

**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 a Property assessment prepared by the Assessor of The City of Calgary and entered in the 2010 Assessment Roll as follows:

ROLL NUMBER: 079007001

LOCATION ADDRESS: 1800 - 4th Street SW

HEARING NUMBER: 58814

ASSESSMENT: \$24,170,000

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

Appeared on behalf of the Complainant:

- J. Weber
- B. Neeson

Appeared on behalf of the Respondent:

- D. Satoor
- K. Cody

Procedural or Jurisdictional Matters:

No Procedural or Jurisdictional matters were brought forward.

Property Description:

This is a 15 storey high rise apartment building with underground parking and commercial space above grade on four floors. The property was reportedly constructed in 1972. There are 95 apartment units consisting of eleven bachelor units, eighty-three one bedroom units and one, two bedroom unit. This building is known as Hillsboro Tower.

Issues:

Complainant confirmed, as identified on page 3 of Exhibit C-1, that there are only two issues to be argued before the CARB and they are:

1. The subject assessed rents are in excess of market rent and
2. The subject assessed GIM is in excess of current market value.

Complainant's Requested Value:

The Complainant's requested assessment is: \$19,250,000

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

It is the contention of the Complainant the rental rates applied by the Assessor are not indicative of the market rental rates for the subject property as at Valuation Date. In support of their rental rate argument, the Complainant introduced (Exhibit C-1 pgs.10-19) a rent roll of residential units dated July/09 which indicates the typical rents for bachelor units in the first half of 2009 to be \$800/mo. and one bedroom units to be \$1000/mo. The rent for the two bedroom unit was uncontested at \$1525/mo. The Complainant further introduced (Exhibit C-1 pg 53-59) an extract from the *Alberta Assessors' Association Valuation Guide (AAAVG)* which, under the heading *Determining Market Rents as of the Valuation Date* states "*For most tenants the best source of market rent information is the rent roll. Using these rent rolls, the best evidence of "market" rents is (in order of descending importance): Actual leases signed on or around the valuation date.*" It is the contention of the Complainant that the aforementioned leases are, in accordance with the AAAVG, the best evidence as to the market rents for the subject property as at the valuation date.

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 (Exhibit C-1 pg 47), 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 introduced (Exhibit R-1 pgs 38 – 41) information pertaining to 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 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 Respondent also introduced (Exhibit R-1 pgs. 21-23) data pertaining to the sale of the subject property wherein a sale date of March 26/08, a sale price of \$29,200,000 and a GIM of 11.6 are reported. The Respondent noted that the *RealNet* (data provider) reported GIM of 11.6 was based upon the total revenue produced by the property. In their analysis of the sale the Respondent stated only the residential gross rent was used to derive a GIM of 13. The Respondent prepared (Exhibit R-1 pg 32) an equity comparable chart illustrating a time adjusted sale for the subject property of \$25,477,000 which the respondent maintains supports the current assessment. The Respondent noted (Exhibit R-1 pg. 95) in the Complainant's *Downtown/Beltline GIM Study* the typical rents applied to the three high-rise buildings, all being of similar vintage as the subject, are higher than those applied to the subject and this results in compressing the resulting GIM.

The CARB finds that the Complainant's evidence relating to the appropriate rents for the subject property in many cases appear to incorporate some form of unspecified incentive and is not supportive of the requested change. With regard to the issue of the GIM, 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 the subject 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 the subject has a large commercial component, which could skew the GIM if the commercial portion was undervalued. The CARB has been provided with no evidence to support the Respondent's contention that the sale of the Sundial Apartments was anything other than an open market transaction between knowledgeable parties. Accordingly the CARB is of the judgment 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.

Board's Decision:

The assessment is **confirmed** at \$24,170,000

DATED AT THE CITY OF CALGARY THIS 22 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.*