

NOTICE OF DECISION

NO. DL 105/08

Carole Sundal
1516 Scotland Street SW
Calgary, Alberta
T3C 2L5

City Assessor (8002)
The City of Calgary
PO Box 2100, Station M
Calgary, Alberta
T2P 2M5

This is the decision of the Municipal Government Board (MGB) from a hearing held on August 21, 2008 respecting an appeal from the decision of the 2008 Assessment Review Board (ARB) of the City of Calgary.

Before: **P. Petry, Presiding Officer**
 T. Hudson, Member
 D. Trueman, Member

Carole Sundal and Carl Sundal - Appellants vs. The City of Calgary - Respondent

Roll No. 066158700 1516 Scotland Street S W

Assessed Value: \$800,000

Background

The subject property is a one and one-half storey single family residential property in the community of Scarboro containing 2,150 square feet on a 6,081 square foot lot, built in 1949 and in average condition. The original assessed value was \$955,000. The ARB reduced the assessment to \$800,000 based on downward adjustments for traffic influence and physical condition of the improvements. The City assessor agreed that these adjustments were warranted and that they would not appeal the ARB decision. On the other hand the Appellants argue that the reduction given by the ARB was insufficient.

The City assessor utilized the sales comparison approach to prepare the assessment. The assessed value set by the ARB results in an assessment of \$372 per square foot.

Issues

Does the assessment reduction of \$155,000 granted by the ARB adequately reflect the aggregate downward adjustment necessary to represent the valuation standard of market value and also equity with the assessed values of similar properties? In order to decide the foregoing it is

necessary to consider the total effect on market value created by any traffic impact, the lot size, the physical condition of the property and the comparison to other similar properties

Appellants' Position

The Appellants produced maps and testified that the subject property is located on Scotland Street which is one of the main entrances to the neighbourhood and which is busy with school buses and delivery trucks. The Appellants further argued that their subject lot was approximately 700 square feet smaller than a typical lot in the neighbourhood. The Appellants also submitted that the subject property had a steep slope which caused little room for "green space."

A variety of photographs were presented in the Appellants' evidence package that suggests that rehabilitation and renovation is required in certain areas of the home. Items such as replacing wallpaper in the kitchen with tile, installing a mantle on the living room fireplace, replacing floor covering through one-half of the main floor, replacing certain baseboards and heat duct coverings, upgrading bathrooms and repainting portions of the ceiling was required. It was the contention of the Appellants that these foregoing factors caused a negative effect on the original assessed value of \$955,000; and, together with a verbal report from a realtor that the property would sell for \$600,000 supported their claim for a reduced assessment to \$600,000.

From a standpoint of fairness with other assessed property owners in the neighbourhood the Appellants led evidence of five homes in the area which were located on Sharon Avenue, Sudbury Avenue and Shelburne Street and which range in assessed values from \$689,000 to \$781,000. It was argued that two of the five properties were in better condition and that three of the five properties had larger lots.

Respondent's Position

The Respondent first pointed out his legislative responsibilities under the *Municipal Government Act* (Act) and its regulation known as *Matters Relating to Assessment and Taxation Regulation* (MRAT) and provided copies of excerpts of each. The assessor also provided a brief discussion on valuation methodology.

In order to support the lowered assessed value of \$800,000 as set by the ARB and to refute the allegations of the Appellants the assessor presented copies of photographs, including maps, of the subject property and three properties which had sold in the subject neighbourhood; together with a detail grid sheet outlining comparability between the sold properties and the subject property. Finally the Respondent presented an "equity report" which detailed some eight similarly assessed properties located in the Scarborough neighbourhood.

The Respondent illustrated that the assessed value of \$800,000 was supported by three sales of comparative properties ranging in value from roughly \$700,000 to \$1,000,000, after adjustments for "market condition" changes which have occurred since their sale date. The Respondent

explains that the subject fits in this range and is comparable to the sold properties in that the sales were all in Scarborough, were of similar storey and one-half design, on similar sized lots, classified with the same quality rating and were either older or of similar chronological age.

The Respondent submitted an equity comparable chart which indicates that equity comparables illustrate a range in value of roughly \$620,000 to \$854,000. The subject also fits within this range.

The Respondent testified that the subject property is particularly large at 2,150 square feet as compared to other homes in the neighbourhood. Further, and with respect to condition, the items which form the basis for the Appellants' complaint should properly be considered as deferred maintenance items and are not uncommon in a home of this vintage. The Respondent testified that there was no market evidence that suggested that "size did not matter" or in other words the larger the home the more it would sell for. He went on to say that deferred maintenance items were common in homes of this age and that buyers did not discount heavily on account of these items.

