



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:

231275 Alberta Ltd. (Represented by AEC Property Tax Solutions), COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

W. Kipp, PRESIDING OFFICER

I. Fraser, BOARD MEMBER

P. Pask, 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 2014 Assessment Roll as follows:

ROLL NUMBER:	127000867
LOCATION ADDRESS:	11611 Oakfield Drive SW, Calgary AB
FILE NUMBER:	75313
ASSESSMENT:	\$21,160,000

This complaint was heard by a Composite Assessment Review Board (CARB) on the 6th day of August, 2014 in Boardroom 9 at the office of the Assessment Review Board located at 1212 – 31 Avenue NE, Calgary, Alberta.

Appeared on behalf of the Complainant:

- N. Laird *Agent, AEC Property Tax Solutions*
- S. Rickard *Agent, AEC Property Tax Solutions*
- L. Zenith *Owner, 231275 Alberta Ltd.*

Appeared on behalf of the Respondent:

- D. Gioia *Assessor, The City of Calgary*

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

[1] The Complainant rebuttal document, due July 28, 2014 arrived on July 29, 2014. The Respondent objected to its inclusion in evidence for this hearing. The CARB deliberated on the timing and excluded the document on the grounds that one week was available for the Complainant to prepare and file its rebuttal. Timelines are set out in the Matters Relating to Assessment Complaints regulation (MRAC). There are no extenuating circumstances that caused the delay in filing. The Complainant is aware of the timelines and therefore should have been able to meet the requirements of MRAC.

[2] There were no jurisdictional matters to be decided by the CARB.

Property Description:

[3] The property that is the subject of this assessment complaint is a low-rise apartment complex in the southwest community of Oakridge. In the two buildings, there are 63 one bedroom and 63 two bedroom apartment units. A 7,174 square foot building on the site accommodates a childrens' daycare centre. The development was built in 1981. Each building has one passenger elevator. There are 133 on-site parking stalls in surface parking lots around the buildings. As at April 2013, the apartment unit rents were from \$800 to \$1,050 per month. Rents include utilities.

[4] For assessment purposes, the property is classed as an average quality multi-family residential property. An income approach model utilizing a gross income multiplier (GIM) is used to value the property. Typical monthly rents of \$975 (One bedroom units) and \$1,050 (Two bedroom units) are applied. After deducting a 2.50 percent vacancy allowance, the effective gross income amount of \$1,492,628 is multiplied by a 13.50 GIM to yield a value of \$20,150,479. The childcare facility is added. It is assessed using an income approach wherein a \$10.00 per square foot rent is applied, a 2.50 percent vacancy allowance is deducted as are allowances for operating costs on vacant space (at \$15.00 per square foot) and a 2.0 percent non-recoverable expenses. In this case, a net operating income of \$65,857 is capitalized at a

6.50 percent rate to yield a value of \$1,013,182. The sum of the two valuations is truncated to the assessment amount of \$21,160,000.

Issues:

[5] The Assessment Review Board Complaint form was filed on February 28, 2014 by AEC Property Tax Solutions on behalf of 231275 Alberta Ltd., the "assessed person." Section 4 – Complaint Information had check marks in the boxes for #3 "Assessment amount" and #6 "the type of property."

[6] In Section 5 – Reason(s) for Complaint, the Complainant stated numerous grounds for the complaint.

[7] At the hearing, the Complainant pursued the following issues:

- 1) The Respondent lists the property as "average" condition when it should be considered "fair."
- 2) The gross income multiplier is too high.

These pertain to the apartment buildings only – there is no issue with the daycare building.

Complainant's Requested Value: \$19,300,000 (including the non-residential building)

Board's Decision:

[8] The \$21,160,000 assessment is confirmed.

Legislative Authority, Requirements and Considerations:

[9] The CARB is established pursuant to Part 11 (Assessment Review Boards), Division 1 (Establishment and Function of Assessment Review Boards) of the Act. CARB decisions are rendered pursuant to Division 2 (Decisions of Assessment Review Boards) of the Act.

[10] Actions of the CARB involve reference to the Interpretation Act and the Act as well as the regulations established under the Act. When legislative interpretation is made by the CARB, references and explanations will be provided in the relevant areas of the board order.

Position of the Parties**Complainant's Position:**

[11] The Complainant's disclosure of evidence, marked by the CARB as Exhibit C1 was filed with the CARB administration and the Respondent on June 23, 2014. A rebuttal document that was filed after its due date was rejected by the CARB.

