

**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:

Kaleidoscope Holdings Corporation, COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

J. Fleming, PRESIDING OFFICER

D. Morice, MEMBER

S. Rourke, 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:

ROLL NUMBER: 080020001

LOCATION ADDRESS: 1224 Cameron Ave. SW

HEARING NUMBER: 61540

ASSESSMENT: \$2,440,000

This complaint was heard on 7th day of October, 2011 at the office of the Assessment Review Board located at Floor Number 3, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 10.

Appeared on behalf of the Complainant:

- *V. Didkowsky, M. Fleming*

Appeared on behalf of the Respondent:

- *E. Currie, A Cornick*

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

There were no Procedural or Jurisdictional matters raised.

Property Description:

The property is a 43 year old (built in 1960) two and one half storey 16 (1 Bedroom) unit rental property located in Lower Mount Royal (Market Zone 2 – Beltline). The property has 94% parking. The owner reports some cosmetic upgrading was completed in 2005. The Land Use Designation for the property could not be determined from the evidence presented. The property was assessed on the Income Approach (IAV) using the Gross Income Multiplier (GIM) method.

Issues:

What is the most accurate method for valuing the subject property?

Complainant's Requested Value:

\$1,890,000 (based on \$118,680 per unit)

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

The GIM method is an accurate method for valuing the property for assessment purposes.

Board's Decision:

The Complaint is denied and the assessment is confirmed at \$2,440,000.

Reasons:

The Complainant indicated that the GIM method used to value the property for assessment purposes was not a method used in the marketplace to value multi-residential property in the City of Calgary. They indicated that from an analysis of multi-residential sales (Ex. C1, pg 8), these properties sold on the capitalized income basis or on the price per suite. Either of these methods would yield an assessment market value of between \$1.76 and \$1.92 million. They also highlighted their income value at \$1,899,000 (Ex. C1, pg 11) which they said was consistent and fit well with their price per unit numbers thereby supporting their estimate of market value.

The Complainant focused on two of the comparable sales used by the Respondent. They argued that 1032 Cameron Ave. SW and 1730 12th St. SW were both in reasonable proximity to their building, but were certainly not comparable to their building. They introduced data that showed that 1032 Cameron had been significantly renovated and was now operated as a hotel. The property at 1730 12th St. SW was of concrete construction with balconies and 100% parking all of which was better quality than the subject. The Complainant indicated that both of these properties were superior in condition to the subject yet had sold at similar prices to the assessment of the subject (1032 Cameron at \$160,714/suite, 1732 12th St. at \$150,000/suite, versus the subject at \$153,090/suite). They indicated that this should demonstrate that the

subject was over assessed. (See Ex. R1, pgs 39 & 40). They asked that the assessment be reduced to reflect the true market value.

The Respondent/City defended their use of the GIM method explaining that the multiplier is derived from market sales. The GIM is used as it tends to minimize the impact of management decisions/inefficiencies in individual properties, and because it makes use of "typical" rental rates for similar properties, which tends to promote comparability.

The Respondent provided their GIM study for the market area with 5 properties which demonstrated an average GIM of 15.02 (with a median of 14.86) (Ex. R1, pg 34 & 35). The City used 15.0 to value the properties in Market Zone 2. They admitted that the two properties cited by the Complainant might not appear comparable, but that the calculated GIM's adequately recognized any differences.

Finally, the Respondent provided four assessment comparables in the vicinity of the subject which supported the assessment on the subject. They asked that the assessment be confirmed.

The CARB reviewed all the evidence. Both parties agreed that the GIM was a legitimate method of valuation in appraisal practice. The Complainant felt that there were better methods (capitalized income and price per suite) which were the basis for sales in the Calgary market and so should be used to establish the assessment.

In reaching a decision, the CARB reviewed the "Annual Request for Information" (ARFI) submitted by the Complainant at the request of the City. Rents varied from \$795 to \$1065 per month. Upon questioning, the Complainant advised that rents varied based on the quality and length of tenancy of the tenant and the suite size with a goal to keep the property full with a minimum of turnover. The CARB notes that this is the type of management decision which supports the City's use of "typical", rather than "actual" rents to attempt to ensure an equitable assessment. The CARB further notes that several of the actual rents are around the \$1,050 level per month much higher than the \$900 typical used by the City.

This prompted the CARB to calculate the value using the Complainants adjusted (to remove non typical) actual expenses and capitalization rate and the potential rents capable of being achieved as evidenced by the ARFI. This results in a value which is well within 5% of the assessed value, and thus would suggest confirmation. Admittedly, this is a somewhat hypothetical calculation, but it was done to assess the reasonableness of an "actual" attributes valuation as suggested by the Complainant. The CARB would note for instance that an assessment valuation would normally not use the capitalization rate suggested by the Complainant due to the source (a marketing presentation), lack of any "confirming" market support for the number and the general disclaimers normally cited in third party studies.

The CARB also considered the argument and evidence of the Complainant with respect to the two comparables. The CARB would acknowledge the points made by the Complainant on the seeming superiority of the comparables; yet on its face, the subject is able to obtain rental rates that are significantly higher than typical and so would justify the assessment for the subject. In the absence of further explanatory evidence, the CARB must accept that the market accepts the rental strength of the subject regardless of the comparability of other market offerings.

In summary, the City has demonstrated that the assessment is fair and equitable with a GIM of 15.0; the actual numbers using potential actual rents and reasonably adjusted Complainant

inputs all support confirmation of the assessment of \$2,440,000.

DATED AT THE CITY OF CALGARY THIS 20 DAY OF October 2011.


James Fleming
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.*