

Edmonton Composite Assessment Review Board

Citation: CVG v The City of Edmonton, 2013 ECARB 01869

Assessment Roll Number: 3013406

Municipal Address: 10128 105 AVENUE NW

Assessment Year: 2013

Assessment Type: Annual New

Between:

CVG

Complainant

and

The City of Edmonton, Assessment and Taxation Branch

Respondent

DECISION OF
Willard Hughes, Presiding Officer
Brian Carbol, Board Member
Brian Frost, 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 the Board.

Background

[2] The subject property is a 1917 warehouse which was converted to walk- up apartments in 2001 resulting in an effective age of 1958. Now known as the Macdonald Lofts, the subject property is located in the Central McDougall neighbourhood in market area 2. The property has a total of 91 suites (81 bachelor and 10 one bedroom).

Issues

[3] Is the assessment of the subject property correct, specifically:

- Sub Issue 1: Is the Gross Income Multiplier (GIM) used in the calculation of the assessment of the subject property correct?
- Sub Issue 2: Is the Potential Gross Income (PGI) used in the calculation of the assessment correct?

Legislation

[4] 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

[5] The Complainant entered into evidence Exhibit C-1 (18 pages) in support of a reduction in the assessment of the subject property.

Sub Issue 1: Gross Income Multiplier

[6] In support of a reduced GIM, the Complainant presented a chart of five sale comparables for walk-up apartments. The comparables ranged in age from 1956 to 1960; in GIM from 8.44 to 9.69 with an average of 8.79; and in time- adjusted sale price from \$64,583 to \$83,000.

[7] The Complainant gave most weight to sales 1, 3 and 4 (Exhibit C-1, p. 2) and indicated that a GIM of 8.60 is most appropriate for the subject property. The Complainant indicated that these three sales had the most similar physical, locational and income producing attributes. The average of these GIM's was 8.60.

[8] When asked by the Respondent if the sales were time adjusted, the Complainant indicated that they were not.

[9] When asked about the source from which income was derived for the sales, the Complainant indicated that the Network provided the information and that it was not further validated.

[10] In rebuttal, the Complainant indicated that the calculated GIM for two of the City's comparables was lower than that used by the City in its documentation (Exhibit C-2, p. 2,3).

Sub Issue 2: Potential Gross Income

[11] The Complainant argued that the subject property is unable to achieve the income estimated by the City due to the inability to charge higher rents for a building that consists

mainly of bachelor apartments. In support of this position the Complainant presented Profit and Loss Statements for the subject property for 2011 and 2012 (Exhibit C-1, pp 9, 10) and the June 2012 rent roll for the subject property (Exhibit C-1, pp 11, 12) to show that the actual income is lower than the typical income used by the City for the subject property.

[12] The Complainant indicated that using the Potential Gross Income from the June 2012 rent roll at \$597,468 and deducting a 4.5% vacancy allowance results in an Effective Potential Gross Income of \$570,582 and that by applying the suggested 8.60 GIM a value of \$4,907,005 is produced.

[13] On this basis, the Complainant requests a reduction in the assessment of the subject property to \$4,900,000.

Position of the Respondent

[14] In support of the assessment of the subject property the Respondent entered into evidence Exhibit R-1 (47 pages). The Respondent cited that:” for the purpose of the 2013 Annual Assessment, Low Rise Apartments were valued based on the income approach using typical potential gross income (PGI), typical vacancy, and typical gross income multiplier (GIM).” (Exhibit R-1, p. 8)

[15] The Respondent highlighted the Model Significant Variables used to develop the PGI and GIM for low rise apartments (Exhibit R-1, p. 9).

Sub Issue 1: Gross Income Multiplier

[16] The Respondent indicated that typical GIM of 9.58 is the rate that is used for all properties older than 1972.

[17] In support of the correctness of this value, the Respondent presented three comparable sales of low rise apartment buildings in Central McDougall that ranged in year built from 1969 to 1977; in GIM from 9.33 to 10.32; and in time adjusted sale price per suite from \$91,000 to \$99,481 (Exhibit R-1. P.28).

[18] The Respondent further presented three equity comparables from the Central McDougall neighbourhood ranging in year built from 1944 to 1963; and in assessment per suite from \$74,388 to \$80,583. (Exhibit R-1, p. 33).

Sub Issue 2: Potential Gross Income

[19] The Respondent referred to the 2013 Valuation Specifications for Multi-Residential Properties to support a typical PGI, citing the significant variables used to derive a value for each property (Exhibit R-1. P. 9).

[20] The Respondent requested that the assessment of the subject property be confirmed at \$6,274,500.

Decision

[21] The assessment of the subject property is reduced to \$5,724,000.

Reasons for the Decision

Sub-Issue 1: Gross Income Multiplier

[22] The Board considered the five sale comparables presented by the Complainant (Exhibit C-1, P.2) and noted that two sales were post- facto and therefore given no weight. The remaining three met the criteria used by the City in establishing a GIM for low rise apartments built prior to 1972 in that all were built prior to 1972, all were within the same market area (2) and all were walk- up apartments. The Board noted that the GIM of 9.58 assigned by the City to such properties falls within the range of these comparables (8.57 to 9.69).

[23] The Board also noted that the sale comparables presented by the Respondent (Exhibit R-1, p. 28) support a GIM of 9.58. All were in the market area, were walk-up apartments and while comparable #1 was newer; the other two at 9.33 and 10.20 support a GIM of 9.58.

[24] The Board finds, therefore, that the GIM used by the City in deriving the assessment for the subject property is correct.

Sub-Issue 2: Potential Gross Income

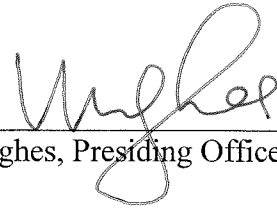
[25] The Board considered the evidence and arguments presented by both parties concerning the income used to derive the assessment. The Board gave more weight to the Complainant's evidence including the Profit and Loss Statements for 2011 and 2012 and in particular most weight to the June 2012 rent roll for the subject property as it produced a true picture of the consequence of location and suite mix that made the subject property unique to the neighborhood.

[26] The Board concluded that the subject property is an outlier in the walk-up apartment category. Due to the location of the property in a less than desirable area in the central core of the city and a preponderance of bachelor suites (81/91) the property is not capable of achieving the level of income of a typical walk-up in market area 2.

[27] The Board therefore concludes that the income attributed to the subject property in the June 2012 rent roll is indicative market value for this property. The Board applied a 9.58 GIM to the Potential Gross Income of \$597,468 in determining that the assessment be reduced to \$5,724,000.

Heard August 20, 2013.

Dated this 12th day of September, 2013, at the City of Edmonton, Alberta.



Willard Hughes, Presiding Officer

Appearances:

Tom Janzen

for the Complainant

Amy Murphy, Assessor

Ralf Winkler, Assessor

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.