

## **Edmonton Composite Assessment Review Board**

**Citation: CVG v The City of Edmonton, 2013 ECARB 01917**

**Assessment Roll Number:** 2686509

**Municipal Address:** 13803 109 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] No procedural matters presented.

### **Preliminary Matters**

[2] There were no preliminary matters presented by either party. However, this is a carry forward from the master file, roll #2682250, for a group of four virtually identical properties on four separate titles. The other two roll numbers for this compilation of row houses are: #2682581 and #2685600.

[3] There was no bias from any Board member. There was no objection from the Complainant or Respondent as to the members of the Board.

### **Background**

[4] This property is part of a project of row housing suites known as North Glenora Patio Homes. The total project contains 60 - two bedroom suites. On this particular parcel there are 14 suites. The buildings were constructed in 1953 and are considered in fair condition by the City of Edmonton.

[5] It is important to note that the landlord, in this case, pays the gas, water and sewer utilities as the suites are not individually metered. The tenant is only responsible for power consumption. The costs associated with the landlord paying the utilities are built into the rent and becomes part of the revenue stream for this complex. Both the Complainant and the

Respondent stated that this is not common for most rental projects. The Respondent stated that the revenue generated from utilities is not part of projected gross income (PGI) as this is not a typical item in their analysis of rental multi-family properties.

[6] The subject property is located in Market Area 4 (MA 4) by the Respondent municipality. This market zone runs from the Yellowhead to the north, Laurier Heights and Quesnell Heights in the south, 149<sup>th</sup> St in the west and to 121<sup>st</sup> St in the east. The subject is specifically located in the North Glenora neighborhood, located between 111<sup>th</sup> Ave and 107<sup>th</sup> Ave and east of 142<sup>nd</sup> St. Overall, this is considered to be one of the better market areas and neighborhood in the City for multi-family properties.

### **Issue(s)**

[7] Is the Gross Income Multiplier (GIM) used by the Respondent municipality higher than indicated by market data?

### **Legislation**

[8] **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**

[9] The Complainant presented to the Board a list of eleven sales comparables (Exhibit C-1, pg 2) that they consider similar to the subject. Five of the comparables are located in Central McDougall (MA 7) and six are in Market Area 4, which is where the subject is located. The sales information sheets, produced by “The Network”, are in Exhibit C-1 pages 14 to 24.

[10] The GIMs provided by the Complainant, in “The Network” exhibits, are the GIMs calculated by dividing the selling price (SP) by the stabilized Gross Annual Income (GAI) less vacancy allowance. This, in the opinion of the Complainant, produces the actual GIM from the market and is what the Respondent municipality should, in the Complainant’s opinion, be using in their analysis of multi-family properties.

[11] As a result, the five sales in MA 7, Central McDougall, produce an average GIM of 8.79 and a median of 8.57. The adjusted selling price, using the actual GIM for each sale, results in an average adjusted selling price per suite (ASP/Suite) of \$92,413 and a median of \$90,019.

[12] The six sales in MA 4 produce an average GIM of 9.41 and a median of 9.47. The ASP/Suite produces an average of \$98,744 and a median of \$99,744.

[13] The subject is currently assessed with a GIM of 10.58 and the ASP/Suite is \$111,928.

[14] The Complainant places more weight on the five sales in MA 7 as they are closest in age (1956 to 1960) and construction to the subject. They also have a similar suite count and mix to the subject. The six comparables in MA 4 are still similar to the subject but are much newer, with year of construction ranging from 1968 to 1970.

[15] The Complainant asked the Board to revise the GIM used for the subject from 10.58 to 8.75, which is much more in line with the best comparables, sales #1 – #5 (Exhibit C-1, pg 2). Using this GIM would produce a value of \$92,000 per suite, which is exactly the average of sales #1 – #5. The requested revised assessment is \$1,290,000, a reduction from the current assessment of \$1,567,000.

[16] The Complainant provided the Board with Exhibit C-2, 6 pages, which is a rebuttal to the Respondent's five sales comparables (Exhibit R-1, pg 38). In this exhibit the Complainant produced "The Network" sales summary sheets, similar to what was presented in Exhibit C-1 for each of the Respondent's comparables. On page 1 of Exhibit C-2 the Complainant provided the Board with a comparison of "The Network" GIMs (same calculation as previous) to show that the GIM produced from the market data is lower than the Respondent's in three of the five sales comparisons. There was no GIM provided by the Complainant for the Respondent's sale #1 as there was no income provided for it in "The Network" documentation. The Respondent's GIM for sale #1 is 15.10.

