

The City of
CAMROSE

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December 20, 2010

Minister of Municipal Affairs
#104 Legislature Building
10800-97 Avenue
Edmonton, AB T5K 2B6

Re: CARB 0048-001-2010-P

Honourable Hector Goudreau;

Please find enclosed the decision of our Composite Assessment Review Board in this matter.

I trust that all is in order, however, if there are any questions I can be contacted at 780-678-3030.

Yours truly,

Damian A. Herle
General Manager
Corporate & Protective Services
City of Camrose

**CITY OF CAMROSE
ASSESSMENT REVIEW BOARD
DECISION WITH REASONS**

In the matter of the complaints against the Property assessments as provided by the *Municipal Government Act*, Chapter M-26, Section 460(4).

between:

Altus Group Ltd., COMPLAINANT

and

The City Of Camrose, RESPONDENT

before:

L. Wood, PRESIDING OFFICER

J. Furber, MEMBER

D. Kotyk, MEMBER

These are complaints to the City of Camrose Assessment Review Board in respect of Property assessments prepared by the Assessor of The City of Camrose and entered in the 2010 Assessment Roll as follows:

ROLL NUMBERS:	660100 660200
LOCATION ADDRESSES:	4920 66 STREET 4900 66 STREET
ASSESSMENTS:	\$4,014,820 \$8,083,080

These complaints were heard on 1st day of November, 2010 at the Chuck McLean Arts Centre located at 4809 52 Street, Studio A, Camrose, Alberta.

Appeared on behalf of the Complainant:

- Mr. B. Neeson

Appeared on behalf of the Respondent:

- Mr. T. Lantz

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

The parties requested that roll #660100 and #660200 be heard together as these are adjacent multi-family residential properties and the evidence and argument is similar for both accounts. The Board agreed with the parties' request.

In regards to roll #660200, the assessor had a recommendation revising the 2010 assessment from \$8,083,080 to \$8,029,630 based on corrected suite count (Exhibit R2 page 10). The Complainant indicated that the assessor's correction captured the suite mix in the building; however, the assessment should be lower than the recommended amount. The Board proceeded with the hearing on that basis.

Property Description:

The subject property is comprised of two low-rise (3 storey) multi-family residential properties, known as the Aspen Terrace North and the Aspen Terrace West & Aspen Terrace East. The property located at 4920 66 Street has a gross building area of 30,667 sq ft and is situated on a 40,040 sq ft parcel. It consists of 4 one bedroom suites and 30 two bedroom suites. The property located at 4900 66 Street has a gross building area of 61,334 sq ft and is situated on an 81,370 sq ft parcel. It consists of 8 one bedroom units and 60 two bedroom units. Both buildings, constructed in 2000, contain elevators. The properties were assessed based on average condition.

Issues:

1. Review the sales including the subject sale showing that the expense ratio should be 37.5% and the capitalization rate should be 7.25%.

Complainant's Requested Values: \$9,496,000 (total assessment); or
\$10,168,000 (total assessment)

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

The Board will only address those issues that were raised at the hearing. The values as indicated on the complaint forms may have changed at the time of hearing.

1. Review the sales including the subject sale showing that the expense ratio should be 37.5% and the capitalization rate should be 7.25%.

The Complainant submitted that the only issues in contention are the 6.5% capitalization rate and 30% expense ratio that the assessor used in the income approach to value for the subject property. The Complainant stated that the typical market rents utilized by the Respondent are not in issue as the subject property's rent roll, which reflects a monthly rental income of \$91,795, supports those values (Exhibit C1 pages 26- 28). The Complainant presented two requests for the Board's consideration:

Firstly, he submitted that the capitalization rate should be 7.25% and the expense ratio should be 37.5%. Based on these calculations, the Complainant requested that the total assessment for the two properties be reduced from \$12,097,900 to \$9,496,000 (Exhibit C1 page 28).

Secondly, he agreed to the 6.5% capitalization rate but requested that the expense ratio be increased to 38% which would reduce the assessment for roll #660100 to \$3,055,976 and #660200 to \$7,111,953 for a total of \$10,167,949 (\$10,168,000 truncated).

The Complainant submitted two sales comparables of which he took an average of the capitalization rates and expense ratios (Exhibit C1 pages 29- 30). The comparables are low rise apartments, built in 1977 and 1981, have 24- 84 mixed suites (one and two bedrooms), that sold in 2007- 2008 for \$67,916/suite - \$79,761/suite. The capitalization rates ranged from 7.14%- 7.40% and the expense ratio for two of the comparables were 34.79%- 39.26%. It is based on these two sales comparables that the Complainant derived a 7.25% capitalization rate and 37.5% expense ratio. The Complainant also submitted the sale of the subject property in 2005 for \$6,490,000. The Complainant acknowledged that the sale of the subject property is dated; however, he included it, in part, to show that historically the capitalization rates were 7.0% or higher (Exhibit C1 page 31). The expense ratio was not provided for the subject property at the time of sale.

