

**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:

334154 Alberta Ltd. (as represented by Colliers International), COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

***P. Petry, PRESIDING OFFICER
A. Huskinson, BOARD MEMBER
R. Kodak, BOARD 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: 066141003

LOCATION ADDRESS: 1802 – 12th Avenue S.W.

FILE NUMBER: 66055

ASSESSMENT: \$3,990,000

This complaint was heard on 20th day of August, 2012 at the office of the Assessment Review Board located at Floor Number 3, 1212 – 31 Avenue N.E. Calgary, Alberta, Boardroom 12.

Appeared on behalf of the Complainant:

- J. Havrilchak

Appeared on behalf of the Respondent:

- L. Wong

Property Description and Background

The subject property is improved with a 1970 three and one half story apartment complex which is located in the Beltline district of the City of Calgary. This building has 32 units, six of which are two bedroom units and 26 of which are one bedroom units.

The subject property has been valued by the Assessor using the gross income multiplier (GIM) approach to value. However the Complainant argues that the capitalized income approach to value is a more appropriate methodology. The Complainant indicates that the subject should be recognized as having a chronic vacancy problem and be valued using a 10% vacancy allowance.

Issues:

[1] Is the capitalized income approach to value a preferred methodology over the GIM method that was used to develop the assessment? If so has the Complainant determined the correct value for the factors required when applying the capitalized income approach?

[2] What is the correct vacancy allowance for the subject property?

[3] Other matters and issues were raised in the complaint filed with the Assessment Review Board (ARB) on March 2, 2012. The only issues however, that the parties sought to have the Composite Assessment Review Board (CARB) address in the hearing on August 20, 2012 are those referred to above, therefore the CARB has not addressed the other matters or issues initially raised in the Complaint.

Complainant's Requested Value:

[4] The Complainant requests a reduction in the assessment to \$3,380,000.00.

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

[5] The CARB decision is that the Capitalized Income approach is not the appropriate methodology to determine market value in this case.

[6] The vacancy allowance for the subject is amended to 10% from the 4% applied by the Assessor.

Summary of the Party's Positions

Complainant

[7] The Complainant argued that the capitalized income approach should be applied to the subject as it is better able to respond to the issues with the subject. The Complainant brought forward four sales that show capitalization rates ranging from 4.78% to 5.68% and suggested that a rate of 5.75% should be applied to the subject. These sold properties ranged in size from 6 units to 20 units and were all constructed between 1960 and 1969. Two had been recently and extensively renovated. The Respondent had also analyzed the Complainant's four sales to show that they support a lower expense ratio than suggested by the Complainant and a higher gross income multiplier than that used by the Respondent. The Complainant through its questions and argument raised a number of issues with these sales and questioned their comparability. The Complainant, through its rebuttal brought forward a RealNet document that indicated different information on the sale at 322 14 Avenue. The Assessor's document on this sale and the RealNet document do not report the same sales price or the same number of units on site but both documents show the same address and the same sales date. The Complainant suggested in light of these discrepancies the CARB should strike this sale from consideration. The Complainant also pointed out that two of the sold properties were purchased by agencies providing temporary accommodation for the homeless or those needing immediate help. The considerations and motivation is different when the purchaser is focussed on the income stream available. Further, all were smaller than the subject.

[8] The Complainant suggested that it is more important that sales used in an analysis for the GIM be very similar to the subject in question than is the case when considering sales to determine a capitalization rate.

[9] The Complainant indicated that it had applied a 35% expense ratio within its proforma as this would be typical for a property such as the subject. The income projections were based on the City of Calgary's typical values.

[10] The Complainant suggested that the subject is located on a high traffic street and this issue impacts on the subject's vacancy level. The subject has not been renovated and this too impacts on vacancy.

[11] The Complainant provided the rent roll for the subject over the period July 2009 through July 2011 and argued that the vacancy rate has been in the range of 10% for the last three years. As the property has a chronic and continuing vacancy issue the Complainant applied a 10% vacancy allowance within its income proforma.

[12] Based on the income factor values selected by the Complainant the requested assessment is \$3,380,000.00.

Respondent

[13] The subject property has been assessed using the GIM methodology as has been the case for all other similar multi-family properties. The parameters applied to these properties are as follows: The income is based on typical, the typical vacancy allowance is 4% and the gross income multiplier is 12.5. In the case of the subject these parameters yield an assessment of \$3,990,000.00.