[17] Sursurrebuttal was provided to the Board as Exhibit C-3, 5 pages. This exhibit is a decision of the 2013 Edmonton CARB for roll number 10020390 (file number 01867). This is a case of row housing, similar to the subject, in MA 8 on the south side of Edmonton. In this decision the Board concluded that there was sufficient evidence to reduce the GIM from 9.58 to 8.60.

### **Position of the Respondent**

[18] The Respondent provided to the Board the City of Edmonton's "Row House Assessment Brief – Mass Appraisal Approaches" (Exhibit R-1, pages 6 – 14). This exhibit provides details as to the frame work on how the City has assessed row housing, including the significant variables used.

[19] Photos of the complex and interior photos of a typical suite were provided in Exhibit R-1 pages 19 – 28. From these photos, the Respondent pointed out to the Board, it can be seen that renovations to the interiors of the suites have been made over the years to somewhat modernize the suites. Very little appears to have renovated on the outside, other than typical maintenance.

[20] The Respondent provided the Board with the Annual Income Expense Statement (Exhibit R-1, pages 33 – 34) to show how the assessment of the subject was calculated. This was reproduced from data supplied by the owner of the subject property. For comparison purposes the Respondent provided an Income Comparison (Exhibit R-1, pg 35) using the actual reported PGI, less 3% vacancy, to derive an effective gross income (EGI). Using the current assessment of \$1,669,500 divided by EGI results in a GIM of 9.43 for the subject property. This simplified

calculation clearly shows, in the Respondents' opinion that the GIM of 10.58 used by them is not out of line when all factors used in determining PGI are considered.

[21] The Respondent provided five sales comparables (Exhibit R-1, pg 38) of low rise multi-family properties that have sold between 2010 and 2012 in MA 4 (there were no row house sales). These comparables are all of buildings that were constructed no later than 1964 (the subject was constructed in 1953). Sale #1 has a GIM of 15.10 and is the oldest of the comparables. The Respondent included this sale, since it was a valid sale in MA 4, but did not use it in the average or median as it was considered an outlier since the GIM is so different from what is considered typical. The average GIM for the other four properties works out to be 10.83 and the median is 10.81. The time-adjusted ASP/Suite ranges from \$115,764 to \$127,696 (excluding sale #1). The subject is assessed at \$111,300 per suite. Details of the sales comparables are on pages 39 – 43 of Exhibit R-1.

[22] In rebuttal to the Complainant's sales comparables, it was pointed out to the Board that MA 7, in which five of the Complainant's comparables are located, is one of the least desirable multi-res areas in the City and that these sales should not have much weight placed on them. As for the other six comparables used by the Complainant all of these comparables are much newer than the subject. Several of the sales comparables used by the Complainant are post-facto sales and were not considered by the Respondent.

[23] To further advance their case that the current assessment is fair and equitable, the Respondent provided the Board with an Equity Comparable chart (Exhibit R-1, pg 44) which lists the assessments of all row housing properties in MA 4 (10 properties). The assessment per suite of these equity comparables range from \$128,342 to \$188,888 (this is for a 2007 building). The subject is assessed lower than the lowest of these comparables.

[24] The Respondent included in their evidence package an Edmonton CARB decision from 2012 (Roll #2255453, file number 2093) (Exhibit R-1, pg 47 – 53). This decision was for a similar row housing complex in the Wellington Neighborhood in MA 10, NE of the subject property. The decision of the Board in this case upheld the assessment and the method of valuation used by the Respondent municipality. The Board in that decision clearly pointed out the problems of accepting the Complainant's methodology (it was exactly the same parties as current involved in that appeal, CVG vs. City of Edmonton).

[25] The Respondent followed up Exhibit R-1 with Exhibit R-2 (85 pages), which is titled "Law and Assessment Brief – Errors Inherent in Mixing and Matching..." for the Board's consideration. This document includes excerpts from Alberta Municipal Affairs publications, "The Appraisal of Real Estate" text and some case law. The Respondent directed the Board's attention to page 6 of this exhibit to clearly show how the use of third party evidence can result in very different outcomes when determining GIM's for multi-res properties. The Respondent shows, in the chart on page 6, how three different parties, Anderson, The Network and The City of Edmonton, have come up with GIM's of 16.68, 10.67 and 13.77 respectively, for exactly the same property. On page 7 it shows the results of "predicted value versus actual value" using the information provided by third party sources ranging from \$986,975 to \$2,012,608 for predicted value compared to \$1,236,000 actual used by the Respondent. For this reason, the Respondent pointed out to the Board, The City of Edmonton does not rely on third party data but rather does their own analysis using information supplied by property owners. From this information they determine what is typical and what is not.