[12] When this project was developed, there were provincial and civic programs in place to subsidize housing costs for certain individuals and families. Cost controls were important to developers so this project was built to a lower standard than other projects. The rental units

were intended to serve as low-cost housing. The buildings are "aesthetically deficient," buildings are poorly situated on the site, common area ceilings are low, suites are small (average of 646.7 square feet), suite appliances are limited to a refrigerator and stove, 13 upper floor units do not have balconies and there is considerable work to be done on replacements and repairs to roofs, eaves troughs, windows, siding and site drainage. Part of the main floor is constructed of an unbonded post-tensioned concrete slab that requires frequent inspections. There are hundreds of thousands of dollars of work required to bring the property back to a reasonable condition. Operating expenses are higher than normal, partly because there are no individual electricity meters for suites so rents include all utilities, another uncommon factor. All of these factors support the position that this is a fair quality property and not average as is argued by the Respondent. The matter is further complicated by the Respondent's failure to provide explanations or definitions of the terms "fair" and "average."

[13] Having regard to the gross income multiplier derivation, seven of the sales from the Respondent's market study were selected. These were all properties that sold during the first six months of 2013. The rents applied by the Respondent for GIM extraction were the starting point. Those rents were then "time adjusted" to reflect rents as at Spring 2014. The next step was to find actual or asking rents for those same properties as at Spring 2014. The differences between the time adjusted 2013 rents and the actual 2014 rents averages (median) about 10 percent. By inference, the GIM calculated in the Respondent's study is about 10 percent higher than it should be. Time adjustments were taken from a Canada Mortgage and Housing Corporation (CMHC) report that stated that rents had increased by 5-6 percent from early 2013 to early 2014.

[14] The typical rents applied in the subject's assessment are close to actual rents. The same typical rents are used in other, superior properties as well but actual rents in those properties are higher. This is another indication that the subject is over-assessed.

[15] A simple change to the gross income multiplier seems to be the best way to adjust for all of the deficiencies in the property and its current assessment. If the 13.5 GIM is reduced by 10 percent, the rounded multiplier of 12.25 indicates a value of the multi-family residential component of the property at \$18,284,693. The assessment of the daycare component remains unchanged at \$1,013,182. Together, the two components amount to the requested reduced assessment of \$19,300,000 (truncated).

Respondent's Position:

[16] The Respondent's disclosure of evidence, marked by the CARB as Exhibit R1 was filed with the CARB administration and the Complainant on July 21, 2014.

[17] The physical issues stated by the Complainant are an indication of condition, rather than quality. Further, the rents realized by the property are quite close to the typical rents applied in the assessment. The Complainant is not contesting the typical rents or vacancy rates used by the Respondent.

[18] No gross income multiplier study was provided by the Complainant. Instead, some of the sales were extracted from the Respondent's study. For those properties, the rents were time adjusted to 2014 but not the sale prices.

[19] The Respondent provided a thorough gross income multiplier study with backup data for sales used in the study. The 13.5 GIM is well supported.

[20] An equity chart in Exhibit R1 shows four similar properties that have been assessed

using the same GIM.

Board's Reasons for Decision:

[21] The CARB did not receive evidence or definitions of the terms "fair quality" or "average quality" from either party. It appeared to the CARB that to some extent the Complainant was confusing quality with condition. The subject buildings are over 30 years old and most buildings of that vintage require replacements of roofing and so on. The onus is on the Complainant to provide evidence to convince the CARB that the buildings are of a "fair" quality. That was not done.

[22] The Complainant did not contest any of the inputs into the valuation model other than the gross income multiplier. The Complainant did not make any adjustments to the rents to reflect the inclusion of electricity which it stated is typically not included in other properties. There was no market support provided for this argument.

[23] The Complainant's manipulation of the rent rates taken from the Respondent's gross income multiplier study indicates that time adjusted (with minimal support) rent rates are lower than actual rent rates for 2014. The assessment is to reflect market value as at July 1, 2013. The Complainant was unable to find actual or asking rents for the selected properties as at the valuation date but 2014 actual or asking rent were available so the time adjustment analysis was made. This 2014 analysis does not indicate to the CARB that the 2013 GIM selection by the Respondent was flawed.

DATED AT THE CITY OF CALGARY THIS 25 DAY OF August 2014.


W. Kipp

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

Appeal Type	Property Type	Property Sub-Type	Issue	Sub-Issue
CARB	RESIDENTIAL	WALK-UP APARTMENT	INCOME APPROACH	GROSS INCOME MULTIPLIER