[14] The Respondent provided its analysis of the four sales brought forward by the Complainant. This information showed a median expense ratio of 24.48% and a median GIM of 14.46. The Respondent argued that while it does not dispute that these sales are valid sales, the information respecting the GIM is supportive of the 12.5 applied by the City. The Respondent also pointed out that the Complainant has not supported its expense ratio of 35% and the sales brought forward by the Complainant show a median expense ratio of 25% and this would be more applicable if one were applying the capitalized income approach. When questioned by the Complainant, the Respondent was not able to confirm what income, beyond that of rent, may be included in its analysis.

[15] The Respondent argued that what the Complainant is requesting is that the CARB apply a double standard with respect to the assessment approach for the subject versus the approach applied to other similar properties and that is not equitable.

Findings and Reasons for the Board's Decision:**Issue 1) Assessment Method**

[16] The Complainant argued that the subject would be better served through the application of the capitalized income approach to value rather than the gross income multiplier approach applied by the Assessor. There are number of significant reasons as to why the CARB did not embrace this position.

- (a) The GIM method has been applied to all similar properties and the Complainant did not lead evidence to suggest otherwise. In cases where a change in methodology is suggested for the stratum, such changes must be shown to provide an improved estimate of market values. This was not shown to be true of the subject specifically or for the stratum in general. The CARB agrees with the Respondent that the application of different valuation methodologies within the same stratum or grouping of properties is not appropriate and is likely to result in inequity.
- (b) The Complainant advanced considerable argument concerning the lack of similarity between the sales it brought forward and the subject. The CARB agreed with the Complainant that the sale at 322 – 14 Avenue S.W. should not be considered. This leaves only three sales for analysis.
- (c) These sales did not support the expense ratio recommended by the Complainant and there was no other evidence suggesting a ratio of 35% is typical.
- (d) Three sales is not a sufficient basis for a capitalization rate and particularly so when, as the Complainant points out, they are not similar to the subject.

[17] The CARB has concluded that there is no compelling basis to apply the capitalized income approach to the subject and further there is insufficient evidence to support the

factor values applied by the Complainant.

Issue 2) Vacancy Allowance

[18] The Complainant argued that the typical vacancy allowance applied by the Respondent of 4% does not acknowledge the actual chronic problem experienced by the subject. The Complainant suggested that the traffic volume on 12th Avenue and the condition of the subject have an impact on the vacancy experienced. The Complainant provided the rent roll for the subject over the past two years which indicated that the actual vacancy over that period has been at approximately 10%.

[19] The Respondent did not dispute the vacancy experienced by the subject.

[20] While the CARB cannot find direct evidence as to the cause of the higher than typical vacancy level for the subject, it has placed significant weight on the rent roll data that confirms the actual vacancy over a protracted period of time is approximately 10%. The CARB therefore finds that some relief is justified on this basis and has applied a 10% vacancy factor within the GIM approach to value.

[21] The resulting reduced value determined by the CARB for the subject property is \$3,740,000.00.

Summary

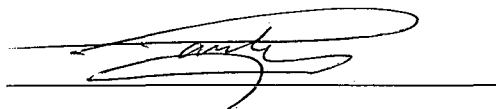
[22] The Complainant sought to have the CARB accept its application of the capitalized income approach to value for the subject property. The underlying values for this approach were not supported such a change would not produce a correct or equitable assessment.

[23] The CARB did recognize the chronic vacancy issue experienced by the subject property and therefore increased the vacancy allowance to 10% from the 4% typical vacancy allowance.

[24] Based on this change to the vacancy allowance only, the market value for the subject property is reduced to \$3,740,000.

It is so ordered.

DATED AT THE CITY OF CALGARY THIS 28th DAY OF September 2012.



Paul Petry, Presiding Officer

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

NO.	ITEM
1. C1	Complainant Disclosure
2. C2	Complainant Rebuttal
3. R1	Respondent Disclosure

An appeal may be made to the Court of Queen's Bench in accordance with the Municipal Government Act as follows:

470(1) *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.*

470(2) *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).*

470(3) *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*

FOR ADMINISTRATIVE USE

Subject	Property Type	Property Sub-Type	Issue	Sub-Issue
Multi Family	Walk-up Apt.	Beltline	GIM vs Income	Vacancy