

**CALGARY
COMPOSITE ASSESSMENT REVIEW BOARD (CARB)
DECISION WITH REASONS**

In the matter of the complaint against the Property assessment as provided by the *Municipal Government Act*, Chapter M-26, Section 460(4).

between:

Colliers International Realty Advisors, COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

J. Fleming, PRESIDING OFFICER

D. Cochrane, MEMBER

K. Kelly, MEMBER

This is a complaint to the Calgary Assessment Review Board in respect of Property assessment prepared by the Assessor of The City of Calgary and entered in the 2010 Assessment Roll as follows:

ROLL NUMBER: 068231000

LOCATION ADDRESS: 140 10th Ave. SW

HEARING NUMBER: 57304

ASSESSMENT: \$29,930,000

This complaint was heard on the 15th day of November, 2010 at the office of the Assessment Review Board located at Floor Number 3, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 11.

Appeared on behalf of the Complainant:

- *M. Uhryn, for the Complainant*

Appeared on behalf of the Respondent:

- *J. Toogood; City of Calgary for Respondent*

Board's Decision in Respect of Procedural or Jurisdictional Matters:

There were no procedural or administrative matters raised.

Property Description:

The property under complaint is a fee simple highrise apartment with associated parking and 4,730 square feet of main floor commercial space (the commercial is not under appeal) built in 1969. The property contains 202 suites (50 Bachelor, 102 1 Bedroom, and 50 2 Bedroom) and is located in the Beltline area. The property is valued on the Income Approach to Value using the Gross Income Multiplier (GIM) method.

Issues:

The Complaint form identified 11 issues but the Complainant reduced those to 5 at the hearing (Numbers 1,2,4,7 & 11 on the complaint form). The actual issues argued by the Complainant may be summarized as;

1. What is the appropriate method of valuation for the subject property?
2. What are the best attributes to be used based on the method of valuation selected?

Complainant's Requested Value:

\$25,760,000

Board's Decision in Respect of Each Matter or Issue:

1. There is insufficient support for the Capitalized Income Approach to Value (IAV) to be accepted as the best method of valuation.
2. The Gross Income Multiplier used by the City is the best supported approach for valuation.

Board's Decision:

The complaint is denied and the assessment is confirmed at \$29,930,000

REASONS:

Both parties provided similar comparable sales; 5 of the 6 comparable sales provided by the Complainant (Doc 1C pg 8) were the same as 5 of the 6 sales provided by the Respondent (Doc 1R pg 25). Both parties excluded sales which were outside the market zone and these were not included in the figures noted above.

Both parties attributed the difference between the calculations resulting from an analysis of the comparables to the treatment of commercial and parking income and the difference between actual

and "typical" income. The Complainant used actual and stabilized data provided by third party reporting agencies and from Colliers files, while the Respondent used "typical" rents and vacancies at the time of sale and actual sales prices. The Respondent considers "only" suite revenue in calculating Effective Gross Income, but divides it into the total sale price to develop their GIM. The Respondent recognizes that parking, laundry and other miscellaneous revenue is NOT included in its income but presumably would be reflected by a purchaser in the sales price. They argue however that because they have a consistent method, they adequately capture the proper value within their GIM and apply it to all similar properties. Thus each party used their own calculations resulting from the common sales to arrive at different numbers that they argued supported their case. Principally, the Complainant arrived at a GIM of 11.50 and the Respondent arrived at a GIM of 13.0. As noted earlier, both parties acknowledge that the difference relates primarily to treatment of additional income. The Complainant includes additional income which will result in a "lower" GIM than the Respondent who excludes such income.

The Complainant first argued that the sales provided enough data to apply an Income Approach to Value (IAV) by using the Median Capitalization Rate and Expense Ratio from the applicable Comparable Sales (Doc 1C pg. 8). In their Capitalized IAV analysis they also used the "typical" apartment rents derived by the City and the "typical" vacancy rates. This resulted in the requested value of \$25,760,000 (Doc 1C pg 24).

The Complainant also indicated that using their median calculated GIM of 11.50 and the City's typical rents and vacancy rate would also yield an acceptable but slightly higher value than the Capitalized IAV.

The CARB considered all the evidence and argument. There was some argument throughout the hearing with respect to the role that commercial income might play in the calculations. To isolate this effect, the CARB attempted to isolate 3 of the common sales comparables which had no commercial space identified by either party. The Complainants comparables B, C, and D were selected. In all cases the Respondent's Effective Gross Income (EGI) was roughly 90% of the income reflected in the Complainants data. The CARB thus concluded that it was inappropriate in the Capitalized IAV to use typical income where all the other attributes had been derived from actual total income and then apply these attributes to the typical income. This was mixing methods and not consistent with good valuation practice. In addition, the expense ratio was not demonstrated to be typical and reflected properties with an unaccounted for very wide range (from 27.56% to 41.10%) Likewise with the capitalization rate, it too was developed based on reported/actual income and then applied to typical rents and vacancy, an inconsistent mixing of methods. Accordingly, the CARB found that Capitalized IAV was not a dependable (well enough supported) method of valuation in this case.

Turning to the GIM method of Valuation, again the CARB found that the Complainant was asking that a GIM derived from total actual/stabilized income be applied to typical suite only income which were lower. The CARB concluded that this was not consistent methodology and noted that had the GIM been derived based on the lower "typical" income, it would have supported the Respondent's valuation in the case of the subject.

The CARB reviewed the methodology of the Respondent in arriving at a GIM based on comparable sales (Doc 1R pg 25) and concluded that the GIM's were derived based on common and consistent calculations and assumptions (typical rents and vacancy rates both at the time of the sale applied to the sale price).

Finally, the CARB notes that the Respondent included Assessment to Sales Ratios (ASR's) for its Comparable sales, and these ASR's supported the assessment of the Comparables demonstrating

that the methodology applied produced an equitable assessment. Accordingly, the assessment is confirmed as noted above.

DATED AT THE CITY OF CALGARY THIS 30 DAY OF NOVEMBER 2010.


James Fleming
Presiding Officer

APPENDIX "A"

DOCUMENTS RECEIVED AND CONSIDERED BY THE CARB

No.	Item	
1.	Document 1C	Complainant's Brief
2.	Document 1R	Respondent's Brief

An appeal may be made to the Court of Queen's Bench on a question of law or jurisdiction with respect to a decision of an assessment review board.

Any of the following may appeal the decision of an assessment review board:

- (a) the complainant;*
- (b) an assessed person, other than the complainant, who is affected by the decision;*
- (c) the municipality, if the decision being appealed relates to property that is within the boundaries of that municipality;*
- (d) the assessor for a municipality referred to in clause (c).*

An application for leave to appeal must be filed with the Court of Queen's Bench within 30 days after the persons notified of the hearing receive the decision, and notice of the application for leave to appeal must be given to

- (a) the assessment review board, and*
- (b) any other persons as the judge directs.*