] The assessment to sales ratio of the Respondent's sales comparables (ASR) range from 0.90 to 1.15.
- [18] In all but two sales comparables, the gross income multiplier (GIM) is 9.58. The city applied a GIM of 10.28 to the subject property.
- [19] In all sales a typical vacancy rate of 4.5% was applied. Also, a standard time-adjusted formula as provided by the City for all sales values was utilized.
- [20] The Respondent's sales comparables reflect similarities to that of the subject in terms of number of bedrooms and location in the City.
- [21] A Rental Market Report produced by Canada Mortgage and Housing Corporation (Exhibit R-2, page 28) indicates that in Zone 2, Hudson Bay Reserve, the rent per month for one-bedroom suites is \$773. This supports the Respondent's determination of GIM and, consequently, the assessment.
- [22] The Respondent presented a summary of six precedent CARB and MGB decisions in support of the assessment (Exhibit R-2, pages 36 -37).
- [23] To address the issue of whether the sale of the subject property is the best indication of market value, the Respondent provided a copy of an MLS document (Exhibit R-2, page 27) indicating that the subject property sold December 2, 2010 for \$1,200,000.
- [24] The Respondent also provided a signed copy of a Sales Validation Questionnaire (Exhibit R-2, pages 32-34) which the subject property owner completed in April 2011. The questionnaire outlines the details of the sale such as sale price, closing date of sale, asking price, Realtor name and company that marketed the property, net operating income, and mortgage amount and details.
- [25] In addition, the Respondent provided a 2011 Condition Inspection Form (Exhibit R-2, page 31). The comments at the bottom of this form indicate that \$100,000 was spent on the subject property in August 2011 to correct structural concerns. It was noted in the comments that the structural issue was known at sale and is reflected in purchase price and done after sale.
- [26] The Respondent provided a Multi Residential 2013 Time Adjustment Chart (Exhibit R-2, page 35) to support their 1.03656 time adjustment factor that is applied to sales taking place in December 2010 (subject sale date).

- [27] Finally, the Respondent presented a number of equity comparables (Exhibit R-2, pages 25-26) which, in their opinion, support the assessment.

Decision

- [28] It is the decision of the Board to confirm the assessment of the subject property for 2013 at \$1,425,000.

Reason for the Decision

- [29] The Board is persuaded by the Respondent's Detail Report (Exhibit R-2, page 19) which presents the Potential Gross Income for the subject property.
- [30] The Respondent's determination of the Gross Income for the apartment building is supported by a third party report from Canada Mortgage and Housing Corporation.
- [31] The Board is further influenced by the Respondent's sales comparables (Exhibit R-2, pages 23-24), which are normalized, taken from the same quadrant of the City, and exhibit characteristics similar to that of the subject property.
- [32] The Board places less weight on the Complainant's presentation of the potential rent per suite of \$745 per suite, because this is not reflective of typical rents in the Hudson Bay Reserve area and not consistent with the Canada Mortgage and Housing Corporation Report.
- [33] As a result, the potential rental revenue is understated by the Complainant (Exhibit C-1, page 12).
- [34] The Board places little weight on the Complainant's sales comparables (Exhibit C-1, page 13) because in all of the sales comparables a typical vacancy allowance of 4.5% was not used but rather a variety of vacancy rates ranging from 3.0 to 4.0%. The use of a variety of vacancy allowances in arriving at a Gross Income Multiplier (GIM) goes against appraisal methodology of applying a consistent vacancy allowance to ensure that true comparability is maintained.
- [35] Since capitalization rates are not an issue and are not used by the Respondent in establishing market values, the Board places little weight upon the Complainant's presentation of income streams and capitalizations rates of other apartments in the same quadrant of the City.

[36] In regards to the issue of the actual sale (December 2010) of the subject property being the best indicator of market value, the Board notes that when the \$100,000 for structural repairs is added to the sale price of \$1,200,000 and time adjusted by the 1.0366 percent provided by the Respondent, the adjusted sale price is \$1,347,580 or \$89,839 per suite. This falls within the range of the Respondent's sales (Exhibit R-2, page 24), therefore further supporting the Respondent's position.

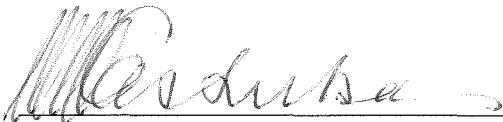
[37] For these reasons, the Board concludes that the assessment of the subject property is fair and just and should not be disturbed.

Dissenting Opinion

[38] There was no dissenting opinion.

Heard on July 3, 2013.

Dated this 26th day of July, 2013, at the City of Edmonton, Alberta.


Steven Kashuba, Presiding Officer

Appearances:

Walid Melhem
for the Complainant

Andy T. Lok
for the Respondent

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, RSA 2000, c M-26.