

## **Edmonton Composite Assessment Review Board**

**Citation: CVG v The City of Edmonton, ECARB 2012-002109**

**Assessment Roll Number:** 3055985  
**Municipal Address:** 8409 112 STREET 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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**AMENDED DECISION OF  
Hatem Naboulsi, Presiding Officer  
Jasbeer Singh, Board Member  
Mary Sheldon, Board Member**

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**This decision corrects the revised assessment amount from \$5,328,000 to \$5,328,500**

### **Preliminary Matters**

[1] There were no preliminary matters. Upon questioning by the Presiding Officer, the parties present indicated no objection to the composition of the Board. In addition, the Board members indicated no bias with respect to this file.

[2] Both parties desired to carry forward relevant evidence and arguments presented before the Board during the hearing to roll numbers 7191257, 7221989 and 9990081.

### **Background**

[3] The subject property, known as Galen Lofts, is a five-storey building constructed in 1964 as an office building. The upper four floors were renovated and redesigned in 2005 to serve as 35 apartment units. These renovations changed the effective year built for the building to 1990. The subject property is in 'average' condition. The main floor of the building is in use as commercial retail space. The 2012 assessment for the subject property is \$5,565,500.

## **Issue(s)**

[4] The 2012 assessment of \$942,000 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 the following items

- a. Is the residential component of the subject property correctly classified as 35 'one bedroom' suites?
- b. Is the gross income in respect of the 35 apartment suites based on these being classified as 'one bedroom' suites fair and equitable?
- c. Is the Gross Income Multiplier (GIM) used to derive the 2012 assessment value of \$5,565,500 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 attended the hearing and presented a brief (C-1) comprising of 24 pages of evidence including details of six comparable properties, maps, photographs and third party information in support of a lower 2012 assessment for the subject.

[7] At the Board hearing, the Complainant asserted the following:

- a. The 35 residential units are small (approximately 490 square feet each) and are designed to serve as 'bachelor' suites.

- b. The Complainant provided pictures of the typical interior of the residential suites (C-1, page 12) that showed a pony-wall separation between the sleeping and living areas.
- c. The Respondent had applied a monthly rental rate of \$935 per unit for calculating the 2012 assessment value. While this may be typical for a 'one bedroom' residential unit, in the Complainant's view, this was not fair and equitable for 'bachelor' suites.
- d. Third party industry information showed that the average monthly rents for bachelor suites were \$135 per month lower than for one bedroom suites (\$708 versus \$843) in 2010 and \$144 per month lower in 2011 (Extracts from Cushman & Wakefield reports, C-1, pages 14 & 16).
- e. The Complainant argued that a monthly rent of \$795 per suite was the appropriate market or typical rental rate in respect of the subject property (C-1, page 2).
- f. These units are 'fully furnished' and it was not possible to ascertain how much of the rent (face) on rent rolls was attributable to the real estate alone.
- g. The Complainant further argued that the Gross Income Multiplier (GIM) value of 12.13 used by the Respondent was too high for the subject property.
- h. The six sales comparables used by the Complainant (C-1, page 2) showed an average adjusted GIM value of 10.59. All these sales took place in 2010 and 2011 (noting that no high-rise sales had occurred in this market area prior to the valuation date of July 1, 2011). The Complainant then utilized data from a Cushman & Wakefield report (C-1, page 17) that showed that the Gross Rental Multiplier (GRM) for multi-family sales had dropped from 10.1 in 2010 to 9.9 in 2011. The Complainant argued that the Respondent's use of a higher GIM (12.13) for the current year assessment, than the one used for the previous year (11.57), was inconsistent with the market realities and was excessive and unfair. The Complainant asked for a GIM of 11 for the 2012 assessment value (C-1, page 2).
- i. During cross-examination, the Complainant pointed out that one of the Respondent's comparables (#6 on page 47 of R-1, located at 11147 – 82 Avenue), in the same market area as the subject, with a very close year of construction, in 'good' condition and with an average suite size 50% larger than the subject had been assessed with a Gross Income Multiplier of 11.36 (R-1, page 47). The Complainant alleged that this property was considerably superior to the subject and its assessment value based on a GIM of 11.36 was clear evidence that the subject had been assessed excessively, unfairly and inequitably.
- j. The Complainant pointed out to the Board that the Respondent had wrongly calculated the GIM as 13.55 in respect of its sales comparable #3 (located at 11230 – 104 Avenue, R-1, page 43). The respondent had wrongly used a much lower typical income figure (\$4,279,678) instead of the Network reported actual of \$5,481,327. The Complainant argued that the sale price of the property was based on the actual income and not the City's typical income that is used for assessment valuation.

