

Edmonton Composite Assessment Review Board

**Citation: Bhui Brothers Ltd. as represented by Colliers International Realty Advisors Inc v
The City of Edmonton, 2014 ECARB 01140**

Assessment Roll Number: 4832747
Municipal Address: 8004 119 Avenue NW
Assessment Year: 2014
Assessment Type: Annual New
Assessment Amount: \$1,508,500

Between:

Bhui Brothers Ltd. as represented by Colliers International Realty Advisors Inc
Complainant
and

The City of Edmonton, Assessment and Taxation Branch
Respondent

DECISION OF
Shannon Boyer, Presiding Officer
Joseph Ruggiero, Board Member
Taras Luciw, Board Member

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.

[2] The Respondent carried forward comments relative to mass appraisal from roll 2748036 and the overview of deriving Gross Income Multipliers (GIM) from Exhibit R-2, the Law and Assessment Brief.

Preliminary Matters

[3] There were no preliminary matters.

Background

[4] The subject property is a 15 unit low rise apartment building, with an effective year built of 1975, located at 8004 – 119 Avenue NW in the Eastwood neighborhood. The property has surface parking and some units have a balcony.

Issues

[5] Is the assessment of the subject property excessive based on the GIM when compared to the time adjusted sale price of similar properties and their respective GIM?

[6] Is the assessment of the subject property excessive when compared to the time adjusted sales price and assessment of similar properties and their Assessment to Sales Ratio (ASR)?

Position of the Complainant

[7] The Complainant submitted an evidence package containing detailed analysis of GIMs and comparable sales supporting its position that the subject property is over assessed.

[8] The Complainant provided a time adjusted sale price per suite for eight properties that sold between February, 2012 and February, 2013, together with their respective GIM. The sales ranged from \$71,108 to \$95,927, averaging \$84,340, and the GIMs ranged from 7.57 to 10.19, averaging 8.58, compared to the subject which is assessed at \$100,566 with a GIM of 10.33. When applying the average selling price of \$84,340 per suite to the subject, the resultant market value for the subject is \$1,265,000.

[9] The Complainant described the 2014 assessment as being prepared based on the income approach by using typical Potential Gross Income (PGI), deducting a typical vacancy rate (3%) and multiplying this by a typical GIM. As further support for the position that the subject property is over assessed, the Complainant included 24 valid sales for the period January, 2012 through September, 2013 in northeast Edmonton and stated that the GIM applied by the Respondent was consistently high. Where it was ascertained that rents were below market in some of the 24 sales comparables, adjustments to the rental income were made to bring them to market. The result was a reduction in the average GIM from 9.11 to 8.52 compared to the 10.48 utilized by the Respondent. The Complainant concluded a GIM of 8.60 which resulted in a market value of \$1,256,000 for the subject property.

[10] The Complainant detailed the per suite assessment for each of the eight sales comparables noted above and showed that while the average sale price was \$84,340, the average assessment was \$95,632 resulting in an ASR of 1.15, supporting the position that the properties are consistently over-assessed. Based on the ASR of 1.15 compared to the assessment of the subject property at \$100,566, the Complainant concluded the resultant per suite market value of \$87,449 for the subject property, equating to \$1,311,500.

[11] Considering each of the market comparables described above, the Complainant requested a reduction of the assessment to \$1,265,000.

Rebuttal of the Complainant

[12] The Complainant submitted Rebuttal containing seven of nine sales comparables presented by the Respondent and noted that the Respondent's own evidence supports a reduction similar to the amount requested by the Complainant. The average time adjusted sales price per suite was \$88,572 compared to the requested \$84,340. Two comparables were not included as they were described as being vastly superior.

[13] The Complainant also referenced the Respondent's Law Brief wherein the mixing of "actual" and "typical" was addressed. The Complainant detailed monthly rents from the CMHC rental market report, applied them to the subject and compared them to the Respondent's Potential Gross Income (PGI) as shown in the Assessment Detail Report. The annual rent based on CMHC rents totaled \$154,032 compared to the Respondent's PGI of \$150,580. The Complainant concluded that the rental rates provided in the Assessment Detail Report are within

a reasonable threshold to be considered market rates. Therefore the application of the GIM as presented in the Complainant's disclosure is warranted and correct.

