

**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:

<b>ROLL NUMBER</b>	<b>050220318</b>	<b>071106397</b>	<b>099041105</b>
<b>LOCATION ADDRESS</b>	<b>2202 3817 26 AV NE</b>	<b>40 RADCLIFFE CR SE</b>	<b>200 LYNNVIEW RD SE</b>
<b>HEARING NUMBER</b>	<b>57717</b>	<b>58805</b>	<b>59366</b>
<b>ASSESSMENT</b>	<b>\$35,250,000</b>	<b>\$20,930,000</b>	<b>\$22,870,000</b>

This complaint was heard on 7th day of December, 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.*
- *B. Neeson* *Agent, Altus Group Ltd.*

Appeared on behalf of the Respondent:

- *C. Neal* *Assessor, The City of Calgary*

**Procedural or Jurisdictional Matters:**

No preliminary matters were raised. The merit hearing proceeded.

It should be noted that this Board had previously heard numerous appeals on multifamily rental properties (including various townhouse complexes) involving the same Complainant and various City Assessors. For reasons of efficiency and to avoid undue repetition, it was agreed by both parties that many of the arguments and comments could be cross-referenced.

**Property Description:**

**2202 3817 26 Ave NE** This is a 207 unit townhouse complex located in the NE community of Rundle and known as Russet Court. Built in 1978, it consists of 137 two bedroom and 70 three bedroom units. These are assessed with rental rates of \$1,200 and \$1,350 per month respectively. Additionally, a 3.00% vacancy allowance, 13.00 Gross Income Multiplier (GIM) and a 10% (negative) adjustment factor were applied to arrive at the current assessment. The 2010 assessment is \$35,250,000.

**40 Radcliffe Cr SE** This is a 118 unit townhouse complex located in the SE community of Albert Park and known as Radisson Village III. Built in 1978, it consists of 37 two bedroom and 81 three bedroom units. These are assessed with rental rates of \$1,200 and \$1,350 per month respectively. Additionally, a 3.00% vacancy allowance, 13.00 Gross Income Multiplier (GIM) and a 10% (negative) adjustment factor were applied to arrive at the current assessment. The 2010 assessment is \$20,930,000.

**200 Lynnview Rd SE** This is a 160 unit townhouse complex located in the SE community of Ogden and known as Ridgeview Gardens. Built in 1977, it consists of 120 two bedroom and 40 three bedroom units. These are assessed with rental rates of \$1,100 and \$1,250 per month respectively. Additionally, a 3.00% vacancy allowance, 12.00 Gross Income Multiplier (GIM) and a 10% (negative) adjustment factor were applied to arrive at the current assessment. The 2010 assessment is \$22,870,000.

**Issues:**

While there are a number of inter-related grounds for complaint identified on the initial complaint form, the Complainant stated at the hearing that these are the following remaining issues to be argued before the CARB:

1. The assessed rents are in excess of market
2. The assessment fails to account for rental incentives which reduces the net rent
3. The assessed GIM is excessive in terms of market and equity

**Complainant's Requested Value:**

ROLL NUMBER	050220318	071106397	099041105
LOCATION ADDRESS	2202 3817 26 AV NE	40 RADCLIFFE CR SE	200 LYNNVIEW RD SE
HEARING NUMBER	57717	58805	59366
REQUESTED VALUE	\$24,630,000	\$15,240,000*	\$19,860,000*

\* Based on the lesser of market or equity calculations. The typical vacancy was not contested.

**Exhibits Presented**

- C1 Complainant's evidence package
- C2 Complainant's rebuttal
- R1 Respondent's evidence package

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

## 1. Rental rates

**2202 3817 26 Ave NE** The Complainant proposed a revision to the rent rates based on recent lease signings (40 of the two bedroom and 19 of the three bedroom units) in the subject shortly before the valuation date. The Complainant provided a July 1, 2009 rent roll which gave ample and relevant evidence in support of a reduction in the face rates. The Q1 and Q2 /2009 lease signings indicated the following median face rates: two bedroom units at \$1,099 and three bedroom units at \$1,199 per month.

**40 Radcliffe Cr SE** The Complainant produced a list of 20 leases in the complex that were signed in the first six months of 2009. This indicated median face rates of \$1,169 for the two bedroom townhouses and \$1,279 for the three bedroom townhouses.

**200 Lynnview Rd SE** Similarly, the Complainant produced a list of 34 leases in the complex that were signed in the first six months of 2009. This indicated median face rates of \$1,149 for the two bedroom townhouses and \$1,349 for the three bedroom townhouses.

