

## **Edmonton Composite Assessment Review Board**

**Citation: CVG v The City of Edmonton, 2013 ECARB 01918**

**Assessment Roll Number:** 1173004

**Municipal Address:** 8402 169 Street 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] There were no procedural matters raised.

### **Preliminary Matters**

[2] There were no preliminary matters presented by either party. However, this will be the master file for a group of three virtually identical properties on separate titles. The other roll numbers for this compilation of row houses are: #1174002 and #1171008. There was carry forward of some parts of the arguments from Roll #9993392 with regards to issues such as third party information and determination of gross income multipliers.

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

### **Background**

[4] This property is part of a two storey row house development known as Elmwood Townhomes. The project is located directly south of the Misericordia Hospital and south east of West Edmonton Mall. There are 200 units in the project in total. On the subject site there are 24 suites built in 1963 but with an effective age of 1975 applied by the Respondent municipality. The reason for this is that the suites have had substantial renovations over the years to bring the interiors of the suites to a more modern standard. The suites are broken down to 4 – two bedroom, 16 – three bedroom and 4 – four bedroom units. Average suite size is 1614 square feet

(150 sq. m). Utilities are paid by the tenant. All units have full basements with individual heat and hot water units.

[5] The subject property is located in Market Area (MA) 6, which encompasses most of the west end of the City of Edmonton.

[6] The Gross Income Multiplier (GIM) used by the Respondent municipality is 9.78. Vacancy rate used is 3%. The assessment per suite is \$125,437 for a total assessment of \$3,010,500 for this particular parcel.

### **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 provided the Board with seven sales comparables (Exhibit C-1, pg 2) of walk-up apartments in the west end. There were no row house sales comparables to be used (this was confirmed by the Respondent). The number of suites varied from 12 suites to 88 suites and with ages from 1963 to 1981. Sales dates were from August 2010 to June 2012.

[10] Adjusted selling prices per suite averaged \$114,264 with a median of \$118,561. The average for the subject is \$125,437. Details of the sales information are found on pages 12 to 18 of Exhibit C-1. This information is from “The Network” and was not verified by the Complainant.

[11] The average GIM for the comparables is 9.00 and the median is 9.30. The subject is 9.78.

[12] The Complainant provided a consolidated cash flow statement for the total complex (Exhibit C-1, pg 11).

[13] The Complainant provided to the Board a report from Cushman and Wakefield (Exhibit C-1, pages 19 – 22) in which the Complainant referenced the average price per suite for walk-up apartments in the City of Edmonton as \$92,860 and an average Gross Revenue Multiplier (GRM) of 10.0 for 2012. GRM is the same as GIM.

[14] In summary, the Complainant stated that a GIM of 9.35 is appropriate based on the evidence submitted. The best indicator in determining a GIM is by using “actual income/actual selling price”, as determined by the market place. When applied to the potential gross income as determined by the Respondent (\$307,853) the result is a requested assessment of \$2,878,426. When reconciled with the per suite cost and the GIM the requested assessment is \$2,850,000.

### **Position of the Respondent**

[15] The Respondent provided an eleven page brief that the City of Edmonton uses for determining the value of row housing units (Exhibit R-1, pages 5 – 15). This exhibit outlines the City’s specifications to be considered in evaluating row houses and the key elements to be applied.

[16] Maps of the subject and photos of a typical suite, both exterior and interior were provided to the Board (Exhibit R-1, pages 16 – 27). There is a copy of the detailed report for the subject on page 28 of Exhibit R-1 indicating that the City applied a GIM of 9.78 and a vacancy rate of 3% to derive an assessment per suite of \$125,437 and a total assessment of \$3,010,500.

[17] The Respondent provided copies of the rent roll for the entire complex (Exhibit R-1, pages 32 – 41). Actual vacancy for this development in 2012 was 5%. Rents range from \$1149 for two bedrooms to \$1449 for four bedrooms according to an exhibit on page 43 of Exhibit R-1.