[26] In surrebuttal (Exhibit R-3, 5 pages) to the Complainants rebuttal (Exhibit C-2) the Respondent provided the Board with another Edmonton CARB decision (Roll #7221980, file #01865) in which the Board agreed with the methodology used by the Respondent municipality in determining GIMs, in comparison to how the Complainant is determining GIM.

### **Decision**

[27] It is the decision of the Board that the 2013 assessment of the subject property be confirmed at \$1,567,000.

### **Reasons for the Decision**

[28] The Board examined the evidence provided by the Complainant. It consists of eleven sales comparables, five of which are in Market Area 7 and six in Market Area 4, which is the same as the subject. All of these comparables are walk up apartments whereas the subject is part of a row house project. All of the six sales comparables used from MA 4 were built in 1968 or later, thereby being much newer than the subject property. No row house projects have been sold in Market Area 4 or 7. Both parties agreed that walk up apartments are similar to row house projects because they are residential properties held for investment purposes. The Board accepts this position since all attributes have been treated equally.

[29] It is noted by the Board that, whereas the subject property suites all have basements with individual heat and hot water, as well as private yards, none of the comparable walkup apartments used by either party have any of these amenities. Therefore, the comparability of the comparables to the subject becomes somewhat skewed. It would be expected that the subject property likely would have a slightly higher GIM than a suite in a walkup apartment.

[30] The Board heard that the rental income of the subject row house project is inclusive of all utilities, except power, whereas the rental incomes of the sales comparables provided by the Complainant do not include utilities. Typically the Respondent does not include utilities in developing a GIM. The Board referenced Exhibit R-2, page 3 which refers to the basic methodology used by the Respondent in deriving GIMs. According to the *Appraisal of Real Estate* Second Canadian Edition:

“In developing an income or rent multiplier, it is essential that the income or rent of the properties used to derive the multiplier is comparable to that of the subject and that the specific multiplier derived be applied to the same income base (page 22.16).”

The Board, therefore, questions the reliability of comparing the GIMs used by the Complainant for walk up apartments to the row house units of the subject.

[31] The Board also questions the correctness of the GIMs used in the Complainant's evidence (Exhibit C-1, page 2). In examining Exhibit R-2, *Errors Inherent in Mixing and Matching City GIMs/Incomes with Third Party GIMs/Incomes*, the Board is in agreement that analyzing sales to produce a GIM, solely from third party documents, is problematic. Although “The Network” data may have been documented in a consistent fashion, the Board is not convinced that “The Network” calculation is consistent with that used by the City. The Board accepts that there is no way of knowing the accuracy of the information provided on the third party “The Network” exhibits and the Board, therefore, is of the opinion that the GIMs are suspect.

[32] The Board considered the Complainant's position that the average and median GIMs of the comparables supplied by the Complainant suggested the subject's GIM is excessive. The Board is persuaded by the Respondent's argument that averaging GIMs of properties that are not highly similar is not typically sound valuation practice, as outlined in *Real Estate Investment Analysis and Advanced Income Appraisal*, UBC Real Estate Division 2003; page 7.6 (Exhibit R-2, page 7). The Board therefore places little weight on the median and average GIMs of the Complainant's comparable properties.

[33] The Respondent provided the Board with five low rise apartment sales, all in MA 4 and all constructed prior to 1965. The Board notes that the Respondent's comparables have GIMs ranging from 10.13 to 15.10, indicating that the subject's GIM of 10.58 is fair.

[34] The Board is of the opinion that the subject is assessed in an equitable manner, as shown by the GIMs and the assessment per suite of all row houses in Market Area 4 (Exhibit R-1, page 44).

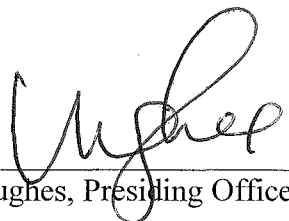
[35] Jurisprudence has established that the onus of showing an assessment is incorrect rests with the Complainant. The Complainant did not provide sufficient and compelling evidence in order for the Board to justify making a change in the assessment.

#### **Dissenting Opinion**

[36] There was no dissenting opinion.

Heard commencing September 24, 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

#### **Appearances:**

Tom Janzen  
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.*