

## Edmonton Composite Assessment Review Board

**Citation: CVG v The City of Edmonton, 2013 ECARB 01924**

<b>Assessment Roll Number</b>	<b>Municipal Address:</b>
6386700	8311 129 AVENUE NW
6386759	12915 85 STREET NW
6386809	12815 85 STREET NW
6390157	13002 85 STREET NW
6390256	13014 83 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

**Larry Loven, Presiding Officer**

**Brian Frost, Board Member**

**Martha Miller, Board Member**

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### Procedural Matters

[1] At the outset of the hearing the Complainant and the Respondent confirmed that they had no objection to the composition of the Board and the Board members declared that they had no bias in matters before the Board with respect to the above named roll numbers.

[2] At the request of the Complainant to have the decisions on the above named roll numbers written as one decision, and hearing no objections from the Respondent in this respect, the Board confirmed that to the parties that the Board would write the decisions on the above named roll numbers as a single decision.

### Preliminary Matters

[3] None noted

## **Background**

The subject properties constitute a 2 story row housing development known as the *Delton Townhomes*. The development contains 280 suites as follows:

<b>Roll Number</b>	<b>2-Bedroom</b>	<b>3-Bedroom</b>	<b>Total</b>
6386700	62	88	150
6386759	8	14	22
6386809	8	14	22
6390157	22	30	52
6390256	14	20	34

The subject properties ranged in year of construction from 1958 to 1960, and effective year built from 1970 to 1972

## **Issues**

- [4] Is the assessed GIM of the subject properties correct?
- [5] Is assessed per suite value of the subject properties correct?

## **Legislation**

### **[6] 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**

[7] The Complainant submitted a 16 page document (C-1) in support of the requested reductions in value of the subject properties.

[8] The Complainant confirmed that, as the revenues for the development for the 12 months ending December 31, 2011, of \$3,406,857, were close to the Respondent's assessed effective Potential Gross Income (PGI) of \$3,360,309, there was no issue with the PGI used in the assessment of the subject properties.

[9] The Complainant provided five sales comparables ranging as follows: in age from 1964 to 1971; in GIM from 7.94 to 9.03; in average PGI per suite per month from \$691 to \$872 and adjusted sale price per suite from \$94,231 to \$107,166.

[10] The averages and medians of the Complainant's sales comparables were given as follows: for the GIMs, 8.59 and 8.66 respectively; for the average PGI per suite per month, \$775 and \$763 respectively; and for the adjusted sale price per suite, \$102,326 and \$103,783, respectively. This was compared to the subject properties' assessed GIM of 9.58, average assessed PGI per suite of \$1,031 and assessment per suite of \$114,946.

[11] The Complainant explained the adjusted sale price per suite was determined by multiplying the sale price per suite of each sale comparable by a multiplier determined by the average assessed PGI per suite per month of the subject property divided by the average sales PGI per suite per month of the sales comparable. For example, the sale price per suite of the first sales comparable was \$87,778 per suite. This price was multiplied by a factor of the assessed PGI per suite per month of the subject property, \$1,031 divided by the average PGI per suite per month of the sales comparables, \$872. The Complainant argued that this adjustment accounted for any changes in sale price and rental rates from the date of sale as well as any variation in rent rates and other site specific factors.

[12] The Complainant placed the most weight on three sales comparables ( #1, #4 and #5) having the same effective age as the subject properties which indicated a value of \$103,000 per suite to be the most appropriate for the subject properties. Applying this value to the number of suites for each of the subject properties the Complainant determined the values as follows:

<b>Roll Number</b>	<b># Suites</b>	<b>Value</b>
6386700	150	\$15,450,000
6386759	22	\$ 2,266,000
6386809	22	\$ 2,266,000
6390157	52	\$ 5,356,000
6390256	34	\$ 3,502,000

[13] Relying upon the same three sales comparables because of their similarity in physical attribute to the subject properties, the Complainant considered a GIM of 8.60 to be appropriate. Applying this GIM to the assessed effective PGI of the subject properties the complainant determined a values of the subject properties as follows:

<b>Roll Number</b>	<b>Assessed Effective PGI</b>	<b>Value</b>
6386700	\$1,799,823	\$15,478,478
6386759	\$ 264,168	\$ 2,271,845
6386809	\$ 264,168	\$ 2,271,845
6390157	\$ 623,909	\$ 5,365,617
6390256	\$ 408,241	\$ 3,510,000

[14] In conclusion the Complainant requested the 2013 assessments of the subject properties be reduced as follows:

<b>Roll Number</b>	<b>Requested Value</b>
6386700	\$15,460,000
6386759	\$ 2,271,845
6386809	\$ 2,271,845
6390157	\$ 5,360,000
6390256	\$ 3,510,000

### **Position of the Respondent**

[15] The Respondent submitted a 70 page document (R-1) in support of the 2013 assessments of the subject properties, containing the 2013 row-house assessment brief, market area maps, map of the subject properties, photos of the subject properties, profile reports, complainant issues, comparable sales, equity comparables, additional evidence, conclusion and law brief.

