

**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	LOCATION ADDRESS	HEARING NUMBER	ASSESSMENT
067082206	920 9 th Ave. SW	57237	\$31,940,000
067082305	840 9 th St. SW	57238	\$32,170,000

This complaint was heard on the 16th day of November, 2010 at the office of the Assessment Review Board located at Floor Number 3, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 10.

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:

At the outset of the hearing, the CARB agreed with the parties' request that the two properties be heard at the same time.

EACH PARTY REQUESTED THAT THEIR EVIDENCE BE SEALED.

There were no other procedural or administrative matters raised.

Property Description:

The properties under complaint are contiguous fee simple highrise apartments with associated parking and 2,041 square feet of main and second floor commercial space in 920 and 2,041 square feet of main floor retail in 840 (the commercial is not under appeal) both built in 1971. Each building contains 201 suites (107 - 1 Bedroom, 92 - 2 Bedroom and 2 - 3 Bedrooms in 920 9th Ave and 107 - 1 Bedroom, 93 - 2 Bedroom and 1 - 3 Bedroom in 840 9th St.) and the properties are located Downtown. The properties are valued on the Income Approach to Value using the Gross Income Multiplier (GIM) method.

Issues:

An attachment to the Complaint form identified 11 issues but the Complainant reduced those to 6 at the hearing (Numbers 1, 2,3,4,7 & 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:

ROLL NUMBER	LOCATION ADDRESS	HEARING NUMBER	ASSESSMENT
067082206	920 9 th Ave. SW	57237	\$27,360,000
067082305	840 9 th St. SW	57238	\$27,580,000

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 as set out below:

ROLL NUMBER	LOCATION ADDRESS	HEARING NUMBER	ASSESSMENT
067082206	920 9 th Ave. SW	57237	\$31,940,000
067082305	840 9 th St. SW	57238	\$32,170,000

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 30). 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. In preparing their respective analyses, The Complainant used actual and stabilized data provided by reporting agencies and from Colliers files. 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 above, both parties acknowledge that the difference relates primarily to treatment of additional income. The Complainant includes additional income in calculating its GIM which will result in a "lower" number than the Respondent who excludes all non-suite revenue.

The Complainant argued that the sales provided enough data to apply a Capitalized Income Approach to Value (IAV) by using the Median Capitalization Rate and Expense Ratio from the applicable Comparable Sales (Doc 1C pg.9). In their Capitalized IAV analysis they used the "typical" apartment rents used by the Respondent and the "typical" vacancy rates. This resulted in the requested value of \$27,360,000 for 920 8th Ave. SW and \$27,580,000 for 840 9th St. SW (Doc 1C pg 24 & 25).

The Complainant also indicated that using their median calculated GIM of 11.50 and the Respondent's typical "suite only" rental income and the Respondent's typical 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 identify 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. In general, the CARB thus concluded that it was inappropriate in the Capitalized IAV to use suite only rental income where all the other attributes had been derived from actual "total" income and then apply the attributes to the typical income. This was mixing methods and not consistent with good valuation practice.


With respect to the balance of the attributes, 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%). As part of questioning, the Respondent did observe that the expense ratio of 33% sounded reasonable, but the CARB was reluctant to put much weight on the statement because the Respondent's method of valuation made no use of the expense ratio and so the CARB interpreted the remark as a hypothetical observation. Likewise with the capitalization rate, it too was developed based on reported/actual "total" income and then applied to average actual "suite only" rental income and vacancy, an inconsistent mixing of methods. Accordingly, because the Capitalized IAV was based on numbers that were not developed with a consistent methodology, 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, the CARB found that the Complainant was asking that a GIM derived from comparatively higher "total" income be applied to typical "suite only" rental income which was 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 and explanations 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). As well, the GIM was applied to the subject in a consistent manner using the same type of calculation (typical rates and typical vacancy).

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
2.	Document 1R
	Complainant's Brief
	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.*