

**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	035177815
LOCATION ADDRESS	501 40 AVE NW
HEARING NUMBER	57672
ASSESSMENT	\$35,170,000

This complaint was heard on 6th 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.*

Appeared on behalf of the Respondent:

- *K. Cody* *Assessor, The City of Calgary*
- *D. Satoor* *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:

The subject is a 188 unit, stacked townhouse complex located at the corner of 4th St and 40th Ave NW in the Queen's Park area. Known as Queen's Park Village, it was built in 1978, consisting of 140 two bedroom and 48 three bedroom units. These are assessed with rental rates of \$1,250 and \$1,350 per month respectively. Additionally, a 3.00% vacancy allowance, 14.00 Gross Income Multiplier (GIM) and a 10% (negative) adjustment factor were applied to arrive at the current assessment. The 2010 assessment is \$35,170,000.

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 the two remaining issues to be argued before the CARB are:

1. The assessed rent is in excess of market
2. The assessed GIM is excessive in terms of market and equity

Complainant's Requested Value:

\$22,460,000	Based on:	One bedroom at \$1,000/ mo Two bedroom at \$1,145/ mo GIM of 11.00 with a 90% adjustment factor (9.90 net GIM) The typical vacancy was not contested.
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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 rate

The Complainant provided a rent roll dated December 2009. There were 81 two bedroom leases signed between February 1 and July 1, 2009 with a median of \$1,000 per month. There

were also 35 three bedroom leases signed between January 20 and July 1, 2009 with a median of \$1,145 per month. The Complainant introduced (Exhibit C-1 pgs 20 - 26) extracts 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 are (in order of descending importance): Actual leases signed on or around the valuation date." The Respondent provided two equity comparables, one of which was also under complaint. In addition, the Respondent appeared to rely on dated information from the subject's 2008 income statement.

The Board accepted the EGI as proposed by the Complainant based on timely and extensive market support from the rent roll and as recommended in the AAAVG.

2. 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 subject hearing, the property is assessed with a GIM of 14.00. Considering that (over 40 unit) townhouse GIMs are factored at 90%, a 14.00 GIM nets at 12.60. Except for pure townhouse complexes, other suburban rental properties are assessed in the 11.00 to 11.50 GIM range. 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.

3. Conclusion

The CARB accepted the Complainant's rental evidence, using the uncontested 3.00% vacancy. An equitable single GIM of 13.00 (11.70 net after the 90% adjustment factor) was applied to the resulting EGI of \$2,269,334. This resulted in the Board's decision, as follows:

Board's Decision:

The assessment is accordingly **reduced** to \$26,550,000.

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.*