

## **And Edmonton Composite Assessment Review Board**

**Citation: CVG v The City of Edmonton, 2013 ECARB 01904**

**Assessment Roll Number:** 9993392  
**Municipal Address:** 5211 25 Avenue NW  
**Assessment Year:** 2013  
**Assessment Type:** Annual New

Between:

**CVG**

Complainant

and

**The City of Edmonton, Assessment and Taxation Branch**

Respondent

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**DECISION OF**  
**Willard Hughes, Presiding Officer**  
**James Wall, Board Member**  
**Randy Townsend, Board Member**

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### **Procedural Matters**

[1] The parties to the hearing stated that they had no objection to the composition of the Board. The members of the Board indicated they had no bias with respect to this file.

### **Preliminary Matters**

[2] There were no preliminary matters.

### **Background**

[3] The subject property is a low-rise, two building apartment complex known as "The Madison" and is located in the MillWoods Town Centre neighbourhood, Market Area (MA) 9, in southeast Edmonton. Built in 2002, the subject contains 202 suites, including 68 one bedroom suites, 134 two bedroom suites and heated underground parking and is municipally known as 5211-25 Avenue NW. The subject property's 2013 assessment is \$31,495,500 based on the Income Approach, using typical potential gross income (PGI), typical vacancy, and typical Gross Income Multiplier (GIM) (12.48). The assessment per suite of the subject is \$155,918.

### **Issue(s)**

[4] Is the subject property's 2013 assessment fair, equitable and correct?

## **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.

[6] The *Matters Relating to Assessment and Taxation Regulation*, Alta Reg 220/2004, reads:

s 2 An assessment of property based on market value

(a) must be prepared using mass appraisal,

(b) must be an estimate of the value of the fee simple estate in the property, and

(c) must reflect typical market conditions for properties similar to that property.

s 3 Any assessment prepared in accordance with the Act must be an estimate of the value of a property on July 1 of the assessment year.

## **Position of the Complainant**

[7] The Complainant provided evidence (Exhibit C-1, 17 pages) and argument for the Board's review and consideration.

[8] The Complainant argued that the GIM applied to the subject property's Potential Gross Income (PGI) was excessive, resulting in an incorrect assessment.

[9] The Complainant provided evidence that the subject property's 2013 assessment had increased 22.5% from 2012. The Complainant noted that the Respondent's Multi-Residential Time Adjustment Factors (Exhibit C-1, page 14) show an increase of only 1.505% between July 1, 2011 and July 1, 2012 (respective valuation dates).

[10] The Complainant argued that the GIM of 12.48 applied by the City to the subject property is incorrect, and suggested a GIM of 10.00 is more realistic.

[11] The Complainant provided the Board with six sales comparables (Exhibit C-1, pages 8-13). These sales were located in various market areas of the city including Complainant's sales

#2, #5 and #6 which were located in the same MA as the subject property. The Complainant confirmed that the size of the apartment complexes ranged from 9 to 150 suites and they sold between September 2009 and December 2011 at Time Adjusted Sale Prices (TASP) from \$96,852 per suite to \$111,569 per suite. These sales suggested a GIM of 10.00, a Capitalization Rate of 6.5% and a TASP of \$125,000 per suite. In answer to questions from the Board, the Complainant stated that their best sales comparables were #1, #3 and #4.

[12] The Complainant applied their suggested GIM of 10.00 to the City's estimated effective PGI of \$2,523,684 for a value of \$25,236,000. The application of the 6.5% Capitalization Rate to a potential Net Operating Income (NOI) of \$1,746,994 would result in a value of \$26,877,000. The Complainant suggested to the Board that the value of the subject property by Direct Comparison Approach to Value, utilizing \$125,000 per suite, would result in a value of \$25,250,000.

[13] In answer to questions from the Respondent, the Complainant confirmed that all of their sales information had been taken directly from a third-party source (The Network) and verification of its accuracy had not been carried out.

[14] In conclusion, and as a result of the Complainant's reconciliation of the three value estimates previously stated, the Complainant requested the Board reduce the subject property's 2013 assessment to \$25,500,000.

