

## **Edmonton Composite Assessment Review Board**

**Citation: Colliers International Realty Advisors Inc for Mainstreet Equity v The City of Edmonton, 2014 ECARB 01067**

**Assessment Roll Number:** 3077203  
**Municipal Address:** 10619 104 Street NW  
**Assessment Year:** 2014  
**Assessment Type:** Annual New  
**Assessment Amount:** \$1,046,000

Between:

**Colliers International Realty Advisors Inc for Mainstreet Equity**

Complainant

and

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

Respondent

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**DECISION OF**  
**Harold Williams, Presiding Officer**  
**Brian Carbol, Board Member**  
**Judy Shewchuk, Board Member**

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### **Procedural Matters**

[1] Upon questioning by the Presiding Officer the parties indicated they did not object to the Board's composition. In addition, the Board members stated they had no bias with respect to this file.

### **Preliminary Matters**

[2] There were no preliminary matters.

### **Background**

[3] The subject property under complaint is classified by the City as a low rise apartment and is located at 10715 – 104 Street NW within the Central McDougall neighborhood. The subject property is made up of one two and one half story building containing 12 one bedroom suites. The gross building area is listed as 8,548.27 square feet. The building has surface parking. The subject property was valued by the City based on an income approach using typical Potential Gross Income, typical vacancy, and typical Gross Income Multiplier (GIM), resulting in a 2014 assessment of \$1,046,000. The effective year built is 1969.

### **Issues**

[4] Does the GIM used in the assessment of the subject property result in a fair and equitable assessment?

[5] Is the assessment of the subject property fair and equitable when considering the per suite time adjusted sales prices and the per suite assessed values of comparable properties?

[6] Is the sale of the subject property the best indicator of value?

[7] Is the assessment of the subject property fair and equitable when considering the assessment to sale price ratio (ASR) of the subject property and similar properties to the subject?

### **Position of the Complainant**

[8] The Complainant argued that the GIM used in the Respondent's calculations was far too high. As support for this position the Complainant submitted sales comparables and equity comparables.

[9] The sales comparables included 19 properties in the Central McDougall and Queen Mary Park areas. The years of construction ranged from 1954 to 2002 with an average year of construction of 1968. The sale dates ranged from January 2012 to September 2013. The number of suites ranged from six to 42. The GIMs ranged from 7.94 to 12.5 with an average of 9.75 and the adjusted GIMs ranged from 7.68 to 10.52 with an average of 9.07. (In response to the Respondent's query, the Complainant stated that they had arrived at the "adjusted GIMs" by adjusting the rents to market value using Canadian Mortgage and Housing Corporation (CMHC) data.) The Complainant submitted that these values supported a reduction of the subject's GIM from 10.63 to 9.00 with a resultant assessment of \$938,500.

[10] The Complainant provided an additional five direct sales comparables that were very similar to the subject in age and size. The Complainant argued that the subject was over-assessed based on the time adjusted sale prices (TASP) and assessments per suite of these comparables. The years of construction ranged from 1958 to 1971 with an average of 1966. The sale dates ranged from February 2012 to November 2012. The number of suites ranged from 9 to 15 with a variety of suite mixes. The TASP per suite ranged from \$62,733 to \$76,485 with an average of \$68,399. The Complainant suggested that a per suite value of \$70,000 is fair and equitable and would result in an assessment of \$840,000.

[11] The assessments per suite of these same five comparables ranged from \$75,454 to \$95,545 with an average of \$86,654. The Complainant also submitted that the assessment to sale ratio for these comparables averaged 1.27 (well above the acceptable 0.95-1.05 range) which indicated that all of these properties, including the subject, were over assessed. This ASR analysis suggested that a fair market sale price per suite would be \$68,803 or a value of \$825,500 for the subject property.

[12] The Complainant also provided information on the sale of the subject property showing that it sold November 2012 for \$777,527. A time adjustment was applied to bring the sale to an estimated 2013 value of \$793,126. The complainant argued that this time adjusted sale price would be an accurate indicator of the value of the subject property. The Complainant also provided two Edmonton CARB decisions (2013 ECARB 01544), and (2013 ECARB 01536) that the complainant argued showed support for contention that the sale of the subject property is the best indicator of value.

