

# Central Alberta

Regional Assessment Review Board

---

Decision #: CARB 0262-469/2012

Complaint ID: 469

Roll #: 930661

---

## CENTRAL ALBERTA ASSESSMENT REVIEW BOARD DECISION

HEARING DATE: SEPTEMBER 20, 2012

PRESIDING OFFICER: M. CHILIBECK

BOARD MEMBER: T. STEVENS

BOARD MEMBER: A. KNIGHT

BOARD CLERK: S. PARSONS

---

### BETWEEN:

Dr Heather Cherneski Inc.

Represented by: Canadian Valuation Group Ltd

Complainant

- and -

The City of Red Deer

Respondent

[1] This is a complaint to the Central Alberta Regional Assessment Review Board in respect of a property assessment prepared by the Assessor of the City of Red Deer and entered in the 2012 Assessment Roll as follows:

ROLL NUMBER:	930661
MUNICIPAL ADDRESS:	3522 49 AV
ASSESSMENT:	\$1,054,300

[2] This complaint was heard by the Composite Assessment Review Board (Board) on the 20<sup>th</sup> day of September, 2012, in the Council Chambers of the City Hall of Red Deer.

[3] Appeared on behalf of Complainant:

- T. Janzen, Canadian Valuation Group

[4] Appeared on behalf of Respondent:

- M. Arnold, Assessor
- T. Larder, Assessor

### **JURISDICTION**

[5] The Central Alberta Regional Assessment Review Board has been established in accordance with section 456 of the *Municipal Government Act R.S.A. 2000, ch M-26* (hereinafter, "the MGA") and the *City of Red Deer Assessment Review Board Bylaw 3441/2009*.

[6] Neither party raised an objection to any Board member hearing the complaint.

[7] No procedural or jurisdictional matters were raised by either party.

### **BACKGROUND**

[8] The subject property is a 12 suite apartment complex, built in 1979 and located in south central Red Deer. This complex has three bachelor suites, four one bedroom suites and five three bedroom suites. The subject property and other like properties have been assessed utilizing a Gross Income Multiplier. The Complainant believes that the Gross Income Multiplier (GIM) of 10.75 that the Respondent utilized for the subject property is incorrect.

### **COMPLAINANT'S REQUESTED VALUE**

[9] The Complainant's requested value is \$980,000.

### **ISSUES**

[10] The Complainant identified a number of issues on the Assessment Review Board Complaint Form; however, from the information exchange and presentation at the hearing the Board determined the following issue:

1. What is the correct Gross Income Modifier (GIM)?

### **BOARD'S FINDINGS IN RESPECT OF THE ISSUE**

1. **Gross Income Multiplier**

#### **Complainant's Position**

[11] The Complainant took the position that the GIM of 10.75 used by the Respondent is too high.

[12] The Complainant provided three sales comparables from within the general area of the subject property to support their position.

COMPARABLE	NO.OF SUITES	AGE	SALE DATE	NOI	EXP.	EFF. PGI	GIM	SP/SUITE
Comparable A	12	1976	03/09	\$77,670	\$44,550	\$122,220	8.18	\$83,333
Comparable B	21	1978	07/11	\$109,995	\$73,500	\$183,495	10.38	\$90,476
Comparable C	9	1979	03/11	\$58,033	\$31,500	\$89,533	9.83	\$97,778

[13] The Complainant explained that the Net Operating Income (NOI) for each comparable was utilized plus expenses; actual expenses for Comparables A and estimated expenses for Comparables B and C, to produce an Effective Potential Gross Income, and the resulting GIMs.

[14] The Complainant stated that the subject property sold in December of 2011. This sale, using NOI plus actual expenses, produced a GIM of 9.45. The Complainant stated that utilizing the Respondent's estimated effective income and the sale price indicates a GIM of 9.99 and a \$82,000 per suite value.

[15] The Complainant also presented information on two newer buildings in south Red Deer that were assessed by the Respondent utilizing a 10.25 GIM. It is the Complainant's position that newer buildings achieve higher multipliers than older buildings and therefore the subject should command a GIM of less than 10.25.

[16] The Complainant argued that the information and comparables presented support a GIM of 10.00 and a per suite market value of \$82,000 for an indicated value of \$980,790 to \$984,000 rounded to \$980,000.

### **Respondent's Position**

[17] The Respondent noted several concerns with the Complainant's GIM analysis and the inconsistent application of the GIMs by the Complainant. Specifically the Respondent stated that:

1. Utilizing NOI plus expenses to calculate GIM is not consistent with the calculation method used by the Respondent and therefore using the Complainant's indicated GIM and the Respondent's Potential Gross Income (PGI) as a method of valuation is not appropriate and the resulting valuation is not correct.
2. Using an estimate of expenses, as was done for Comparable B and C is not appropriate.
3. Comparable A is outdated, March of 2009, and is therefore outside the analysis period (July 1, 2010 to June 30, 2011) and should not be considered.
4. The sale of the subject property, which occurred in December of 2011, was considerably past the valuation date (July 1, 2011) and should not be considered.

[18] The Respondent stated that 'Requests For Information' are sent out annually, collecting information on number of suites, type of suites, suite rents, other income, actual vacancy, utilities responsibility (landlord or tenant) and detailed expenses. The actual vacancies are analyzed and the median vacancy is taken. The GIMs are determined by analyzing sales, typically over a three year period before the valuation date. In addition, rents throughout the municipality are analyzed, market areas are created, and rent ranges are structured for each suite type within each area. Reported vacancy rates are analyzed throughout the municipality and one rate is applied throughout.