Findings

There was no evidence from either party to allow the panel to quantify the market value adjustment(s) necessary for the factors at issue of traffic influence, lot size or condition

The parties agreed that the sale of the home at 1616 Shelbourne Street SW in May of 2007 and which had not been renovated demonstrated the best evidence of market value for the subject property as compared to all other sales and assessment indices.

Decision

The appeal in respect to the above property assessment is denied and the assessment is set at \$800,000.

Reasons

The MGB found the evidence of the Appellants insufficient to justify any further decrease in the assessment from that already given by the ARB. The Respondent provided compelling evidence to illustrate that the assessment met the valuation standard of market value and was equitable with similar properties.

The MGB firstly considered the market value evidence presented by both parties. The evidence of the Appellants, which consisted of a verbal comment by a realtor that the property would sell for \$600,000, required documentation in order to achieve credibility. In order for this evidence to be convincing it would be necessary that it be accompanied by detailed accounting and supported by market data, as well, as direct evidence of the realtor or an appraisal report.

On the other hand, the City provided three comparable sales in the subject neighbourhood which were of similar storey and one-half design, with an average age of 72 years compared to the subject 58 years, were on similar size lots at 6173 square feet compared to the subjects 6081 square foot lot, although on average they were noted to be 1640 square feet compared to the subject 2150 square feet, each of the comparables was complete with a garage and basement development similar to that of the subject.

The three sales presented by the City required adjustments to their sale prices for the changing market conditions which have occurred from the date of their sale to the valuation day of July 01, 2007. It was also noted by the MGB that the sale at 507 Salem Avenue and 1403 Summit Street demonstrated certain renovations which would have required a downward adjustment and that these were the two most dated sales. Nevertheless, considering that the market conditions adjustment and the renovations adjustment were offsetting, a selling price of \$451.00 per square foot is indicated. The adjusted selling price indication for the home at 1616 Shelbourne Street is \$459.00 per square foot and the MGB was mindful throughout its deliberations that the parties agreed that this was the most comparable property to the subject. These values suggest that the subject assessed at \$372 per square foot is not over assessed.

In reviewing the *equity* evidence of the Appellants regarding the fairness of the assessment, in relationship to other similar properties, it was evident that on an assessed value per square foot basis the comparables presented by the Appellant, were at \$481.00 per square foot, thus supporting the Appellants' contention that they were either in better condition or on a larger lot. However, a summary of the Respondent's equity evidence regarding equity comparables indicated an average assessed value of \$496.00 per square foot and these were for homes given a quality class A, the same as that of the subject, which was not objected to by the Appellants.

It must be noted here that the MGB found the evidence of the City, which was that size does matter, to be credible. In other words there was no evidence available to suggest that larger homes, within reason, would not sell for the same unit value, price per square foot basis, as a smaller home.

The most significant evidence to the MGB was that the assessed value of the subject property, as determined by the ARB, was \$372.00 per square foot. It seems apparent, and in the absence of evidence to the contrary, that the ARB reduction of some \$155,000 or \$72.00 per square foot adequately accounts for the downward adjustments necessary for quality and condition of the improvements; particularly when the respondent agreed with this adjustment. An audit reveals that the aggregate of \$372 and \$72 totals \$444 for a 1.5% variation from the indicated \$455.00 average per square foot market value. In other words, in the absence of evidence that the ARB reduction was insufficient, the amount of the ARB reduction, together with the ARB value equates with other comparable properties.

Further important evidence was taken from the Respondent's sales report which indicated that after adjusting sale prices and determining the relationship between adjusted sales price and 2008 assessments an ASR (assessment to sale price ratio) equaled 1.00. This means that generally speaking the City of Calgary's assessment modeling was working with a high degree of accuracy in the Scarboro neighbourhood.

When specific issues, e.g. traffic influence, lot size and condition require consideration, the MGB is unable to make market value adjustments without direct evidence, including supporting data. In the absence of this evidence the MGB finds the value of the ARB to be at market value and equitable with similar properties.

No costs to either party.

Dated at the City of Edmonton, in the Province of Alberta, this 20th day of October 2008.

MUNICIPAL GOVERNMENT BOARD

(SGD) D. Trueman, Member

cc: Bernice Lee, Assessment Review Board, City of Calgary