

**COMPOSITE
ASSESSMENT REVIEW BOARD
DECISION WITH REASONS**

In the matter of the complaint against the Property assessment as provided by the *Municipal Government Act*, Chapter M-26.1, Section 460(4).

between:

Altus Group Ltd., COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

C. Griffin, PRESIDING OFFICER

D. Julien, MEMBER

J. Mathias, MEMBER

This is a complaint to the Composite Assessment Review Board (CARB) 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	067114017	079122107
LOCATION ADDRESS	1312 12 Ave SW	105 26 Ave SW
HEARING NUMBER	58267	58819
ASSESSMENT	\$16,500,000	\$32,020,000
RESIDENTIAL	91.50%	100.0%
NON-RESIDENTIAL	8.50%	0.00%

This complaint was heard on 29th day of November, 2010 at the office of the Calgary Assessment Review Board located at Floor Number 4, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 6.

Appeared on behalf of the Complainant:

- *J. Weber* *Agent, Altus Group Ltd.*

Appeared on behalf of the Respondent:

- *J. Toogood* *Assessor, The City of Calgary*

Procedural or Jurisdictional Matters:

Both parties acknowledged that the issue and evidence regarding the Gross Income Multiplier (GIM) was identical to a prior hearing (59903) for a Beltline apartment building at 123 10th Avenue SW. The referenced hearing took place in front of the same CARB panel on November 12, 2010 and the Complainant's evidence was also presented by Mr. Weber, with Ms. Bazin present for the Respondent.

Accordingly, both parties were satisfied with providing their evidence on this issue as written submissions only, carrying forward their argument and comments from hearing 59903.

Property Description:

1312 12 Ave SW The subject is a 14 storey, 86 suite high-rise rental building, located in the Beltline district of SW Calgary, known as Royal Park Plaza. Built in 1978, it contains an assessed suite mix of 1 bachelor, 38 one bedroom, 44 two bedroom and 3 three bedroom units. These are assessed with rental rates of \$950, \$1,100, \$1,250 and \$1,375 per month respectively. A 5.00% vacancy allowance and 13.00 Gross Income Multiplier (GIM) was applied to arrive at the current assessment for the residential portion. Additionally, there is a commercial component consisting of 5,100 square feet of retail space on the main floor assessed at \$275 per square foot. This property is assessed as "Good" quality. The residential assessment amounts to \$15,097,875 (91.50%) and the non-residential assessment amounts to \$1,402,500 (8.50%). The combined 2010 assessment is truncated to \$16,500,000.

105 26 Ave SW The subject is a 12 storey, 160 suite high-rise rental building, located in the Mission district of SW Calgary, known as Elbow Tower. Built in 1962, it contains an assessed suite mix of 20 bachelor, 96 one bedroom, 40 two bedroom and 4 three bedroom units. These are assessed with rental rates of \$1,025, \$1,300, \$1,525 and \$2,450 per month respectively. A 5.00% vacancy allowance and 13.00 Gross Income Multiplier (GIM) was applied to arrive at the current assessment. The 2010 assessment is \$32,020,000.

Issues:

While there are a number of inter-related grounds for complaint identified on the complaint form, at the Hearing the Complainant confirmed, as identified on page 3 of Exhibit C-1, that there are three remaining issues to be argued before the CARB :

1. The assessed rents are in excess of market value
2. The assessment fails to adjust for rental incentives which reduce net rent
3. The assessed GIM is in excess of market value

On 105 26 Ave SW, a fourth issue of equity was indicated but it was not argued at the hearing. In any event, equity as it appears in the written evidence (C1, Page 37) seems to relate to the rent rate, addressed as Issue 1.

Complainant's Requested Value:

067114017	1312 12 Ave SW	\$13,150,000*
079122107	105 26 Ave SW	\$21,590,000*

* based on a reduction in the GIM applied to Beltline and Downtown properties from 13.0 to 12.19, along with an adjustment to the rent (face) rates and \$100 per month in rental incentives. The assessed typical vacancy and the assessment for the commercial portion (1312 12 Ave SW only) were not contested.

Exhibits Presented

C1 Complainant's evidence package
R1 Respondent's evidence package

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

1. Rent rate

1312 12 Ave SW The Complainant proposed a revision to the rent rates based on recent lease signings in the subject shortly before the valuation date. The Complainant provided a rent roll showing lease signings up to July 1, 2009 which gave sufficient and relevant evidence in support of a reduction in the face rates. The rent roll showed that there are two distinct sizes of one bedroom suite (496 square feet and 630-669 square feet) and it was clear that they command different rent rates. The three suites assessed as 3 bedroom apartments also appear to be 2 bedroom penthouse suites per the rent roll. This supported the Complainant's contention that rents tend to be site-specific based on the building's amenities, inherent characteristics (suite size and quality) along with location. The Q1 and Q2 /2009 lease signings indicated the following median face rates: small one bedroom units at \$949, large one bedroom units at \$1,039 and two bedroom penthouse units at \$1,489 per month. (The one bachelor unit was accepted by the Complainant as assessed.)

The Respondent defended the assessed rent rate based on equity only with three other "Good" high-rise rental buildings in the Downtown and Beltline district. There was no rent roll for the subject property, nor any evidence regarding the derivation of the "typical" rent rates. The Respondent included an income statement for the subject property for the 12 months ending December 31, 2008 in support of the City's EGI. The Board finds this evidence to be reflective of mid-year 2008 and hence one year prior (in a quite different and stronger rental market) to this year's valuation date.