The Respondent defended the assessed rent rate for these properties based on equity and with the subject rent rolls dated April 2009. While this is reasonably current in terms of the July 1, 2009 valuation date, only the Complainant's rental evidence showed leases signed in Q2 /2009 - the best indication of relevant market value.

The Board therefore accepted the Complainant's EGI request as the best evidence of market typical income for these three properties. (The typical 3% vacancy was used by both parties in arriving at their EGI.)

## 2. Rental Incentives

The Complainant provided evidence of 48 rental incentives for 2202 3817 26 Ave NE (Russet Court), 29 rental incentives for 40 Radcliffe Cr SE (Radisson Village III) and 28 rental incentives for 200 Lynnvlew Rd SE (Ridgeview Gardens). In each case, 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

Simply put, the GIM is a multiplier that brings a property's revenue stream (EGI) up to an appropriate market value based on recent arm's length sales of similar properties. At least, this would be the case in a 'perfect world'.

Taking the townhouse sub-set of the rental market in isolation, any GIM analysis becomes problematic relative to a July 1, 2009 valuation date. Both parties advised the Board that there simply were no sales of 'investment grade' (over 40 unit) townhouses in 2008 or in the first half of 2009. Oral testimony was given that there were two sales in 2008 and two in 2009 – all were less than eight units in size. This explained why neither party put forward any sales evidence for a townhouse GIM study, as there was nothing comparable.

Throughout the course of over 55 appeals of rental properties recently heard by this panel, the only evidence submitted for a GIM study from either party was for high-rise buildings. The Board therefore is aware that rental properties in the City are assessed for the current year with the following GIM: Beltline and Downtown high-rises 13.00, Suburban high-rise (and mixed use) 11.50, low-rise (and mixed use with townhouse) 11.00.

The Board is aware from testimony of the parties and evidence at various hearings that townhouses are assessed with the following GIM: 12.00, 13.00, 14.00 or 15.00 (note: GIMs for all 40+ unit townhouses are subsequently factored at 90%). In view of the dearth of sales, it would be difficult enough to support any one of these GIMs with any degree of certainty, let alone a hierarchy of four. Lacking sufficient sales, this multiplier is an 'educated guess' at best.

The factors which determine a rental property assessment are:

- A. Rent (net of any documented incentives)
- B. Vacancy
- C. GIM

A and B together determine the EGI. This evidence is easily documented and is typically presented to the Board – evidence of fact. The GIM however, is accepted with less certainty. Being a multiplier, the GIM presents opportunity for error in the final valuation. The Complainant argued for an equitable application of GIM for all rental townhouses. In the absence of market sales, an equitable value that could be accepted by both parties would seem a reasonable goal. The Board therefore considered a single GIM for the townhouse group to be appropriate in the absence of sufficient similar sales.

In the three subject hearings, two properties are assessed with a GIM of 13.00 and the other is assessed at 12.00. Considering that (over 40 unit) townhouse GIMs are factored at 90%, a 12.00 GIM nets at 10.80 and a 13.00 GIM nets at 11.70. There was no evidence provided to this Board from either party to support a GIM for any rental property below 11.00. The Board therefore supports (on an equitable basis) a single townhouse GIM of 13.00 (X 0.90 adjustment factor = 11.70 Net GIM). This provides a tight range in GIM for all types of suburban rental property (11.00, 11.50 and 11.70 net) and affirms the Complainant's contention that since the GIM is a manifestation of an owner's ROI (Return on Investment), it should be reasonably uniform given a property's EGI performance.

#### 4. Conclusion

The CARB accepted the Complainant's EGI, based on demonstrated current rental performance relative to the July 1, 2009 valuation date. The face rates were reduced by \$100 per month for rental incentives that were shown to be quite commonplace in the market in the first half of 2009. The vacancy rate was not contested by the Complainant, and was accepted as assessed. An equitable single GIM of 13.00 (11.70 net after the 90% adjustment factor) was applied to all three townhouse properties. This resulted in the Board's decision, as follows:

#### Board's Decision:

ROLL NUMBER	050220318	071106397	099041105
LOCATION ADDRESS	2202 3817 26 AV NE	40 RADCLIFFE CR SE	200 LYNNVIEW RD SE
HEARING NUMBER	57717	58805	59366
CARB DECISION	\$29,110,000 REDUCED	\$18,390,000 REDUCED	\$22,870,000 CONFIRMED

DATED AT THE CITY OF CALGARY THIS 21 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.*