### **Position of the Respondent**

[15] The Respondent provided an assessment brief (Exhibit R-1, 67 pages) and oral argument to the Board in support of the 2013 assessment of the subject property. The brief contained information on mass appraisal, photographs and maps related to the subject property, and sales and equity comparables. The Respondent included Board decision ECARB 2012-1566 (Exhibit R-1, pages 46-50), which dealt with a complaint regarding the subject property's assessment in 2012.

[16] The Respondent informed the Board that they are legislated to utilize Mass Appraisal (Exhibit R-1, page 3), which requires the use of estimated potential market rents, typical vacancy rates and GIM be applied to all Multi-Residential properties based on their individual characteristics. No consideration is given to the Direct Comparison Approach to value nor is Capitalization of the (NOI) a part of the process. Therefore, no evidence other than the GIM is used in valuing the subject property for assessment purposes.

[17] The Respondent confirmed to the Board that the most important variables in determining the appropriate GIM are the building type, effective year built, condition and the Market Area / location (Exhibit R-1, pages 8 and 9).

[18] The Respondent provided six sales comparables with data sheets (Exhibit R-1, pages 37-43). The sale comparables were located in various market areas of the city including 6515-36 A Avenue which was located in MA9, the same as the subject. The effective year built for the six comparables ranged from 1981 to 2008. The subject was constructed in 2002. Total number of suites ranged from 6 to 306, whereas the subject has 202 suites. The sales took place between June 28, 2010 and June 5, 2012 with overall (TASP) between \$1,027,280 and \$61,027,600. In answer to questions from the Board, the Respondent stated that their best sales comparables were #3 and #5.

[19] The GIMs for the Respondent's sales comparables ranged from 11.42 to 14.80. The Respondent argued that this supported the subject GIM at 12.48. The time adjusted assessment per suite ranged from \$118,189 to \$199,437. On this basis, the Respondent submitted that the subject's assessment at \$155,918 per suite is towards the lower end of the range.

[20] The Respondent's nine equity comparables are all low rise buildings in average condition and located in the same Market Area as the subject (Exhibit R-1, page 45). The GIM applied to all nine comparables ranged from 11.48 to 13.48, compared to the subject's GIM of 12.48. The assessment per suite ranged from \$122,290 to \$196,235 as compared to the subject at \$155,918. The effective ages of the equity comparables ranged from 1992 to 2012 and four of the nine were 2012. The Respondent stated that the equity comparables demonstrate that the subject has been assessed fairly and equitably.

[21] The Respondent stated that mass appraisal methodology is used to determine the assessment base for property in accordance with legislative requirements (Exhibit R-1, pages 3 - 13). The Respondent elaborated on widely accepted principles of appraisal, including the importance of applying adjustments to comparables to ensure consistency in comparability. Two computer models, the PGI and GIM, working in tandem are used to arrive at the assessment.

[22] The Respondent was critical of the Complainant's methodology of mixing and matching data. The Complainant was using a PGI based on the City's typical income and vacancy and, at the same time, applied GIMs from third party documents which were calculated from unadjusted actual income and sale price at the time of sale.

[23] The Respondent cautioned the Board about potential inaccuracy in the use of third party documents.

[24] Regarding the year-by-year percentage increase issue suggested by the Complainant, the Respondent referred the Board to Exhibit R-1, page 65. This section of the Respondent's Law and Legislation brief suggests that "Boards have held that each year's assessment is independent of previous assessments, and the mere fact of a large percentage increase without more evidence, is not enough information to draw the conclusion that an assessment is too high".

[25] In conclusion, the Respondent asked the Board to confirm the 2013 assessment for the subject at \$31,495,500 based on a GIM of 12.48.

### **Rebuttal**

[26] The Complainant provided the Board with a 13 page rebuttal document under Exhibit C-2. This document included third-party (The Network) sales data sheets on five of the Respondent's six sales comparables (Exhibit R-1, page 37) together with their 2013 assessment sheets. The Complainant pointed out to the Board that the GIMs as stated by The Network were different than the GIMs applied by the city assessors to the same properties in calculating their assessments. The Complainant stated that in the case of the Respondent's sale #6 they were unable to locate any sales information.