[16] The Respondent pointed the Board to the Valuation section of its 2013 Row-House Assessment Brief regarding the typical Potential Gross Income (PGI) using the rental information and the Gross Income Multiplier (GIM) using the sale information a multi-residential income model to the entire Row-House inventory to arrive at the assessed value for each Row-House parcel (R-1, p. 8).

[17] The Respondent further highlighted the valuation specifications for multi-residential properties, striking balcony as a property attribute considered in valuation of row-house properties as well as a PGI model significant variable (R-1, p. 9).

[18] The Respondent drew the Board's attention to the three GIM model's significant variables, as building type, effective year built and market area (location), adding that market area (location) was not used (R-1, p. 9).

[19] The Respondent addressed the Complainant's issues regarding GIM and adjusted value per suite. Regarding GIM, the Respondent stated that the Complainant uses an incorrect methodology by using the Respondent's typical or assessed income and applying it to a GIM from the Network income. The Respondent's analysis of valid sales from the subject properties' market area suggests the assessed GIM of the subject properties is correct. Further equity comparables provided by the Respondent indicated that the subject properties are assessed in an equitable manner. Regarding the adjusted sale price per suite, the Respondent stated the Complainant inconsistently applied third party data to the assessed income of the subject properties (R-1, p. 23).

[20] The Respondent provided a table containing 17 sales comparables of all valid Market Area 10 low rise sales from March 2011 to June 2012, including the five sales comparables provided by the Complainant. The Respondent's sale comparables ranged in effective year built from 1963 to 1971, adjusted GIM from 7.92 to 10.92 and adjusted sales price per suite from \$94,056 to \$129,709. The Respondent stated these compared favourably to the subject properties' effective year built of 1970/72, assessed GIM of 9.58, and assessment per suite from \$114,942 to \$115,202. The Respondent noted on the chart that low rise sales were utilized, as

there were no valid sales of row house properties for the 3 year period used in the multi-residential 2013 valuation process (R-1, p. 24).

[21] The Responded provided a table containing 31 equity comparables of all row house properties in Market Area 10, including the five subject properties, showing all row house properties with an effective year built of 1973 or older were assessed with a GIM of 9.58 (R-1, p. 42).

[22] The Respondent's multi residential 2013 time adjustment factors showed basically no change since September 2011.

[23] In conclusion, the Respondent stated that - its analysis of all valid sales from the subject properties' Market Area indicated that the GIM used in deriving the subject properties assessed value is in line with market; the subject properties are assessed equitably with similar row house properties; its analysis is consistent with accepted appraisal practices whereas the Complainant used inconsistent analysis that matches up two data sources; and, it followed proper procedures using mass appraisal standards. Based on the foregoing the Respondent requested the Board to confirm the 2013 assessments of the subject properties.

[24] The Responded submitted an 85 page law and assessment brief (R-2), *Errors Inherent in Mixing and Matching City GIMs/Incomes with Third Party GIMs Incomes*, illustrating potential errors in deriving and applying GIMs by applying three different incomes with three different GIM to arrive at a value that varied from the actual sale price.

### **Decision**

[25] It is the decision of the Board to reduce the 2013 assessment of the subject properties as follows.

<b>Roll Number:</b>	<b>2013 Assessed Value</b>	<b>Revised Value</b>
6386700	\$17,242,000	\$15,460,000
6386759	\$ 2,530,500	\$ 2,271,845
6386809	\$ 2,530,500	\$ 2,271,845
6390157	\$ 5,977,000	\$ 5,360,000
6390256	\$ 3,910,560	\$ 3,510,000

### **Reasons for the Decision**

[26] The Board agrees with the Respondent's position that mixing and matching GIM's and incomes from various sources can create variances; however, the Board was not convinced that this practice was always incorrect.

