

**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:**

***3414493 Canada Inc. (as represented by Altus Group Limited), COMPLAINANT***

**and**

***The City Of Calgary, RESPONDENT***

**before:**

***K. D. Kelly, PRESIDING OFFICER  
I. Fraser, MEMBER  
R. Deschaine, 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 2011 Assessment Roll as follows:

<b>ROLL NUMBER:</b>	<b>123191702</b>
<b>LOCATION ADDRESS:</b>	<b>9100 Bonaventure DR SE</b>
<b>HEARING NUMBER:</b>	<b>62123</b>
<b>ASSESSMENT:</b>	<b>\$48,250,000</b>

This complaint was heard on 28<sup>th</sup> day of September, 2011 at the office of the Assessment Review Board located at Floor Number 4, 1212 – 31 Ave. NE, Calgary, Alberta, Boardroom 5.

Appeared on behalf of the Complainant:

- *Mr. J. Weber, Altus Group LTD.*

Appeared on behalf of the Respondent:

- *Mr. H. Yau Assessor, City of Calgary*
- *Mr. N. Domenie Assessor, City of Calgary*

**Board's Decision in Respect of Procedural or Jurisdictional Matters:**

None

**Property Description:**

The subject is a 1981 era four-building (one 13-storey and 2 three storey) residential apartment complex on Bonaventure DR SE in Calgary. It is located in Market Zone 9. Building one (13 storeys) contains 70 one-bedroom and 131 two-bedroom suites. Building two and three (3 storeys each) are identical in that each have 18 one-bedroom and 21 two-bedroom units. Building four is also 3 storeys and contains 17 one-bedroom and 21 two-bedroom units. All four buildings are assessed at a "typical" \$975 and \$1,200 per month for one and two bedroom units respectively. Overall, the subject is assessed using a typical 5% vacancy and 12.00 Gross Income Multiplier (GIM) at \$48,250,000.

**Issue:**

1. The typical residential rent rates used in the assessment are incorrect.

**Complainant's Requested Value:** \$42,790,000

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

**Issue # 1:** "The typical residential **rent** rates used in the assessment are incorrect."

**Complainant's Perspective:**

The Complainant argued the subject is atypical and provided an alternate calculation of value for the subject in a matrix on page 17 of C-1 using the suite rent values he gleaned from the July 2010 residential rent roll which he provided on pages 18 to 22 of C-1. He also referenced the website for the complex and copied "apartment availability" materials and rates which he argued (pgs 23 - 25) supported his rent roll values. The matrix appeared as follows:

9100 Bonaventure Dr. SE	Altus	City
1 bedroom units rent	118 \$949	118 \$975
2 bedroom units rent	187 \$1,074	187 \$1,200
3 bedroom units	0	0
4 bedroom units (Penthouse)	6 \$1,750	6 \$1,750
PGI Vacancy	\$3,753,840 5.0%	\$4,232,700 5.0%
EGI GIM	\$3,566,148 12.00	\$4,021,065 12.00
Residential value	\$42,793,775	\$48,252,780
Requested assessment	\$42,790,000	\$48,250,000

The Complainant argued that he had identified and highlighted all of the most recent (2010) rent leases and their individual values in the subject's rent roll. Analysis of these leases indicated that \$949 per month for a one-bedroom unit, and \$1,074 per month for a two-bedroom unit was the norm. Therefore, he argued, the City's typical rates at \$975 and \$1,200 per month are excessive and the subject is over-assessed. He argued that his interpretation of an excerpt of the Alberta Assessors Association Guide (pgs 39 – 42 of C-1) suggest that it is acceptable in certain circumstances to use actual lease values to determine an assessment.

The Complainant provided two equity comparable multi-unit residential properties – one, a 1968 era 141 unit 18-storey high rise located at 620 – 67 AV SW, and the other a 1969 era 68 unit 5-storey building located at 8208 Flint Road SE. Both buildings are located in Market Zone 8. He argued that the Respondent has provided no equity comparables at all. The Complainant argued that on an equity basis alone, and compared to the two property comparables he presented, the subject is over-assessed.

