

Edmonton Composite Assessment Review Board

Citation: Altus Group v The City of Edmonton, 2013 ECARB 01814

Assessment Roll Number: 8163206

Municipal Address: 8920 100 Street NW

Assessment Year: 2013

Assessment Type: Annual New

Between:

Altus Group

Complainant

and

The City of Edmonton, Assessment and Taxation Branch

Respondent

DECISION OF

Lynn Patrick, Presiding Officer

Brian Carbol, Board Member

Darryl Menzak, Board Member

Procedural Matters

[1] When asked by the Presiding Officer, the parties advised that there were no concerns respecting the composition of the Board, and the Board members advised that they had no bias respecting the matter before them.

Preliminary Matters

[2] There were no preliminary matters

Background

[3] The subject property is a high-rise apartment building located in market area 3 at 8920 100 Street NW in the Strathcona neighborhood. The building consists of 23 stories, with elevators, containing 179 residential suites with balconies, and 3 commercial suites. The building is in average condition and was built in 1973. The parking is enclosed heated. The residential gross building area is 192,805 square feet. There are 67 one bedroom suites, 109 two bedroom suites, and 3 penthouse suites of which 104 suites have a river view. The average suite size is 1,076 square feet. The assessment of \$31,619,500 was derived from the income approach using the gross income and a gross income multiplier method.

Issues

[4] 1. Is the Gross Income Multiplier (GIM) that was used to derive the subject's 2013 assessment correct?

2. Is the Gross Income Multiplier (GIM) that was used to derive the subject's 2013 assessment equitable?

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 entered into evidence Exhibit C-1 which contained arguments supporting the requested reduction of the assessment of the subject property.

[7] Regarding the valuation of the subject property using the income approach, the Complainant noted that the City's valuation of Potential Gross Income (PGI) at \$2,717,290 is reasonable when compared to the income produced by the property. The Complainant added that a review of the subject property indicates a PGI of \$2,845,152. This PGI was derived from an analysis of the rent roll (Exhibit C-1, p.19-24) and by adding additional revenue for laundry and parking for each suite included in the property (Exhibit C-1, p.15).

[8] The Complainant argued that while the City has assessed the subject property using a GIM of 11.96, a review of recent market transactions indicated that the GIM should be 10.63.

[9] The Complainant arrived at a GIM of 10.63 through an analysis of 14 sales of apartment buildings (Exhibit C-1, p.16). Six are located in market area 3 as is the subject and eight are located in area 1C. The Complainant noted that all of these sales are for low-rise or walk-up apartment buildings and that it is appropriate to use these sales as there were no sales in the market area for high-rise apartments. It was further noted by the Complainant that the City uses data from walk-up sales in developing assessments for high-rise apartment buildings.

[10] The Complainant's sale comparables ranged in year of construction from 1958 to 1982; in date of sale from October 2009 to November 2011; in suite count from 12 to 99; and a Time-adjusted GIM from 7.19 to 12.11.

[11] The Complainant argued that the most comparable sale to the subject is located at 11104-84 Avenue which was also adjusted for being newer. This adjustment resulted in a time-adjusted

GIM of 11.26, which is lower than the assessed GIM of the subject and supports the requested GIM.

[12] The Complainant explained that the time-adjusted GIM was derived by applying the Multi- Residential Time Adjustment Factors used by the City to the GIM information provided by the Network for each sale.

[13] The Complainant indicated that the requested GIM of 10.63 was developed using a combination of the time-adjusted GIM information from market areas 3 and 1C. This information was weighted to reflect the number of properties in each market area.

[14] The Complainant accepted the City's typical vacancy rate of 3% as correct.

[15] The Complainant included a 2012 Market Proforma using a PGI of \$2,845,152, a vacancy rate of 3% and a GIM of 10.63 to arrive at the requested value of \$29,432,500 for the subject property (Exhibit C-1, p.14).

[16] In support of the requested assessment the Complainant included an Equity Analysis (Exhibit C-1, p 17).

[17] The Complainant included in this analysis high-rise properties from zone 1C and 3 that are all classified "A" by the owner, Boardwalk (Exhibit C-1, p 17). The Complainant noted that all of these properties are in good condition and have a universally applied capitalization rate of 5.25%. Due to the correlation in value between market areas 1 and 3, the Complainant argued that the GIM should be lowered to 11.21.

[18] To illustrate support for the requested assessment, the Complainant included a 2012 Equity Proforma (Exhibit C-1, p 14). The Complainant arrived at a value of \$29,642,500 by using the PGI of \$2,717,290 used in the 2013 assessment of the subject property, the typical vacancy rate of 3% and the proposed GIM of 11.21 used by the City in developing assessments for high-rise apartments in market area 1C.

[19] The Complainant indicated that the equity analysis supports the request of \$29,432,500.

Position of the Respondent

[20] The Respondent submitted an assessment brief (Exhibit R-1) and a law and assessment brief (Exhibit R-2) in support of the assessment. Exhibit R-2 also included information related to GIMs titled *Errors Inherent in Mixing and Matching City GIMs/Incomes with Third Party GIMs/Incomes*.

[21] The Respondent stated that there are 16 market areas used for the purposes of valuing multi-residential properties and the subject is located in market area 3. The Respondent provided several photographs of the subject property as well as the subject's 2013 detail report.

[22] The Respondent provided the significant variables used in developing a model which are: average suite size, balcony, building type, condition, effective year built, market area, river view suites, stories and suite mix.

