

**CALGARY
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, Section 460, Revised Statutes of Alberta 2000 (the Act).

between:

1102157 Alberta Ltd. (as represented by D. MacKenzie), COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

J. Noonan, PRESIDING OFFICER

I. Fraser, MEMBER

P. Charuk, MEMBER

This is a complaint to the Calgary Assessment Review Board in respect of a property assessment prepared by the Assessor of The City of Calgary and entered in the 2012 Assessment Roll as follows:

| | |
|--------------------------|----------------------|
| ROLL NUMBER: | 201686961 |
| LOCATION ADDRESS: | 2121 17 St SW |
| FILE NUMBER: | 65878 |
| ASSESSMENT: | \$3,800,000 |

This complaint was heard on the 30th day of July, 2012 at the office of the Assessment Review Board located at Floor Number 3, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 11.

Appeared on behalf of the Complainant:

- Mr. Dean MacKenzie

Appeared on behalf of the Respondent:

- Ms. Yang Wang

Property Description:

[1] The subject is a low-rise residential apartment building with parking structure located in the Bankview neighbourhood. The property was constructed in 1978 and contains 45 suites. The subject was previously a condominium, but reverted to apartment status as part of a court proceeding dealing with financial irregularities, or mortgage fraud, according to the Complainant. The property was declared unfit for human habitation in December 2009, and acquired by the current owner in June 2011, when remediation work began. The 2012 assessment was prepared by the income approach, using market typical rents

Issues:

[2] Given the problematic history of the subject, should the assessment be reduced to the sale price of \$1,900,000 in June 2011?

Complainant's Requested Value: \$1,900,000

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

[3] The Complainant provided an overview of the history of this previously derelict property. The property was unfit for habitation when it was purchased, and a demolition order was still in effect as of year end 2011. After very extensive renovations, very close to \$1million in cost, the property at year end 2011 was in the process of receiving inspection from Alberta Health Services to approve the individual units for rental. A good many of the units had passed inspection during the month of December 2011, and copies of the individual reports were supplied. However, at year end four basement units still awaited approval, which was accomplished by mid-January 2012. The building also required Fire Department certification of the fire alarm system as of year end. In short, the owner could advertise apartment availability but couldn't yet rent any of the units: as of Dec 31, 2011 the property was 100% vacant. The Complainant argued that the City's category rating of A, B, or C did not encompass buildings such as the subject that at time of purchase was cold, boarded-up, and all copper removed. The Board was urged to establish a new category, D, to accommodate properties such as the subject. In conclusion, the Complainant asked the Board to reduce the assessment to the amount the subject had sold for in June 2011: \$1,900,000.

[4] The Assessor directed the Board to the *Municipal Government Act*:

289 (2) Each assessment must reflect

(a) the characteristics and physical condition of the property on December

31 of the year prior to the year in which a tax is imposed under Part 10 in respect of the property, and

(b) the valuation and other standards set out in the regulations for that property.

[5] The property was assessed as an average quality lowrise by the income approach. Market typical rents were assigned to the building's suites, and after vacancy allowance, a Gross Income Multiplier of 12.5 was applied. Four assessment equity comparables were introduced, confirming that other similar properties had been assessed with the same parameters. When the assessment value was set down in October, the Assessor had made an estimate as to what the condition of the property would be at December 31. In recognition of the subject's work-in-progress nature, the Assessor had assigned a 20% discount to the typical value. This discount adequately or more than adequately recognized the close-to-finished state of the building renovations. In response to questions from the Complainant, there was no difference in assessed value between concrete and woodframe construction. Rental income was no different. The important assessment factors were location, number of units, and income generated. In response to corrected information supplied at the hearing by the Complainant regarding suite mix, the Assessor calculated that typical rents applied to the corrected mix would result in a slightly higher assessment. The Assessor made no recommendation that the assessment be increased.

[6] The legislation requires the Board to consider the market value of the property at valuation date, July 1, 2011, but in its physical condition as of December 31, 2011. The Complainant would have a very good case for his requested valuation of \$1.9 million if after purchase no renovation work had been undertaken. The Board commends the Complainant for making a substantial investment in turning a derelict eyesore into a fully-renovated productive or about-to-be productive piece of real estate. However, the Board cannot accede to the requested reduction. By year end, this was a different property from what existed six months previous. The Board heard of an investment of some \$1 million between time of purchase and year end, and the photos of the subject attest to its rejuvenated condition. The Board is convinced that the Respondent's value estimate is a lot closer to market value than the request of the Complainant, and that estimate may well be low.

Board's Decision:

[7] The Board confirms the assessment of \$3,800,000.

DATED AT THE CITY OF CALGARY THIS 16 DAY OF August 2012.


J. Noonan
Presiding Officer

APPENDIX "A"**DOCUMENTS PRESENTED AT THE HEARING
AND CONSIDERED BY THE BOARD:**

| NO. | ITEM |
|-----------------|------------------------|
| 1. C1 1 page | Complainant Disclosure |
| 2. C2 | Complainant Disclosure |
| 3. R1 117 pages | Respondent Disclosure |

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.*