[27] Based on the Rebuttal document, the Complainant concluded that the Respondent's GIMs attached to the sale properties were not based on actual market or sales data but rather they were hypothetical.

[28] The Respondent stated that the information in the Complainant's rebuttal document supports the correctness of the sale property's assessments. Further, the Respondent re-stated that legislation requires the PGI and the resultant GIM to reflect typical.

### **Decision**

[29] The Board confirms the 2013 assessment of the subject property at \$31,495,500.

### **Reasons for the Decision**

[30] The Board agrees with the Respondent that each year's assessment is determined independently; therefore, the history of an increasing GIM, without more evidence, is not sufficient to overturn an assessment.

[31] The Board notes that it is not bound by previous CARB decisions. The 2012 CARB decision for the subject property was used only for information purposes in the Board's deliberations.

[32] The Board agrees with the Respondent that the PGI and the GIM for the subject should be derived and applied in a consistent manner.

[33] The Board accepts the Respondent's argument that there is increased potential for error when totally relying on third party documents for income or GIM. Particular concern is expressed by the Board that the sales data and information presented by the Complainant to derive its requested GIM and the Capitalization Rate might not be reliable as they were all from a third-party source without benefit of further verification.

[34] The Board agrees with the Complainant that the capitalized income method of valuation is a valid approach, as is the analysis and capitalization of a property's NOI. However, the Board accepts that the municipality uses the GIM method to value this type of property and not the capitalized income method or direct comparison. The Board notes that the Capitalization Rate and GIM suggested by the Complainant were derived from actual sales data from a third-party and then applied to income data which was derived from typical data used by the municipality in their assessment process.

[35] The Board finds the Respondent's sales comparables (Exhibit R-1, page 37), particularly sales #3, #4 and #5 with effective years built of 2002, (the same year as the subject) and 2008 respectively, to be persuasive evidence of value. In addition, the Board is persuaded by the sales comparables, particularly #3 and #5, which exhibit a high percentage of two bedroom units in their total mix (60% and 80% respectively), compared to the subject which is 66%. The Board notes that the Respondent's sales comparables #3, #4 and #5 exhibit GIMs of 14.80, 14.34 and 14.33, respectively, which suggest the subject property's GIM of 12.48 is realistic.

[36] The Board has reviewed all photographic evidence on the subject property and sales comparables as presented by both parties. The Board is of the opinion that the subject property is superior in overall quality, design, finish and heated parking to all of the Complainant's sales comparables.

[37] The Board reviewed the Complainant's sale comparables, particularly sales #1, #3 and #4. The Board finds that sale #1, the Complainant's best comparable, is inferior to the subject in that it is much smaller (61 units versus 202 units), it has no heated parking and it represented a

dated sale. Sales #3 and #4 are substantially smaller in size than the subject, and in addition sale #4 is approximately 24 years older. As previously indicated, the Board is concerned with the accuracy and the reliability of third-party researched sales with no additional verification undertaken. For these reasons the Board places very little weight on the sales comparables presented by the Complainant. The Board agrees with the Respondent as to the importance of the variables of building type, effective age, condition and location in comparing sale properties to the subject.

[38] The Board examined the Respondent's equity comparables. In the Board's opinion, the Respondent's equity comparables support the appropriateness of the GIM applied to the subject. Further, the Board is satisfied that the GIM has been fairly and equitably applied to the subject.

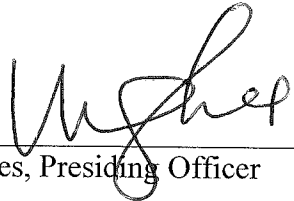
[39] The Board concludes that the 2013 assessment of the subject is fair, equitable and correct.

**Dissenting Opinion**

[40] There is no dissenting opinion.

Heard commencing September 23, 2013.

Dated this 17<sup>th</sup> day of October, 2013, at the City of Edmonton, Alberta.

  
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Willard Hughes, Presiding Officer

Peter Smith  
for the Complainant

Alsion Cossey  
Tanya Smith  
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.*