

## **Edmonton Composite Assessment Review Board**

**Citation: CVG v The City of Edmonton, ECARB 2012-001656**

**Assessment Roll Number:** 7221989

**Municipal Address:** 11105 87 AVENUE NW

**Assessment Year:** 2012

**Assessment Type:** Annual New

Between:

**CVG**

Complainant

and

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

Respondent

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**DECISION OF**  
**Hatem Naboulsi, Presiding Officer**  
**Jasbeer Singh, Board Member**  
**Mary Sheldon, Board Member**

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### **Preliminary Matters**

[1] The parties to the hearing indicated that they had no objection to the composition of the Board. The members of the Board indicated that there was no bias with respect to this file.

[2] Evidence, arguments and submissions are carried forward, where relevant, to this file from roll number 3055985.

### **Background**

[3] The subject property is known as Sir John Franklin and is a high-rise apartment situated in the Garneau neighborhood in Edmonton. The building was constructed in 1969 and consists of 111 apartment suites (55 one bed room suites, 55 two bedroom suites and 1 penthouse suite). There is main floor commercial space with an assessed value of \$686,500.

### **Issue(s)**

[4] The 2012 assessment of \$686,500 in respect of the main floor commercial space is not in dispute. Although the Complainant had identified several reasons for the complaint in the

document attached with the complaint form, at the hearing the Complainant narrowed the list down to;

- a. Is the Gross Income Multiplier (GIM) used to derive the 2012 assessment value of \$16,527,500 for the subject property fair and equitable?

### **Legislation**

[5] The Municipal Government Act reads:

#### ***Municipal Government Act, RSA 2000, c M-26***

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**

[6] The Complainant advised the Board that there was no issue with respect to the valuation of the commercial component of the subject at \$686,500. The Complainant further advised that the residential portion of the subject had been valued for the 2012 assessment by the City of Edmonton using the gross income multiplier method. The potential gross income for the residential portion was estimated and a typical vacancy allowance was deducted. The resulting effective potential gross income for the residential portion was multiplied by a gross income multiplier (GIM) to arrive at a value for that residential portion.

[7] The Complainant advised the Board that there was no issue with the City’s estimated income figures or vacancy allowance used in the preparation of the 2012 assessment. The only issue raised by the Complainant was the GIM used to establish value for the residential portion of the subject.

[8] In support of its position that the 2012 assessment of the subject was excessive, the Complainant pointed out to the Board that the GIM applied to the residential portion of the subject by the City of Edmonton in preparing the assessment had risen from 11.01 in 2011 to 11.48 for the assessment year 2012 (C-1, pages 5-8). The Complainant provided third party

evidence from Cushman and Wakefield documentation to show that there was a decrease in the average GIM for multi-family properties from 2011 to 2012 (C-1, page 17).

[9] The Complainant provided a chart of the sales of six properties which he indicated were comparable to the subject (C-1, page 2). The Complainant argued that this chart demonstrated that the GIM of 11.48 used in the preparation of the assessment for the residential portion of the subject was too high. In this chart the Complainant adjusted the GIM from the six sales to reflect a GIM change of .030996 per year for each year of age.

[10] When this adjustment was made, the Complainant demonstrated that the GIM of these sales ranged from 9.14 to 10.73. The Complainant advised the Board that the first five of these sales comparables were low-rise apartments while the sixth was a high-rise building. The first five comparables were in the same market area as the subject while the sixth was outside that area. The ages of the comparables ranged from 1965 to 1978 for the first five comparables while the sixth was thirty-six years newer than the subject and included several amenities not found in the other comparables.

[11] The Complainant argued that the evidence from these sales comparables showed that a GIM of 10.10 would be appropriate for the residential portion of the subject. This would result in an assessment of \$13,934,303 for the residential portion. When the assessment of \$686,500 for the commercial component of the subject is added, the total assessment for the subject would be \$14,620,500 (C-1, page 2).

[12] The Complainant requested that the Board reduce the 2012 assessment of the subject to \$14,620,500.

### **Position of the Respondent**

[13] The Respondent argued that the 2012 assessment of the subject was correct, fair and equitable. The Respondent presented for the consideration of the Board an assessment brief (R-1), a law and legislation brief (R-2), and a GIM brief (R-3).