105 26 Ave SW Similar findings and comments apply as with 1312 12 Ave SW. In this case, there is a stratification of two different sized one bedroom suites (535, and 695 square feet) and two different sized two bedroom suites (830 and 965 square feet), each showing different rental performance. The rent roll dated July 1, 2009 indicates sufficient support for Q1 and Q2 / 2009 median face rates as follows: bachelor \$1,045, small one bedroom \$1,069, large one bedroom \$1,169, small two bedroom \$1,324, large two bedroom \$1,419 and three bedroom (penthouse) suites at \$2,299 per month.

The Respondent defended the assessed rent rate with a rent roll dated April 2009 and two equity comparables from the Mission district (however they were smaller buildings and there was insufficient detail to establish comparability). While the rent roll was reasonably near the valuation date, the Board notes that the rent roll provided by the Complainant was more pertinent as it included leases right up to the valuation date and furthermore included an analysis of the most current leases. There was no evidence provided regarding the derivation of the "typical" rent rates. The Respondent included an income statement for the subject property for the 12 months ending December 31, 2008 in support of the City's EGI. The Board finds this evidence to be reflective of mid-year 2008 and hence one year prior (in a quite different and stronger rental market) to this year's valuation date.

The Board therefore accepted the Complainant's EGI request as the best evidence of market typical income for these two properties. (The typical 5% vacancy was used by both parties in arriving at their EGI.)

2. Rental incentives

The Complainant provided evidence of 31 rental incentives for 1312 12 Ave SW Royal Park Plaza) and 44 rental incentives for 105 26 Ave SW (Elbow Tower). In both cases, the median was \$100 per month off the face rent rate. This, along with documented evidence of over 1200 rental incentives throughout the Calgary Boardwalk properties, gave the Board reason to accept the Complainant's position that incentives were commonplace in the market as of the current valuation date.

Accordingly, the Board agreed with the Complainant that a \$100 per month deduction for rental incentives should be applied to the face rents in calculation the EGI.

3. GIM

The GIM of 13.0 was shown to be assessed uniformly to all Beltline high-rise properties. It is therefore equitable for similar properties with a similar location. A distinction is made for high-rise rental buildings in suburban locations, where a GIM of 11.5 is used. The Complainant's equity evidence regarding the GIM was limited to a table of suburban high-rises. This evidence was unconvincing to suggest that Downtown / Beltline properties would have an equivalent value to Suburban properties, all things being equal other than location. There is simply an insufficient database of sales to draw such a correlation with reasonable certainty.

Notwithstanding equity, the Complainant focused on a market GIM analysis, with a resulting request for a revised GIM of 12.19. This was based on an analysis of three Beltline high-rise buildings ranging in size from 33 to 84 suites. The three buildings are: Centennial House (930 15 Ave SW), Premier Place (1122 15 Ave SW) and Aldrin House (915 13 Ave SW). All were built in the 1970s. These three properties were the only sales of large rental apartment buildings that occurred within the year prior to the valuation date, and that were considered by the Assessment department to be 'valid' market sales.

The Respondent did however introduce a 2009 downtown west end sale of a 121 suite high-rise, referred to as the Sundial Apartments, located at 835 6 Ave SW. This occurred very close to the valuation date on April 2, 2009 and indicated a GIM of 12.48 according to the City GIM study. The Respondent's contention was that this was however an inferior building, since it was purchased by the Calgary Drop-In & Rehab Centre Society with the intention of providing a mix of subsidized and market-priced units. The Board reviewed the Real Net sales report for this

transaction, and could find no evidence to support the City's contention that the property could be considered in poor condition or in any way inferior. The evidence simply shows it to be a arm's length market sale.

The CARB notes that the Complainant's *Altus Downtown/Beltline GIM Study* has flaws in that an incorrect assumption was used regarding time-adjustment on sales prices along with an incorrect sale price for the Premier Place property. Referring to the GIM study presented by the Respondent, the CARB found that the Emerald Place property was an outlier and should not be given consideration as the sale price had evidently been negotiated approximately one year prior to the closing date at the peak of the market in 2007. Similarly, the Varsity Square property was also considered inappropriate given its suburban location. The sale involving Hillsboro Tower shows a 16.23 GIM according to the City analysis, which clearly does not fit with the other evidence. The Board notes that Hillsboro Tower has a large commercial component, which could skew the GIM if the commercial portion was undervalued. Accordingly the CARB is of the view that four properties should legitimately be incorporated into the 2010 Downtown/Beltline GIM Analysis, those being: Sundial Apartments, Centennial House, Premier Place and Aldrin House. After a thorough analysis of these four sales, the CARB finds insufficient evidence to conclusively warrant any significant adjustment to the assessed GIM.

4. Conclusion

The Complainant did not contest the commercial valuation on 1312 12 Ave SW. For the residential portion, the CARB accepted the assessed GIM of 13.0 and applied this to the Complainant's requested EGI (per the recent signings on the rent roll, net of the \$100 per month incentives).

Board's Decision:

The Board **reduced** the assessments as follows: Note: this alters the residential / non-residential ratio slightly)

ROLL NUMBER	067114017	079122107
LOCATION ADDRESS	1312 12 Ave SW	105 26 Ave SW
HEARING NUMBER	58267	58819
ASSESSMENT	\$13,930,000	\$23,030,000
RESIDENTIAL NON-RESIDENTIAL	89.94% 10.06%	100.0% 0.00%

DATED AT THE CITY OF CALGARY THIS 17 DAY OF December 2010.


C. J. GRIFFIN
Presiding Officer

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.*