[18] The Respondent provided the Board with six sales comparables (Exhibit R-1, pg 44). All of these sales were considered by the Respondent to be comparable to the subject with regard to location, age, with the exception of one complex, and suite mix. These comparables are all walk-ups built between 1972 and 2002. GIMs range from 9.78 to 14.8 (for the newest building). Time-adjusted selling prices per suite range from \$100,000 to \$196,933. The subject GIM is 9.78 and an average per suite value of approximately \$125,000. The details of the sales comparables were provided (Exhibit R-1, pages 45 – 50).

[19] The Respondent provided three sales of row housing units (Exhibit R-1, pg 51) for the Board’s consideration, but all of these sales were in other parts of the City. The Respondent presented these to the Board only to highlight that row housing units similar to the subject were selling for between \$149,983 and \$162,000 per suite whereas the subject is only being assessed at approximately \$125,000 per suite. The comparables are all newer than the subject.

[20] The Respondent entered into evidence an Assessment Equity Comparables chart (Exhibit R-1, pg 55) of all multi-family rental suites in MA 6. Of twenty three properties the subject property has the lowest assessment per suite of all of the properties, which range from a low of \$124,735 for the subject to a high of \$170,540.

[21] As further backup evidence to support the current assessment, the Respondent provided the Board with a copy of a decision of the Edmonton ARB for August 2012, file #2094 (Exhibit R-1, pages 57 – 64), which was a very similar appeal as the subject in this case. Many of the same arguments were made in that case as in this one. In that particular case the Board upheld the assessment.

[22] The Respondent is asking that the Board uphold the assessment of the subject at \$3,010,500.

[23] Exhibit R-2, 85 pages was presented to the Board. This exhibit is a Law and Assessment brief that the Respondent has prepared regarding "Errors Inherent in Mixing and Matching GIMs With Third Party GIMs".

### **Decision**

[24] It is the decision of the Board that the 2013 assessment of the subject property be confirmed at \$3,010,500.

### **Reasons for the Decision**

[25] The Board examined the evidence provided by the Complainant. It consists of seven sales comparables. All of these comparables are walk up apartments whereas the subject is part of a row house project. Both parties agreed that walk up apartments are similar to row house projects because they are residential properties held for investment purposes. Also, both parties have agreed that the use of walk-up apartments is the best indicator since there were virtually no sales of row housing, other than a very few across the entire City. The Board accepts this position since both parties have agreed to the similarity for use in determining value. However, none of the Complainant's sales comparables have been time-adjusted as have the Respondent's sales.

[26] 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. It would be expected that the subject property would have a slightly higher GIM than a walk-up without these amenities.

[27] 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.

[28] 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 with the Respondent 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 "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 by the third party "The Network", exhibits and the Board, therefore, is of the opinion that the Complainant's GIMs are suspect.

[29] The Board considered the Complainant's position that the average and median GIMs of the comparables supplied by the Complainant suggests the subject's GIM is excessive. The Board is more 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.

[30] The Respondent provided the Board with five low rise apartment sales, all in MA 6 and all constructed between 1972 and 1981, with the exception of one complex built in 2002 (sale #6). The Board placed little weight on this one sale as it is significantly newer than the subject and thus, is not that comparable. The balance of the sales, #1 - #5, were regarded by the Board as better indicators of value than the Complainant's. The Board notes that the Respondent's comparables have GIM's ranging from 9.78 to 10.68, not including sale #6, with an average of 10.15 and a median of 10.05, indicating that the subject's GIM of 9.78 is well within reason of these indicators.

[31] 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 multi-family housing in Market Area 6 (Exhibit R-1, page 55).

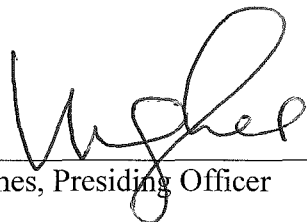
[32] Jurisprudence has established that the onus of showing an assessment is incorrect rests with the Complainant. The Complainant did not provide sufficient and compelling evidence in order for the Board to justify making a change in the assessment.

### **Dissenting Opinion**

[33] There was no dissenting opinion by the Board.

Heard commencing September 25, 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.*