[14] The assessment brief included an actual rent roll for the residential portion of the subject (R-1, pages 25-28) which showed that the actual rents achieved amounted to \$130,116. The Respondent suggested to the Board that if the GIM requested by the Complainant were applied to that actual figure, the assessment for that residential portion would be substantially higher.

[15] The Respondent presented a chart of three sales of properties comparable to the subject (R-1, page 29). The Respondent pointed out to the Board that the first two sales were in the Oliver area of Edmonton which, the Respondent argued, was an area similar to the neighborhood of the subject although outside its market area. The third sales comparable presented was the same as the Complainant's sixth sales comparable (11230 104 Ave.). The GIM range of these comparables was from 11.68 to 13.55.

[16] The Respondent explained to the Board that a 13.55 GIM was used in its valuation of the comparable at 11230 104 Ave. The Complainant had used an adjusted GIM of 10.06 (unadjusted 11.18) in its calculation of value for that property. The Respondent argued that the Complainant's calculation was in error as actual income figures had been used rather than typical figures. The Respondent pointed the Board to the "Sun Life" case (R-3, page 37) in support of the position that typical figures, not actual, should be used in the calculation.

[17] The Respondent also presented a chart of the assessments of four properties comparable to the subject (R-1, page 33). These properties were all located in the same market area as the subject and were all high-rise multi-residential buildings built between 1965 and 1977. The GIM range of these comparables was from 11.36 to 11.73. The Respondent argued that this supported the GIM of 11.48 applied to the subject's residential portion.

[18] The Respondent submitted to the Board that there were three significant variables to consider when determining a gross income multiplier. These significant variables were market area, building type and effective age (R-1, page 52). The Respondent argued that other factors such as suite mix, condition or investment size were not significant factors.

[19] The Respondent also noted for the Board concerns with the validity of the Complainant's sales comparables. Specifically, the Respondent pointed out that the Complainant's sales #1 and #3 were non-arms length sales and should not be considered. As well, the Respondent cautioned the Board against relying on the Complainant's calculations drawn from the third party documentation as this documentation contained information from all parts of Edmonton, as well as from all types of multi-residential properties.

[20] The Respondent requested that the Board confirm the 2012 assessment of the subject at \$16,527,500.

### **Decision**

[21] The decision of the Board is to confirm the current assessment of the subject at \$16,527,500.

### **Reasons for the Decision**

[22] In the opinion of the Board, the Complainant did not present convincing or persuasive evidence that the GIM requested was appropriate.

[23] The Board notes the submission of the Respondent that the significant variables in a gross income multiplier model are market area, building type and effective age. The subject is a high-rise apartment building and all but one of the Complainant's sales comparables are low rise apartments. While these low rise comparables are located in the same market area as the subject, only three are of a similar age to the subject. The only high-rise comparable presented by the Complainant is located outside the market area of the subject and, as well, is thirty-six years newer than the subject. As well, the Board notes evidence presented that two of the comparable sales presented by the Complainant were not arms-length and therefore of little assistance in establishing value for the subject.

[24] The Board is also not persuaded by the Respondent's sales comparables presented to show that the GIM applied in the valuation of the subject is appropriate. While the three comparables provided were high-rise buildings, all were outside the subject's market area and one was thirty-six years newer than the subject.

[25] However, the Board was persuaded by the Respondent's equity comparables (R-1, page 33) that showed a range of 11.36 to 11.73 for the GIM values used in the valuation of these comparable properties. These comparables are similar to the subject in terms of market area, building type and age and, in the opinion of the Board, the GIM range of these comparables supported the GIM of 11.48 applied to the residential portion of the subject.

[26] The Board concludes that the current assessment of the subject at \$16,527,500 is correct, fair and equitable.

### **Dissenting Opinion**

[27] There was no dissenting opinion.

Heard commencing September 4, 2012.

Dated this 19<sup>th</sup> day of September, 2012, at the City of Edmonton, Alberta.

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Hatem Naboulsi, Presiding Officer

### **Appearances:**

Tom Janzen  
for the Complainant

Allison Cossey

Steve Lutes  
for the Respondent