The Complainant presented a copy of Calgary Composite Assessment Review Board (CARB) Decision CARB 2289-2010-P regarding a 2010 assessment appeal for the subject property. He argued that the Board in that case had accepted the actual rents in that property's rent roll and reduced the assessment accordingly. Therefore, he argued, this Board should accept the rent roll evidence in today's hearing and reduce the 2011 assessment as requested.

The Complainant argued that pursuant to his revised page 17 (C-1) calculations, the assessment should be reduced to \$42,790,000.

### **Respondent's Perspective:**

The Respondent argued that the Complainant's analysis is flawed. He argued that the Complainant has highlighted and used actual site-specific values from the subject's rent roll whereas the assessment was calculated using "typical" values from the broader market-based community of Market Zone 9. He clarified that the City uses its "Assessment Request for

Information" (ARFI) forms to gather rent values from building owners and operators which it analyzes on a market zone basis to identify "typical" rent/lease values for each apartment unit type. Then it applies these typical values to each comparable property that it assesses in that zone. He argued that it is contrary to accepted appraisal practice to mix actual and typical values in the Mass Appraisal process and pursuant to relevant legislation.

On page 50 of R-1 the Respondent introduced the ARFI for the subject which was dated as of June 2, 2010. He clarified that in Market Zone 9 there was a 71% return of ARFI documents which allowed the City to determine with some certainty, the "typical" rent values in that Market Zone. He argued that the subject's ARFI data supports the assessed values.

Moreover, the Respondent argued that while the Complainant is using \$949 and \$1,074 per month for one and two-bedroom units respectively, when one examines the rent roll for the subject as supplied by the Complainant, the latter has used only 2010 leases/rents to calculate monthly rent values. However, when the valid 2009 leases are included, the rent/lease values change and closely match those assessed.

In addition, he noted that where a unit is shown to be vacant in the rent roll, the Complainant has improperly provided an "anticipated value" for that unit by using what are essentially "advertised" "asking" rent values in his calculations. Therefore the vacant-unit values are unsubstantiated and invalid and should be excluded from any calculation of site-specific unit value since any conclusions drawn from this information is flawed. In addition, he noted that when this improper data is excluded, and the valid 2009 lease data is included, the rent roll supplied for the subject by the Complainant – even though these are "actual" values, supports the assessment.

The Respondent also argued that the Complainant's two property comparables are not comparable to the subject because they are located in Market Zone 8 whereas the subject is in Market Zone 9. He clarified that quite different assessment parameters are used to assess properties in Market Zone 8 than in Market Zone 9. For example, different rents, building types (i.e. high rise vs low rise), age, amenities (i.e. parking or laundry included/excluded, etc), can affect the lease values in a complex and hence the valuation inputs used to assess that property. Hence, this can produce a range of property values which are often quite different for each market zone. He noted for example that both of the Complainant's comparables are high rise buildings whereas the subject is a mixture of three low and one high rise buildings.

He further clarified that it is important from a fairness and equity perspective to maintain a consistent methodology of assessing all similar properties in a specific Market Zone in a like manner by using the same assessment parameters for each. He reiterated that the Complainant's use of typical market rents from his two Market Zone 8 property comparables and applying them to a Market Zone 9 property is flawed. The Respondent argued that the Complainant has supplied no evidence that the typical values applied in Market Zone nine are incorrect.