Position of the Respondent

[14] The Respondent submitted evidence defining mass appraisal, comparable sales and equity comparables as support for the position that the assessment is correct. The evidence included an overview of Mass Appraisal and its approaches, definitions and variables.

[15] The Respondent's evidence included five sales comparables of low rise properties located in the Eastwood neighborhood where the subject is located. The sales occurred between March, 2011 and December, 2012 and ranged in price from \$94,660 to \$102,261 (time adjusted) per suite, with an average of \$97,095, compared to the subject's assessment of \$100,566. Their GIM ranged from 9.20 and 10.51 compared to the subject at 10.33. The properties ranged in size from six to 18 units as compared to the subject with 15 units. Two of the comparable properties were in common.

[16] The Respondent also provided a chart of nine sales comparables of low rise properties described as "all valid sales in Eastwood". These nine sales include the five referenced above and took place between March, 2011 and June, 2013. They ranged in price from \$71,110 to \$129,808 per suite, with a median of \$95,138 and their GIM ranged from 7.99 to 13.09. The size of the properties ranged from six suites to 27 suites.

[17] The Respondent submitted a list of 41 properties as equity comparables, all located in Eastwood, all in average condition and built between 1966 and 1983. The assessments ranged from \$81,388 to \$115,892 and the GIMs ranged from 9.88 to 10.73. The subject is in the upper quadrant of the equity comparables.

[18] The Respondent stated that walk-up apartment buildings in the Eastwood neighborhood are over-assessed and recommended a reduction to \$1,479,500.

Decision

[19] To reduce the 2014 assessment from \$1,508,500 to \$1,425,000 (\$95,000 per suite).

Reasons for the Decision

[20] The Board considered the parties' evidence, reviewed the comparable sales and places greatest weight on the Respondent's sales comparables. The sales prices of the Respondent's comparables reflect a tight range of 8% whereas the Complainant's comparables have a price range of 34%. The Board finds the Respondent's comparables more reflective of the market.

[21] However, the Board does not accept the Respondent's recommendation because it does not sufficiently account for the systematic over-assessment of walk-ups in Eastwood. The evidence presented supports a more substantial reduction.

[22] After considering the variables in the comparable sales presented by the parties, including suite-mix, number of suites and suite-size, the Board finds a further reduction of \$54,500 beyond the Respondent's recommendation to be necessary. At \$95,000 per suite, the assessment of

\$1,425,000 falls in the mid-range of the Respondent's sales comparables in Eastwood. These comparables are similar in terms of suite number, suite-mix, age, suite-size and location, and they support the additional reduction.

[23] At \$95,000 per suite, the subject also falls in the mid-range of the Respondent's list of forty equity comparables, which further supports the Board's decision to reduce the assessment beyond the Respondent's recommendation.

[24] The Board is not persuaded by the Complainant's GIM argument and does not accept the Complainant's GIM methodology. Sales were selected from vastly differing locations from the subject and the Complainant's GIMs were derived from third-party documents. The Board acknowledges that the Respondent cannot or is unwilling to share GIM and typical rent data with the Complainant; however, there is no evidence that third-party providers of data have a consistent and accepted method of collecting data specifically for use in mass appraisal, as legislated. The inherent problems were compounded when the GIM was adjusted using additional third-party data.

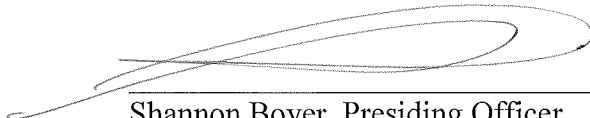
[25] The Board does not accept the Complainant's methodology of calculating market value based on adjusting the subject's assessment to bring it in line with the average ASR from equity comparables.

Dissenting Opinion

[26] There was no dissenting opinion.

Heard July 15, 2014.

Dated this 7 day of AUG, 2014, at the City of Edmonton, Alberta.


Shannon Boyer, Presiding Officer

Appearances:

Stephen Cook
for the Complainant

Amy Cheuk
Paul Harper, Assessor
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

1. Complainant’s Brief, C-1, 36 pages
2. Complainant’s Rebuttal, C-2, 8 pages
3. Respondent’s Brief, R-1, 48 pages
4. Respondent’s Law and Assessment Brief, R-2, 81 pages
5. Respondent’s Surrebuttal, R-3, 4 pages