[23] The Respondent provided a list of sales comparables in market area 3 indicating the effective year built, suite total and mix, effective potential gross income, time-adjusted sale price

and GIM for each sale (Exhibit R-1 p. 21). The Respondent also provided their sales analysis for each sale indicating the potential gross income and the effective gross income as calculated by the Respondent and a calculated GIM. There was only one recent sale of a high-rise which indicated a GIM of 11.96.

[24] The Respondent stated that not all of the 14 sales used by the Complainant were arm's length. Sales 2 and 3 were estate transactions between family members and should not have been included. Comparable 5 had rents which were below market with both the Respondent and the Complainant agreeing an adjustment could have been made but both were uncertain as to what extent. Comparable 6 was a portfolio sale of three properties with the allocation of value to each property being unknown. Comparable 7 was a take back sale which entailed a 2/3 acquisition with the purchaser holding 1/3 interest. Also, the GIMs were inconsistently calculated using typical versus actual rents as indicated by the third party documents and the Complainant's calculated GIMs (Exhibit C-1, page 16).

[25] In support of the assessment the Respondent provided 9 equity comparables (Exhibit R-1, p.47) similar in age where the assessment was calculated using typical rents, 3% vacancy and the same GIM for all high-rises in market area 3 including the subject property.

[26] The Respondent added that the GIM used by the City is applied consistently and calculated in a manner that is consistent with mass appraisal theory. Using a time-adjusted sale price divided by potential gross income less vacancy equates to a GIM. Two models, the PGI and GIM, working in tandem are used to arrive at the assessment.

[27] The Respondent was critical of the Complainant's methodology of mixing and matching data stating that there are a number of reasons why the complainant's GIMs calculated on the basis of third party documents are problematic. These include: lack of verification of the income source and determining if it is actual or typical; whether the vacancy used actual or typical figures; sale prices were not time-adjusted and some were not arm's length (Exhibit R-2, p. 3-4).

[28] In conclusion, the Respondent asked the Board to confirm the 2013 assessment for the subject at \$31,619,500.

Decision

[29] The assessment is confirmed at \$31,619,500.

Reasons for the Decision

[30] The Complainant acknowledged that the typical PGI used by the Respondent is reasonable when compared to the actual. Further, the typical vacancy rate of 3% used by the Respondent is agreed as being the correct rate for the subject. This then provides the basis for establishing the Effective Gross Income and leaves the only question to be determined being the correct Gross Income Multiplier.

[31] The evidence provided by the Complainant in support of a GIM of 10.63 was derived from 14 sales said to be comparable to the subject. The GIM Analysis chart at page 16 of Exhibit C-1 shows that the 14 sales are in two parts. The first part is 6 sales in market area 3 where the subject is located. All six sales are low-rise walkup apartments and 3 of those sales are invalid. Sales 2 and 3 are not arm's length sales and sale 6 is part of a portfolio sale in which the allocation of value to each property is unknown. The remaining 8 sales are from market area

1C, an area not in proximity to the subject or to market area 3. The Board put less weight on those sales and the resulting GIM from the analysis of those sales of 10.45. The 3 remaining market area 3 sales, being numbers 1, 4 and 5, show an average GIM of 11.21 which is closer to the assessment GIM of 11.63.

[32] The Board notes that in addition to the question of comparability between low-rise apartments and the subject, the source of the sales data used by the Complainant is also questionable. All of the sales information that is used by the Complainant in the GIM Analysis chart is derived from industry reporting services and thus the information sources are not identified. There is neither confirmation of the accuracy, nor completeness of the income reported, nor the inclusion of expenses. It is essential that in the establishment of the Effective Gross Income that expenses be excluded.

[33] The sales are not time-adjusted; however, the exercise by the Complainant of time-adjusting the GIMs from the sales is not an accepted substitute for the correct methodology of time-adjusting the sales price of the comparables when necessary.

[34] The Board notes that the Equity Analysis chart provided by the Complainant at page 17 of Exhibit C-1 contains 2 groups of comparables. The first group of 4 is located in market area 1C and the remaining group of 5 is located in market area 3. The market area group of 5 is described as being under appeal and thus to be disregarded. This leaves the market area 1C group which shows GIMs of 11.21. The Board does not accept that there is a correlation between the two market areas that would support the equity argument that the multiplier of 11.21 is a more correct GIM for the subject.

[35] The Board finds that the Respondent's sale comparables set out in the chart on page 21 of Exhibit R-1 do not contain any high-rise sales for the same reason cited by the Complainant. There have been no such sales in market area 3 in a time period recent enough to be included or adjusted and included for these purposes. The analysis of the sales information has been done by the Respondent and is thus more reliable than that of the industry reporters relied upon by the Complainant, for which no analysis is available. The Respondent's submission of a range of GIMs from 11.08 to 14.48 is therefore more reliable than that of the Complainant. The Board finds that it can put more weight on that evidence and that it supports a higher GIM of 11.96.


[36] The equity chart of the Respondent (Exhibit R-1, p. 47) outlines an equitable application of the GIM of 11.96 to the high-rise inventory in market area 3. Therefore there is no basis for reducing the GIM for the subject for the reason that it is incorrect or inequitable.

Dissenting Opinion

[37] There was no dissenting opinion.

Heard commencing September 30, 2013.

Dated this 11th day of October, 2013, at the City of Edmonton, Alberta.



Lynn Patrick, Presiding Officer

Appearances:

Brett Flesher
for the Complainant

Allison Cossey
Cam Ashmore
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.