

Edmonton Composite Assessment Review Board

Citation: Altus Group v The City of Edmonton, 2013 ECARB 00872

Assessment Roll Number: 2950707

Municipal Address: 12253 Dovercourt Ave NW

Assessment Year: 2013

Assessment Type: Annual New

Between:

Altus Group

Complainant

and

The City of Edmonton, Assessment and Taxation Branch

Respondent

DECISION OF

Shannon Boyer, Presiding Officer

Jasbeer Singh, Board Member

Taras Luciw, Board Member

Procedural Matters

[1] Upon questioning by the Presiding Officer, the parties indicated they had no objection to the composition of the Board. In addition, the Board members indicated they had no bias on this file.

Preliminary Matters

[2] Evidence, argument and submissions were carried forward to this file from #2950202, where applicable.

Background

[3] The subject property is a 2 storey 18 unit row housing development located at 12253 Dovercourt Avenue NW in market area 4 in the City of Edmonton. Built in 1957 (with an effective year built of 1970), on a lot measuring 54,881 square feet (1.260 acres), the subject property has been assessed in average condition. The subject property was valued by the municipality based on the income approach using typical potential gross income (PGI), typical vacancy and typical gross income multiplier (GIM). The 2013 assessment of \$2,326,500 (or \$129,250 per suite) is under complaint.

Issue

[4] The Board heard evidence and argument on a single issue:

Does the Gross Income Multiplier (GIM) value of 10.58, resulting in the 2013 assessment of \$2,326,500, correctly reflect the market value of the property?

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] The Complainant filed this complaint on the basis that the subject property assessment of \$2,326,500, arrived at with a Gross Income Multiplier (GIM) of 10.58, was in excess of the market value. In support of this position, the Complainant presented a 47 page assessment brief (Exhibit C-1) and a two page document (Exhibit C-2) that provided enlargement of the tables showing the Complainant’s GIM analysis and the direct sales analysis on pages 15 and 16 of the assessment brief (Exhibit C-1).

[7] The Complainant advised the Board that although several issues had been identified at the time of filing the complaint, subsequent review and analysis indicated that the only issue outstanding and before the Board was the GIM value applied to derive the assessment value of the property using the income approach.

[8] The Complainant provided a set of five recent sales of comparable low-rise multi-residential properties with fewer than 40 units, in market area 4. All these sales were shown to have occurred between April 2010 and March 2012 (Exhibit C-1, pages 12 and 15).

[9] Based on the analysis of the five sales comparables (Exhibit C-2, page 1), the Complainant argued that the resulting median GIM of 10.07, better reflected the actual market conditions on the valuation date of July 01, 2012 and resulted in a requested 2013 assessment value of \$2,214,500 (Exhibit C-1, pages 14 and 15).

[10] Based on the direct comparison approach, the Complainant provided an analysis of the five sales comparables that showed support for the requested 2013 assessment value of \$2,214,500 (Exhibit C-1, page 16). The Complainant argued that:

- a. In the Direct Comparison Approach, the value of the subject property was estimated by comparing it with recent sales of similar properties.
- b. The best means of comparison in the case of multi-family properties was the price per suite and the Gross Income Multiplier (GIM).
- c. Price per suite, although a generally accepted value for comparison, may require numerous adjustments, some of them arbitrary. However, the ratios between the net operating income of the subject and the net operating incomes of the comparables may provide a single adjustment factor to arrive at an adjusted comparable value.
- d. All relevant factors of an investment property are reflected in its capacity to generate income; thus, a comparison based on the net operating incomes could be deemed to capture all differential characteristics.

[11] During the Respondent's cross examination and questioning by the Board, the Complainant agreed that;

- a. The requested assessment value of \$2,214,500 was within 5% of the 2013 assessed value of \$2,326,500.
- b. Not all recent sales from market area 4 that met the Complainant's selection criteria (Exhibit C-1, page 12) had been included in the Complainant's GIM analysis or the direct sales analysis (Exhibit C-1, pages 15 and 16).
- c. There may have been slight differences in the values of the time adjustment factors used by the City and the Complainant.
- d. In addition to the information obtained from independent third party sources (Network), the Complainant had done its own analysis.
- e. Sales comparables #1 and #5 (Exhibit C-1, page 15), were the best comparables to the subject property in terms of the size, location, age, and were also more recent sales.

[12] In closing, the Complainant argued that the Respondent had relied on sales of condominium properties, ignored the differences in living space size, used sales from different market areas and failed to provide any independent third party industry support for the 2013 assessment of the subject property. The Complainant requested that the Board reduce the 2013 assessment from \$2,326,500 to \$2,214,500; that, in the Complainant's opinion, better reflected the market realities on the valuation date.

Position of the Respondent

[13] In defending the assessment, the Respondent presented a 73 page document (Exhibit R-1) that included an assessment brief and a Law & Legislation brief. The assessment brief included a set of 11 sales comparables, 14 equity comparables and additional evidence in support of the 2013 assessment of \$2,326,500.