[13] In rebuttal the Complainant presented the 2014 assessments per suite of the Respondent's four sales comparables. These ranged from \$86,273 to \$93,458 with an average of \$90,271. The Rebuttal document also contained e-mails between representatives of the purchaser of the subject

property and representatives of Colliers International as to the value of the subject within the portfolio sale. The Complainant argued that this information indicated that the subject was purchased at market value.

[14] In conclusion, the Complainant requested that the Board reduce the 2014 assessment of the subject to \$793,000.

### **Position of the Respondent**

[15] In support of the assessment of the subject property the Respondent noted that the income approach was used to derive market estimates for low-rise apartments like the subject. The income approach uses typical Potential Gross Income (PGI), typical vacancy, and typical GIM to derive the value of low-rise properties. The Respondent provided information on the model used by the City of Edmonton.

[16] The Respondent argued that income approach to value requires that typical values be used rather than actual values and that the actual values provided by the Complainant rely on third party sources (in this case, The Network). These may not be reliable because there is no way to question the third party source, there is no way to know whether the income listed is actual or estimated, and there is no way to know the source of the information.

[17] In support of the GIM used to derive the assessment of the subject property, the Respondent presented four comparable sales from the same market area as the subject. The sales ranged in age from 1953 to 1967 (subject 1969), in suite total from 11 to 12 (subject 12) and all had various mixes of bachelor, one, two or three bedroom suites (subject, all one bedroom suites). The GIM for these properties ranged from 9.43 to 12.20 (subject 10.03). The Respondent argued that the GIM of the subject is supported by these comparable sales, as it is within the range.

[18] In further support of the GIM used to derive the assessment of the subject property, the Respondent presented four equity comparable properties from market area 2 that were similar in age and in suite total to the subject property. These properties showed a range for the GIM from 9.93 to 10.13 (subject 10.03). The Respondent presented this as evidence that the subject property has been assessed equitably with similar properties.

[19] The Respondent questioned the validity of the Complainant's Comparable Sales for GIM Analysis, noting that many of the sales were not valid. Of the twenty sales, five were part of a portfolio sale, two were buildings sold together, two were condo sales, one was post-facto, two were older and in poor condition. In support of this position the Respondent quoted the International Association of Assessing Officers Standard on Verification and Adjustment of Sales.

[20] The Respondent emphasized that the three significant variables used in to arrive at the GIM are: Building Type, Effective Year Built and Market Area. The comparable properties presented by the Complainant differed from the subject only in the aspect of Effective Year Built. As they are all older than the subject the Respondent argued that they are not reliable indicators of value when compared to the subject.

[21] In response to the Complainant's information about the sale of the subject property, the Respondent contended that the sale was part of a portfolio sale and therefore not a reliable indicator of value for the subject alone and that the subject property had some renovations

completed but there was no information as to whether these renovations had been made before or after sale.

[22] In relation to the information provided by the Complainant regarding ASR's for the subject and comparable properties the Respondent argued that an accurate ASR analysis would require a full sampling of all similar properties that have sold and not just a small sampling of some similar properties.

[23] In response to the Complainant's rebuttal, the Respondent noted that the average assessment per suite of \$90,271 portrayed in the chart is within 5% of the assessment of the subject property of \$87,167 and does not support a reduction in the assessment.

[24] The Respondent also entered a recent Edmonton CARB decision (2014 ECARB 01137) that ruled against a similar argument to that made by the Complainant in this case.

[25] In summation, the Respondent rejected the Complainant's valuation of \$70,000 per suite as an estimate with no basis in evidence. He further noted that some of the comparable properties used by the Complainant were older and outside the market area of the subject.

[26] The Respondent further argued that the use of the CMHC chart to adjust the GIM for the Complainant's comparable properties is flawed as the chart is for all types of multi-residential properties and not exclusively for low-rise apartments like the subject.

[27] The Respondent concluded that the assessment of the subject property is fair and equitable and at market value as of July 1, 2013 and requested the Board to confirm the 2014 assessment for the subject property at \$1,046,000.

### **Decision**

[28] The decision of the Board is to confirm the 2014 assessment of the subject property at \$1,046,000.

