



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:

***W.R.E. Development LTD. (as represented by Colliers International Realty Advisors),
COMPLAINANT***

and

The City Of Calgary, RESPONDENT

before:

***T. Golden, PRESIDING OFFICER
P. Cross, BOARD MEMBER
J. Kerrison, 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:	LOCATION ADDRESS:	FILE NUMBER:	ASSESSMENT:
067082305	840 9 ST SW	76778	\$38,160,000
067082206	920 9 Av SW	76783	\$38,840,000

This complaint was heard on 30 day of June 2014 at the office of the Assessment Review Board located at Floor Number 4, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 3.

Appeared on behalf of the Complainant:

- *T. Howell, Agent, Colliers International Realty Advisors*

Appeared on behalf of the Respondent:

- *E. Borisenko, Assessor, City of Calgary*
H. Leduc, Assessor (observer)

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

[1] After a discussion, with the parties to the hearing, regarding the type of the evidence to be presented to the Board it was agreed to hear files 76778 and 76783 in one hearing. The properties are very similar, located adjacent to each other, are under the same ownership, and generally form one multi-residential complex. The submissions for both files are the same disclosure documents. The Board will hear both files at one hearing.

Property Description:

[2] The subject properties are high rise multi family structures containing 201 units each comprised of mostly 1 and 2 bedroom units. These structures were built in 1971 and are on land areas of .54 acres and .57 acres of land. Located in the downtown district the subjects are rated as average quality. An assessment was also prepared for small areas of commercial uses located on the main floor of the structures

[3] The assessment was conducted for the residential portion of the subject properties using the income approach to valuation. There was no dispute regarding the method of valuation. The main issue under dispute is the gross income multiplier (GIM) factor used by the Respondent in the assessment calculation. The assessment for the commercial portion of the subject property is also not in dispute.

Issues:

[4] Issue 1: Is the GIM of 13.25% used by the Respondent to calculate the income valuation result in the correct assessment.

Complainant's Requested Value:

LOCATION ADDRESS:	FILE NUMBER:	REQUESTED ASSESSMENT:
840 9 Av SW	76778	\$30,250,000
920 9 Av SW	76783	\$30,510,000

Board's Decision:

Decision on Issue 1: The GIM of 13.25 used by the Respondent to calculate the income valuation is appropriate and has resulted in the correct assessment.

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

[5] In support of the requested assessment the Complainant presented exhibit C-1 and noted that an Assessment Summary available from the Respondent was not included in the brief. However the assessment was in error as the GIM rate for the subject units should be lower than that used by the Respondent. The GIM is supported by comparables that demonstrate the GIM used by the Respondent is inaccurate.

[6] The development of a more appropriate GIM commenced with the discussion of three comparables considered to be similar nature to the subject. Each of the comparables has a GIM reported by Real Net and developed at the time of the sale. GIMs of the comparables range from 9.8 to 12 which are much less than 13.25 used by the Respondent. Based on this range of comparable GIM's a more appropriate GIM of 10.5 was deemed correct and used by the Complainant to calculate the requested assessment.

[7] The Complainant was of the opinion that even though two of the comparables were the same property and the sale was for leasehold and leased fee these were still valid comparisons.

[8] For the purpose of developing a potential gross income (PGI) to be used in the income calculation the Complainant presented a report prepared by CMHC and discussed applicable rental rates and vacancy rates in the Downtown rental market. Based on the CMHC report different rent rates were established. Although reported vacancy rates were lower than used by the Respondent the vacancy rate of 2% was accepted by the Complainant.

Respondent's Position:

[9] The Respondent used exhibit R-1 in an explanation of the preparation of the assessment. Firstly the GIM study was presented using 10 sales (pg 39, R-1) that occurred between December 2010 and June 2013. The property at 912 6th Av SW also appears in the Complainant's comparables. Given the low number of sales available for analysis the Respondent used a longer period of time. The result of the analysis was a GIM value of 13.57 and a weighted mean GIM of 13.29. From this analysis a GIM of 13.25 was used to prepare the assessment.

[10] Potential gross incomes were developed from a rental study based upon the Assessment Request for Information process.

[11] The assessment was tested against six equity comparables and the assessment per suite demonstrated an equitable assessment. The equity comparables yielded a range of assessment per suite \$199,101 to \$184,180 and the subject falls within this range at \$187,633 and 187,059 per suite. This is compared to the requested assessment for the subject of \$148,285 and \$147,391 per suite which lays far outside the range of the Respondent's comparables.

[12] In response to the evidence presented by the Complainant it was the opinion of the Respondent that ex C-1 lacked basic data such as rent rolls, assessment summaries, only contained a 3rd party report that was post facto and finally only 3 comparables. There appears to be an error in some of the revenue information which would change the Complainant's calculation. Two of the comparables were sales for lease hold interests and of limited value. These sales appear on the Respondent's GIM analysis but do yield a lower GIM and are the weakest properties in the analysis. One comparable represents a 2009 sale and the charts shown in ex R-1, pg 35 indicates that the market for rental properties has changed significantly since 2009. Even using the Complainant's comparables it is not clear how the requested 10.5 GIM was developed.

Board's Reasons for Decision:

[13] The Board in reviewing all the Complainants evidence finds firstly that the data provided from CMHC was weak for several reasons. The data was post facto being taken from a period after the assessment date. The Board was not aware of the details regarding how the information was developed and therefore it's applicability to assessment. Lastly it was not clear how the CMHC reported rates resulted in the rents used by the Complainant. The Complainant exhibited an inconsistent approach in the application of the CMHC data by accepting the reported rental rate and not the lower vacancy rate as reported. In this case the PGI developed by the Complainant, even with the noted weaknesses it generates a PGI similar to that used by the Respondent. If the Complainant's PGI is used with the Respondent's GIM the resulting value is similar to the current assessment.

[14] Given relatively similar PGI the key evidence is the 3 comparables provided by the Complainant. The Board finds these comparables to be weak and gives the information little weight. Two comparables at 912 6th Av SW are for two sales of the same property and these sales were for the leasehold and leased fee interest only, and assessment is requires to value fee simple. There was no description regarding how the leasehold and leased fee interest may approximated a fee simple ownership. These comparables were dismissed as they do not represent a fee simple market sale. The Board understands that the same properties appeared the Respondents document and should not be considered however 7 other properties were included in the GIM analysis provided by the Respondent adding significant weight to that analysis. With the removal of the 2 properties the respondent's GIM increases.

[15] The 3rd comparable at 835 6th Av SW was weakened in the Boards opinion because of the age of the sale. The Respondent had used this comparable in previous years but have now removed it from analysis because of the changing market. The Board agrees with the discussion on pg 35 of ex R-1, that markets have changed and that the comparable has very limited value as an indicator of an appropriate GIM.

[16] The Respondent provided a stronger position and the Board confirms the assessment. As follows:

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DATED AT THE CITY OF CALGARY THIS 22 DAY OF July 2014.



T. Golden

Presiding Officer

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

NO.	ITEM
1. C1	Complainant Disclosure
2. C-2	Complainant Photo's
3. 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

Decision Identifier **CARB 76778, 76783**

Appeal Type	Property Type	Property Sub-Type	Issue	Sub-Issue
Carb	Multi Res	apartment	Income approach	GIM

