

Edmonton Composite Assessment Review Board

Citation: Liz McLeod, MNP LLP v The City of Edmonton, 2013 ECARB 00203

Assessment Roll Number: 1066273

Municipal Address: 9905 - 83 Avenue NW

Assessment Year: 2013

Assessment Type: Annual New

Between:

Liz McLeod, MN PLLP

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 previous file, Roll Number 7110257, be carried forward to this file, Roll Number 1066273.

Background

[3] The subject property, known as 99 Street Apartments, is a 3.5 storey apartment building consisting of 27 one-bedroom suites. Located in the Strathcona Neighborhood, the building has an effective year built of 1981, is in average condition, with a gross building area of 21,465 square feet, and a lot size of 1,215 square meters (13,073 square feet). The current assessment is \$3,427,500.

Issue

[4] Does the income stream of the subject property support the assessment?

Legislation

[5] 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

[6] In support of their request for a reduction in the assessment amount, the Complainant submitted Exhibit C-1, consisting of 69 pages.

[7] The subject property is assessed by utilizing a Gross Income Multiplier (GIM) of 12.76.

[8] A list of 8 comparable sales presented in Exhibit C-1, page 11, indicated an average GIM of 11.05 and a median GIM of 11.05.

[9] For the two years leading to the valuation date, the actual GIMs in the area indicate a range of 10.30 to 11.97. These figures indicate that the assessment of the subject property is too high.

[10] The Complainant submitted eight sales comparables (Exhibit C-1, pages 11-12) which reflected income streams, vacancy rates, operating expense ratios, net operating income, and capitalization rates.

[11] Based on a potential rent of \$800 per suite for the one-bedroom suites and by applying a gross income multiplier of 11.00, the Complainant calculates that an assessment of \$2,782,000 would be fair (Exhibit C-1, page 21).

[12] As for the application of a capitalization rate (Exhibit C-1, page 22) of 6.0% to a net operating income of \$167,450, the Complainant calculates an assessment of \$2,790,500.

[13] By utilizing an actual income stream to the subject property and having regard for an income multiplier of 11.00 and a capitalization rate of 6.00%, an assessment of \$2,782,000 is requested by the Complainant.

Position of the Respondent

[14] In support of their position, the Respondent submitted Exhibit R-1 consisting of 40 pages.

[15] Six sales comparables presented by the Respondent (Exhibit R-1, pages 21-22) reflect assessments per suite ranging from \$105,090 to \$177,357, while the subject apartment building is assessed at \$126,944 per suite.

[16] The assessment to sales ratio of the Respondent's sales comparables (ASR) range from 0.86 to 1.08.

[17] Four of the six sales comparables have a GIM of 11.96, one sale at 12.86, and one sale at 12.46. The GIM applied to the subject property is 12.76.

[18] In all sales comparables, a typical vacancy rate of 3% was applied. Also, a standard time-adjusted formula as provided by the City for all sales values was utilized.

[19] The Respondent's sales comparables reflect similarities to that of the subject in terms of condition, number of bedrooms, and location in the City.

[20] A Rental Market Report produced by Canada Mortgage and Housing Corporation (Exhibit R-1, page 36) indicates that in Zone 3, University, the rents per month range from \$799 for bachelor suites to \$1,216 for two-bedroom suites. This supports the Respondent's determination of GIM and consequently, the assessment.

[21] The Respondent presented a summary of three precedent CARB and MGB decisions in support of the assessment (Exhibit R-1, pages 39-40).

[22] Finally, the Respondent presented a number of equity comparables (Exhibit R-1, pages 23-26) which, in their opinion, support the assessment.

Decision

[23] It is the decision of the Board to confirm the assessment of the subject property for 2013 at \$3,427,500.

Reasons for the Decision

[24] The Board is persuaded by the Respondent's Detail Report (Exhibit R-1, page 20) which presents the Potential Gross Income for the subject property.

[25] 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.

[26] The Board is further influenced by the Respondent's sales comparables (Exhibit R-4, pages 21-22), which are normalized, taken from the same quadrant of the City, and exhibit characteristics similar to that of the subject property.

[27] The Board places less weight on the Complainant's presentation of the potential rent per suite ranging from \$775 to \$825 per suite because this is not reflective of typical rents in the University area and not consistent with the Canada Mortgage and Housing Corporation Report.

[28] As a result, the potential rental revenue is understated by the Complainant (Exhibit C-1, page 10).

[29] The Board places little weight on the Complainant's sales comparables (Exhibit C-1, page 11), because in 50% of the sales comparables a typical vacancy allowance of 3% was not used but rather a vacancy allowance of 4%. This erroneously leads to a determination of a lower potential rental revenue and, consequently, a request for a lower assessment value.

[30] Further to this, three of the Complainant's sales comparables are considerably larger than the subject, which brings into question the potential rental revenue and the assessment amount.

[31] Since capitalization rates are not at 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.

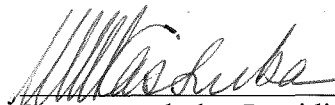
[32] For these reasons, the Board concludes that the assessment of the subject property is fair and just and should not be disturbed.

Dissenting Opinion

[33] There is no dissenting opinion.

Heard on July 3, 2013.

Dated this 30th 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.