### **Reasons for the Decision**

[29] The Board recognizes the GIM approach used by the City to value multi-unit rental properties. The approach uses a standard mass appraisal valuation model that takes into account property variables such as suite size and mix, condition, effective year built, and market area. The information gathered by the City to establish the model indicates that effective year built, building type, and market area are the most significant variables driving differences in value. Again, the Board recognizes this approach as standard mass appraisal practice which is required for assessment purposes.

[30] The Complainant also recognized the GIM approach but felt that suite size and mix should be the most significant variables.

[31] The Board reviewed 19 properties listed by the Complainant as comparable to the subject property. The Board finds that while market areas and building type for the comparables were similar to the subject, there were considerable differences in effective year built between the subject and the comparables. The Board accepts that effective year built is a significant variable in the GIM approach. As a result, the Board gave little weight to this evidence as the subject is considerably newer than the comparables provided by the Complainant.

[32] There were also differences in the mix and size of suites, with the comparables generally being superior to the subject in that regard. Although the Complainant felt that this difference should be a significant factor in the assessment of multi-unit properties, the method used by the City gives a lower priority to these factors and a higher priority to effective age. The Board finds that suite size and mix are less significant variables in this GIM approach, and gave little weight to this argument.

[33] The Board then reviewed the adjusted GIM's associated with the 19 properties. The adjustments appeared to coincide with GIMs from third party ("Network") documents and some were further modified by use of a CMHC chart of apartment rents for the Edmonton area. There was no further analysis provided in terms of how the CMHC chart was used to adjust the GIMs of the 19 properties or how this information led to an estimate by the Complainant that a value for the subject property should be \$938,500 rather than the assessed value of \$1,046,000.

[34] The Board reviewed the sale and equity comparables provided by the Complainant. The Board was not persuaded by the Complainant's arguments that "economies of scale" and suite mix differences between the subject and the comparables should provide a lower GIM and a lower assessment because the comparables were generally older than the subject and some were outside the market area. Again there was no further analysis as to how this information led to an estimated GIM of 9.50.

[35] The Board gave most weight to the comparable property sales and comparable property assessments provided by the Respondent as they were from the same market area and close to the subject in effective year built. The GIM used to assess the subject was shown to be within the range of GIMs resulting from the sales of comparable properties and the within the range of GIMs used in the assessment of similar properties.

[36] The Board reviewed the information provided by the Complainant on the sale of the subject property. The Board did have concern that the sale was part of a large property portfolio sale and that it was not known whether building renovations took place before or after the sale. The e-mail correspondence in the rebuttal document did not state whether appraisal's had been done for the properties in the portfolio purchase but indicated only that the portfolio had been purchased at market value.

[37] In terms of the Complainant's information regarding ASRs the Board agrees with the Respondent that in a mass appraisal approach all verified sales of similar properties should be used to produce a viable ASR and that small samplings of similar properties does not provide a reliable ASR.

[38] The Board also reviewed a rebuttal document from the Complainant which critiqued the Respondent's sales comparables. The Board noted that the assessed value per suite of these sales was from \$86, 273 to \$93,458 and that the subject per suite assessment of \$87,167 fell within the range and supported the 2014 assessment of the subject property.

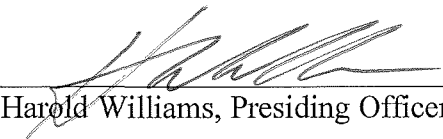
[39] For the reasons outlined above the Board did not find compelling evidence to adjust the assessment of the subject.

**Dissenting Opinion**

[40] There were none.

Heard August 20, 2014.

Dated this 11<sup>th</sup> day of September, 2014, at the City of Edmonton, Alberta.

  
Harold Williams, Presiding Officer

**Appearances:**

Stephen Cook  
for the Complainant

Keivan Navidikasmaei  
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.*

## Appendix

### Legislation

**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.

### Exhibits

- C-1 Complainant’s Brief
- C-2 Complainant’s Rebuttal
- R-1 Respondent’s Brief
- R-2 City of Edmonton Law and Assessment Brief
- R-3 2014 ECARB 01137