[19] The Respondent stated that, when a sale occurs, the actual rents, expenses and vacancy for the sale property are compared to typical market indicators for that type of property. In the valuation of the subject actual reported rents were within the typical market rents so the actual rents were used to calculate the subject assessment. The vacancy rate reported for the subject was one percent, however; typical vacancy was seven percent so an allowance of seven percent vacancy was used in calculating the subject assessment. Gross Income is calculated, the allowance is made for vacancy, resulting in an Effective Gross Income. This is then divided into the sale price to produce what is being referred to as the GIM.

[20] The Respondent presented to the Board two GIM scatter plots. The first scatter plot showed the GIMs at the time of sale over three years before the valuation date and for ten months past the valuation date. It included sales of properties that had between 6 and 18 suites which the Respondent considers to be comparable to the subject. The Complainant's comparable sales were also included in the scatter plot.

[21] The Respondent noted that Complainant's comparable sales were among those with the lowest GIMs, in fact, the GIM for Comparable A is extremely low compared to the rest of the scatter plot and would be considered an 'outlier' and excluded from the Respondent's analysis.

[22] The second scatter plot provided by the Respondent was restricted to only those sales where the property was built within 5 years of the subject. As well, any sales that occurred after the valuation date and were not available to the Respondent during the analysis was not included.

[23] It is the Respondent's position that the two scatter plots and the analysis of the GIM trends of similar property clearly establishes that a GIM of 10.75 for the subject property is reasonable.

[24] The Respondent disputed the Complainant's per suite value of \$82,000 as this value is derived from the sale of the subject property which occurred well after the valuation date and as such should not be considered. The Respondent asserted that furthermore, because the reported rents for the subject property were within the rent ranges established by the Respondent, actual rents were used in valuing the subject property.

[25] In response to the two assessment comparables that the Complainant provided to support the argument that new buildings achieve a higher multiplier and therefore the subject property should have a GIM lower than 10.25, the Respondent stated that these comparables are in fact not comparable to the subject property. The Respondent argued that the buildings are

considerably larger, with 66 and 67 suites, and as such these comparable assessments should not be considered.

[26] The Respondent further argued that the assessed value range of properties within the municipality that have between 6 and 18 units, were built within 5 years of the subject property and are located in similar market areas as the subject property is \$76,956 to \$105,722 per unit, with the average being \$88,554. The Respondent asserted that this demonstrates that the subject property, being assessed at \$87,858 per unit, has been assessed equitably.

### **Board's Reasons**

[27] The Board places little weight on the Complainant's GIM sales or analysis. The sale of Comparable A occurred in 2009 and the Complainant offered no reasoning as to why an old sale should be considered when there is current market data available.

[28] In relation to the estimated expenses used by the Complainant to determine the GIMs for Comparable B and C, the Board is not convinced that these estimates alone would render these comparables unusable. The Respondent did not provide any evidence that the estimated expenses were unreasonable and it is noted by the Board that the estimated expenses fall within the range of the actual expenses provided for Comparable A and the subject sale. However, the Complainant could not definitively establish how the income or the vacancy rates were determined for Comparables B and C. There was no indication of whether the incomes were actual or estimated or if the vacancy rates were actual or typical. Without evidence to support the values used by the Complainant in deriving a GIM for Comparables B and C the Board finds the resulting GIMs to be unreliable.

[29] While the Board does not disagree with the Complainant's assertion that newer buildings would typically achieve higher GIMs than older buildings, in order to establish that the subject property has been assessed inequitably any assessment comparables provided must be sufficiently similar to the subject property. The Board finds that the two assessment comparables with 66 and 67 suites are not comparable to the subject property which has 12 suites and therefore the Board places little weight on the two assessment comparables provided by the Complainant.

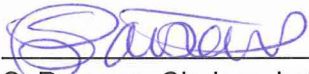
[30] The Board does not accept the Complainant's per suite value of \$82,000. This value was derived from the sale of the subject property which occurred well after the valuation date. It is a generally accepted principle that the sale price of any particular property is the best indicator of its market value. However, having consideration for the fact that the sale occurred in December of 2011 and the fact that the assessed per suite value was based on actual rental income information provided by the property owner, the Board finds that there is insufficient evidence to warrant any adjustment to the per suite value.

## **SUMMARY**

[31] For the reasons noted above the assessed value of the subject property is CONFIRMED as follows:

Roll # 930661                      Confirmed at \$1,054,300.

Dated at the City of Red Deer, in the Province of Alberta this 18 day of October, 2012 and signed by the Presiding Officer on behalf of all panel members who agree that the content of this document adequately reflects the hearing, deliberations and decision of the Board.



S. Parsons, Clerk on behalf of

M. Chilibeck, Presiding Officer

**This decision can be appealed to the Court of Queen's Bench on a question of law or jurisdiction. If you wish to appeal this decision you must follow the procedure found in section 470 of the Municipal Government Act which requires an application for leave to appeal to be filed and served within 30 days of being notified of the decision. Additional information may also be found at [www.albertacourts.ab.ca](http://www.albertacourts.ab.ca).**

**APPENDIX "A"**

Documents Presented at the Hearing  
And considered by the Board

---

**NO.****ITEM**

- |       |                                      |
|-------|--------------------------------------|
| 1. C1 | Complainant's Disclosure of Evidence |
| 2. R1 | Respondent's Disclosure of Evidence  |

FOR MGB ADMINISTRATIVE USE ONLY

Decision No. 0262-469/2012				Roll No. 930661
<u>Appeal Type</u>	<u>Property Type</u>	<u>Property Sub-Type</u>	<u>Issue</u>	<u>Sub-Issue</u>
CARB	Residential	-Walk-up apartment	Income Method	GIM Rate