On pages 51 to 74 the Respondent provided copies of the Financial Statements for the subject which had been returned with its ARFI. On page 75, and using data from the Financial Statements, a GIM of 12, and a vacancy of 5% (both undisputed), the Respondent prepared three "hypothetical" property valuation "Scenarios", and in each case, provided alternate property values by deleting identified revenues from parking and/or laundry. The scenarios are:

Scenario #1 (based on 2010 ARFI – Jan. 2009 to Dec. 2009)

- Reported actual EGI - \$3,997,252 x 12 = \$47,967,024  
2011 assessment - \$48,252,780 -- Difference: 0.6% (2.4% if laundry removed)

Scenario #2 (based on 2011 ARFI – Jan. 2010 – Dec. 2010)

- Reported actual EGI - \$3,878,517 x 12 = \$46,542,204  
2011 assessment - \$48,252,780 - Difference: 3.55% (7% if laundry/pkg removed)

Scenario #3 (based on both 2010 and 2011 ARFI – using 6 months of income from both periods – i.e. combining Scenarios #1 and #2)

- \$3,997,252 / 12 x 6 = \$1,998,626
- \$3,878,517 / 12 x 6 = \$1,939,259                      Total income \$3,927,885

2011 assessment - \$48,252,780 -- Difference: 2.32% (4.6% if laundry/pkg removed)

The Respondent argued that these calculations support the assessment. He reiterated that even if the actual rents in the subject are used to value the site, (as proposed by the Complainant), these three hypothetical scenarios demonstrate that the indicated values not only support the assessment, but are predominantly within the plus/minus 5% valuation range permitted in the relevant Legislation governing Mass Appraisal.

The Respondent requested that the assessment be confirmed at \$48,250,000.

**Board's Decision in Respect of Issue #1 - Reasons**

The Board considers that the Complainant's position regarding this Issue fails for the following reasons:

1. The Board is convinced from the evidence and argument presented that the rent roll for the subject as provided by the Complainant supports the assessment. While the Complainant limited his rent analysis to only 2010 monthly rents, it is clear to the Board that when valid 2009 rent values are included, the resulting values very closely approximate the "typical" rents used to assess the subject.
2. The Board disagrees with the Complainant that the subject is not typical – even for Market Zone 9, because the rent roll provided in the Complainant's evidence, supports the typical assessed suite/unit values. The Board finds no compelling reason in this appeal to substitute actual rent values for typical rent values, particularly given the requirement to use typical rent values in Mass Appraisal.
3. The Board considers that the Complainant's methodology is flawed because he proposes to mix actual and typical values which, as noted, is considered to be invalid methodology in Mass Appraisal.



4. The Board finds that the Respondent has demonstrated with effect that even where actual values from the subject's financial statements and rent roll are used with selected typical values, the results support the assessment. The Board notes that the demonstrative calculated alternate values are well within the plus/minus 5% margin of error as legislated under Mass Appraisal.
5. The Board notes that the Complainant has compared the subject to property comparables from a Market Zone which is different than the subject's Market Zone. The comparables are in Market Zone 8 and the subject is in Market Zone 9. The Board finds on the face of the evidence that the City uses different assessment parameters for each zone – based on its analysis of ARFI documents from each Zone. The Complainant's property comparables are not comparable.
6. The Board accepts that the 71% rate of ARFI return for the subject's Market Zone 9 indicates a very high probability of accuracy with respect to defining "typical" rent and related market values for that Zone. These values have been applied to the subject and all similar properties in Market Zone 9, which is both fair and equitable.
7. The Board also finds that the City's methodology and subsequent application of resultant values to assess the subject, have been consistently applied by the Respondent, not only to Market Zone 9, but also to each Market Zone in Calgary.
8. Therefore, on the face of the evidence in this hearing, the Board will not make any change to the assessed rent rates for the subject, or its assessment.

**Board's Decision:**

The assessment is confirmed at \$48,250,000.

DATED AT THE CITY OF CALGARY THIS 27 DAY OF October 2011.

  
K. D. Kelly,  
Presiding Officer

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

NO.	ITEM
1. C1	Complainant Disclosure
2. R1	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.*

#### For Administrative Use Only

Appeal Type	Property Type	Property Sub-type	Issue	Sub-Issue
CARB	Multi-family	high and low rise mixed	rents vs comparable market value Approach -	Market zone comparisons