[27] The Board is satisfied with the Complainant's method of adjusting the sale price per suite to account for site specific differences in order to normalize the sales comparable to the subject properties. The Board acknowledges that while this may create variances when actual incomes vary from typical, in the case of the subject properties the Complainant has shown the typical or assessed income of the five subject properties of \$3,360,309 closely matches the actual income of \$3,406,857.

[28] The Board was informed by the Respondent that there were no sales of row house properties in Market Area 10. Furthermore, both parties relied upon sales of low rise properties. The Board accepts that Respondent's argument that, "*Row house properties typically sell at a higher price per suite compared the low rise properties because of the higher income they can generate. Some reasons for a higher income are superior suite mixes, amenities, and lower operating costs.*".

[29] The Board notes that the Respondent applied the Complainant's adjustment method to all of the 17 sales of low rise sale in Market Area 10 and this resulted in the median adjusted sales price per suite of \$115,980 compared to the assessment per suite of the subject properties of approximately \$115,000. The Board finds the Complainant's adjustment method seems to account for the higher selling price per suite for a row house property compared to a low rise property.

[30] Examining the Respondent's chart of sales with respect to locational variances within Market Area 10, the Board finds that seven of ten of the Respondent's sales comparables, #8 to #17 inclusive, were located in the Cromdale neighborhood or along 83<sup>rd</sup> Street south of 112<sup>th</sup> Avenue. They sold for an adjusted sales price from \$110,000 per suite to almost \$130,000 per suite. The Respondent's sales comparables, #1 to #7, including all five of the Complainant's sales comparables, were all located north of 118<sup>th</sup> Avenue and sold for an adjusted sales price less than \$110,000 per suite with an average price per suite of \$102,852.60 and a median of \$103,567. As a result, the Board finds that Respondent's use of sale comparables in the Cromdale neighborhood inflated average sale price per suite of the sales comparables.

[31] The Board finds the Complainant's adjustment as applied by the Respondent to the Complainant's sales of low rise sales in Market Area 10 also appears to account for variances in location within Market Area 10 and supports the Complainant's requested value of \$103,000 per suite, or values as follows:

<b>Roll Number:</b>	<b># Suites</b>	<b>Value (# Suites x \$103,000)</b>
6386700	150	\$15,450,000
6386759	22	\$ 2,266,000
6386809	22	\$ 2,266,500
6390157	52	\$ 5,356,000
6390256	34	\$ 3,502,000

[32] The Board compared the GIMs of the low rise sales comparables given by both parties. The chart below summarizes the GIM's five of the Respondent's first seven sales comparables as adjusted by the Respondent, then compared to the Complainant's five sales comparables GIM's as given by the Network. The Board finds the Respondent's adjusted GIM's support the Complainant's requested GIM of 8.60.

<b>Sales Comparable</b>	<b>Respondent Adjusted GIM (TASP/COE EPGI)</b>	<b>Complainant GIM (the Network)</b>
11936 81 St	7.92	7.94
8115 125 Ave	8.70	8.66
12239 82 St	8.72	8.6
13105 69 St	8.93	9.03
12430 82 St	9.03	8.73
Average	8.66	8.59
Median	8.72	8.66

[33] The Board understands from the Respondent's evidence that all row properties with an effective age pre-dating 1973 were equitably assessed using a GIM of 9.58. The Board did not hear any evidence that row house properties with an effective age pre-dating 1973 were assessed at a different GIM than low rise properties with an effective age pre-dating 1973 in this market area.

[34] Based on its consideration of the foregoing reasons, the Board finds the subject properties to be fairly and equitably assessed as follows:

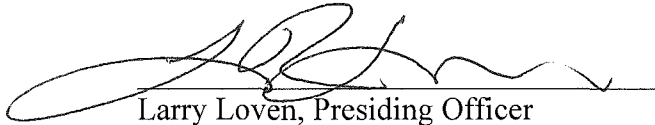
<b>Roll Number:</b>	<b>Value</b>
6386700	\$15,460,000
6386759	\$ 2,270,000
6386809	\$ 2,270,000
6390157	\$ 5,360,000
6390256	\$ 3,510,000

### **Dissenting Opinion**

[35] None noted.

Heard commencing October 2, 2013.

Dated this 29<sup>th</sup> day of October, 2013, at the City of Edmonton, Alberta.

  
Larry Loven, Presiding Officer

### **Appearances:**

Tom Janzen  
for the Complainant

Colleen Kutcher, Assessor  
Tanya Smith, Legal Counsel  
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.*