- k. Applying the reduced requested rental rate of \$795 per suite, per month and the Gross Income Multiplier of 11, the Complainant requested that the 2012 total assessment for the subject property be reduced from \$5,565,500 to \$4,504,500 (C-1, page 3).

### **Position of the Respondent**

[8] The Respondent presented a 68-page assessment brief (R-1), a Law & Legislation brief (R-2) and a Law & Assessment brief dealing with the Gross Income Multiplier (GIM) issue (R-3).

[9] At the hearing, the Respondent advised the Board of the following:

- a. An inspection of the property in Aug 2012 had led the assessor to conclude that the subject property met all criteria for being placed in 'good' condition. This had resulted in a revised recommended 2012 assessment value of \$5,885,000. The Board was advised that this new assessment value had been communicated to the owner's agent two weeks before the hearing.
- b. Several pictures of the interior of the property (R-1, pages 16-29) were presented to highlight the extent and quality of improvements made to the subject residential suites.
- c. The tenants paid premium rents for these premises because of the location and easy access to amenities. These features added substantial value to the property.
- d. The Respondent had classified these suites as 'one bedroom' and this was consistent with the Complainant's own designation of these as 'one bedroom' units on the schematic layout on its website (R-1, pages 52 & 56).
- e. The rent roll submitted to the Respondent by the Complainant also showed these premises as 'one bedroom' suites. The high rental values shown on the rent rolls also supported the owner's designation of these units as 'one bedroom' suites (R-1, pages 38 & 39).
- f. The typical rent applied by the Respondent for the 2012 assessment is substantially lower than the actual rents received by the owner even after allowing for the included furnishings and the amenities.
- g. The Respondent provided a list of three high-rise sales comparables that showed Gross Income Multiplier (GIM) values ranging between 11.68 and 13.55 (R-1, page 43).
- h. The Respondent provided a list of six equity comparable properties (R-1, page 47) indicating that per suite assessment of the subject property was well within the range of per suite assessments in the same market area.
- i. The Respondent referenced the variables that impact the income a property can achieve as well as the significant factors that impact the GIM (R-1, page 8). The three key variables impacting the GIM are market area, building type and age.

- j. The Respondent requested the Board to accept the recommended 2012 assessment of \$5,885,000 as fair and equitable.

### **Decision**

**[10] The Decision of the Board is to reduce the 2012 assessment to \$5,328,500.**

### **Reasons for the Decision**

[11] The Board was persuaded by the Respondent's evidence showing that the property owners / managers had classified the subject suites as 'one bedroom' and had been rented out as such. This was confirmed by the rent rolls submitted in response to the City's request for information (RFI). The website in respect of the subject property also presented these as 'one bedroom' suites.

[12] The Complainant did not provide any persuasive evidence that the suites with relatively small size (averaging 490 square feet) should be automatically classified as 'bachelor' suites. As such, the Board placed little weight on the evidence or argument concerning the rent differentials between 'bachelor' and 'one bedroom' suites.

[13] The Board placed little weight on the methodology employed by the Complainant to derive their requested GIM as it relied on unconventional adjustment factors that were not supported by any independent industry or published text book references.

[14] The Board was not persuaded by the Respondent's argument that the condition attribute for the subject property needed an upgrade to 'good', as no evidence was presented to show that new qualitative upgrades had been carried out. Consequently, the Board assigned little weight to the Respondent's argument for an increase in the subject's 2012 assessment to \$5,885,000.

[15] The Board placed little weight on the sales comparables presented by either party because;

- a. Two of the Complainant's sales comparables were shown to be 'non arms-length' sales and thus not representative of the typical market conditions.
- b. One of the sales comparables, used by both parties (11350 -104 Avenue or 11230 – 104 Avenue), was from a different market area of the city and was considerably newer in age than the subject.
- c. Remaining sales comparables were in respect of different building type (low rise) than the subject which is a high-rise concrete structure.

[16] The Board finds that the six equity comparables provided by the Respondent (R-1, page 47) did not support the GIM figure of 12.13 that was used to derive the subject's 2012 assessment.

[17] The Board finds that the average of the GIMs in respect of the Respondent's six equity comparables was 11.51. Using this value of GIM (11.51) with the City's estimated effective Potential Gross Income (\$381,094), the assessment value for the residential component (35 suites) works out to be \$4,386,392. Adding the undisputed assessment value of \$942,000 in

respect of the main-floor commercial component, the total 2012 assessment for the subject property worked out to be \$5,328,500 (rounded).

**Dissenting Opinion**

[18] There was no dissenting opinion.

Heard commencing September 4, 2012.

Dated this 2<sup>nd</sup> day of October, 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