[14] The Respondent informed the Board that in compliance with the legislation, the 2013 assessment had been prepared in accordance with the *Mass Appraisal* methodology and the income approach based on the market typical Potential Gross Income (PGI), typical vacancy and the market typical Gross Income Multiplier (GIM). The typical values for different market areas and strata of properties were based on the data obtained from property owners and processed by the City's assessment model (Exhibit R-1, pages 4-9).

[15] The Respondent provided a set of location maps and pictures of the interior and the exterior and highlighted the upgrades made to the subject property. The Respondent stated that each suite had a separate laundry facility and that the furnaces and the hot-water tanks had been upgraded.

[16] The income detail report for the subject property (Exhibit R-1, page 31) showed an effective PGI of \$219,932 and a GIM value of 10.58 that yielded a 2013 assessment value of \$2,326,500. The Board was informed that the PGI value was not in contention.

[17] Using a table showing all 11 of the market area 4 low-rise sales that met the Complainant's selection criteria (Exhibit C-1, page 12), the Respondent argued that the resulting median GIM value of 10.37, adequately supported the GIM value of 10.58 that was generated by the assessment model and was based on extensive information received from the property owners. The Respondent further argued that the average GIM value, excluding the two outliers (sales #6 and #7), was 10.45, and that too provided support for the GIM value of 10.58 used for the 2013 assessment (Exhibit R-1, page 43).

[18] The Respondent provided an additional set of three sales comparables in respect of row-houses from other market areas to support the subject property's 2013 assessment. During cross examination by the Complainant, the Respondent conceded that these properties were 'condominiums' and the individual units could be sold by the owners, but such sales were not possible in respect of the subject property. The Respondent maintained that these were operated as rental properties (Exhibit R-1, page 55).

[19] The Respondent acknowledged that the subject property had a poorer suite-mix and was older than the three sales comparables, but pointed out that the comparables' assessments were significantly higher than the subject property, with the difference being in excess of \$20,000 per suite (Exhibit R-1, page 55).

[20] Using a set of 13 equity comparables, the Respondent argued that the subject property had been assessed fairly and equitably (Exhibit R-1, page 59).

[21] Citing Board decisions on the issue, the Respondent argued that both the ARB and the MGB had ruled that they would not alter an assessment, if the requested assessment value was within 5% of the assessment. This is in keeping with the assessment quality standards stipulated in the *Matters Relating to Assessment and Taxation Regulation* (MRAT), AR 220/04 as amended. (*John Yuen v. The City of Edmonton*, MGB DL 114/09; *ALTUS Group Ltd. v. City of Edmonton* CARB Roll 9987054, Dec 9, 2010).

[22] The Respondent concluded by saying that the City relied on internal verification of sales instead of unverifiable and incomplete third party information that often varied from one source to the other. The Respondent conceded that the 'walk-up' sales were not the ideal comparables, but these were the best available in the market area. Questioning the Complainant's choice of a sub-set of 5 sales comparables instead of presenting the entire set to the Board, the Respondent

stated that the Complainant had not met the onus, and requested that the Board confirm the 2013 assessment.

Decision

[23] The Board confirms the 2013 assessment at \$2,326,500.

Reasons for the Decision

[24] The only issue before the Board was the Gross Income Multiplier (GIM) value. The subject property had been assessed with a GIM value of 10.58, as provided by the City's assessment model and the Complainant requested a lower value of 10.07, based on the median GIM value of the selected five sales comparables.

[25] The Board was not persuaded by the Complainant's Direct Sales Analysis that:

- a. Calculated an adjustment factor based on the ratios of the Net Operating Income (NOI) per suite, of the subject and the sales comparables;
- b. Applied these adjustment factors to the comparables' sale price per suite, to get an adjusted per suite value for each of the comparables;
- c. Used the median value of the adjusted sale price per suite to determine the subject's requested current year assessment.

[26] The Complainant's above analysis methodology was not supported by any evidence of its acceptance and use in industry and for mass appraisal by the municipalities to determine the property assessment values.

[27] The Board placed more weight on the Respondent's GIM analysis that used the entire set of market area sales that met the Complainant's stated selection criteria and also included all five comparable sales relied upon by the Complainant.

[28] The Board noted that the GIM value of 10.58 was adequately supported by the Respondent's GIM analysis that relied on the entire set of market area sales and was equitably applied to the subject property as seen from the Respondent's table of equity comparables.

[29] Jurisprudence has established that the onus of showing an assessment is incorrect rests with the Complainant. The Complainant did not provide sufficient and compelling evidence for the Board to conclude that the assessment was incorrect. Accordingly, the Board accepts the recommendation of the Respondent and confirms the 2013 assessment of the subject at \$2,326,500.

Dissenting Opinion

[30] There was no dissenting opinion.

Heard July 8, 2013.

Dated this 25th day of July, 2013, at the City of Edmonton, Alberta.



Shannon Boyer, Presiding Officer

Appearances:

Chris Buchanan
for the Complainant

Devon Chew
Steve Lutes
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.