The Respondent submitted that the subject property was assessed based on the income approach to value. The assessment was based on the typical market rent of one bedroom (\$600- \$975/month) and two bedroom suites (\$750- \$1,100/month) in low rise apartment buildings (3 stories or less) with elevators (Exhibits R1 and R2 page 10). The subject property at 4920 66 Street was generating rents of \$944/month for one bedroom and \$1,044/month for two bedrooms. The property located at 4900 66 Street was generating rents of \$950/month and \$1,032/month for two bedrooms. The Respondent applied a typical market rent of \$875/month for one bedroom and \$985/month for two bedroom suites to the two properties.

The Respondent submitted 6 sales comparables, including the Complainant's two sales comparables, to support the 6.75% capitalization rate (Exhibit R1 & R2 page 11). The comparables, built in 1972- 1981, sold between \$67,917/suite - \$101,750/suite in 2007- 2009. The suite mix ranged from 5 one bedroom and 3 two bedroom to 52 one bedroom and 32 two bedroom. The indicated capitalization rate ranged from 4.95% - 6.98%. The expense ratio was consistent at 38%.

The Respondent submitted that the sales in Camrose are quite limited and most of the apartment buildings were built in the 1970's and 1980's. Few were constructed in 2000 as the subject property. None of the sales comparables have an elevator. However, he submitted that the sales support the assessment of the subject property at \$118,083/suite based on its age, number of suites, and the fact that it has elevators (Exhibits R1 & R2 page 12). He indicated the Complainant's request of \$90,000/suite is more in line with apartments built in the 1970's.

The Respondent questioned the accuracy of the sale price of the subject property that the Complainant stated sold for \$6,490,000. The Respondent submitted that this sale was part of a portfolio sale of several properties within the Province for \$27,910,000 and there was no specific

value assigned to the subject property in accordance to the transfer documents registered at Land Titles (Exhibit R1 pages 51-63).

The Respondent also included the sales of 3 four-plexes, one of which was built in 1993 and two in 2008. The sales occurred in 2008- 2009 for \$125,000/suite to \$146,250/suite. The Respondent acknowledged that the four-plexes are not perfect comparables but included them to show that the assessed value of \$118,083/suite for the subject property is not unreasonable (Exhibits R1 & R2 page 13).

The Respondent indicated that the expense ratio was based on a review of the comparables and the subject property. As this is a newer building with less operating costs, the Respondent applied a 30% expense ratio as opposed to a 38% expense ratio that is used for the older apartment buildings with higher operating costs. The Respondent stated that the 30% expense ratio is further supported by the subject property itself that reflected an actual 30.4% expense ratio in 2007 as stated on the Assessment Request for Information ("ARFI") (Exhibit R1 & R2 page 40). It is further supported in the ARFI that the Respondent received for 2009 which reflected a 30.2% expense ratio (Exhibit R1 & R2 page 31). No ARFI was received for the subject property in 2009 for the 2008 assessment year.

The Board placed little weight on the Complainant's method of averaging the capitalization rates and expense ratios of two sales comparables that are significantly older and smaller than the subject property. Moreover, it appeared to the Board that the Complainant conceded that the 6.5% capitalization rate was correct, in his alternative request for reduction, which weakened his argument. As such, the Board finds that the Complainant failed to present sufficient evidence to change the 6.5% capitalization rate and 30% expense ratio for the subject property.

However, the Board was not convinced that the methodology employed by the Respondent in applying a 30% expense ratio, which he based on the actual expenses of the subject property as opposed to deriving a typical expense ratio, was correct. Had the Complainant provided sufficient evidence to support a change to the expense ratio, the Board would have likely found in his favour.

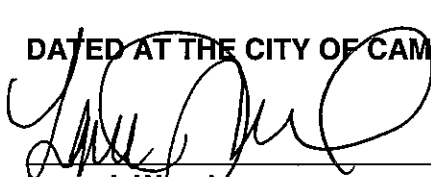
The Board will confirm the assessment for the property located at 4920 66 Street and accept the recommendation reflecting the appropriate suite mix for the property located at 4900 66 Street.

Board's Decision:

The decision of the Board is to confirm the 2010 assessment for the property located at 4920 66 Street at \$4,014,820.

The decision of the Board is to revise the 2010 assessment for the subject property located at 4900 66 Street from \$8,083,080 to \$8,029,630.

DATED AT THE CITY OF CAMROSE THIS 30th DAY OF NOVEMBER 2010.



Lana J. Wood
Presiding Officer

APPENDIX A**DOCUMENTS RECEIVED AND CONSIDERED BY THE ASSESSMENT REVIEW BOARD:**

NO.	ITEM
Exhibit C1	Evidence Submission of the Complainant
Exhibit R1	City of Camrose, Assessment Brief (roll #660100)
Exhibit R2	City of Camrose, Assessment Brief (roll #660200)

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.*