

# Central Alberta

Regional Assessment Review Board

Decision #: CARB 0262-472/2012

Complaint ID: 472/473

Roll #: 1631770/1631775

## 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:

Andromeda Investments Ltd.

Represented by: Canadian Valuation Group Ltd

Complainant

- and -

The City of Red Deer

Respondent

[1] These are two complaints to the Central Alberta Regional Assessment Review Board in respect of property assessments prepared by the Assessor of the City of Red Deer and entered in the 2012 Assessment Roll as follows:

ROLL NUMBER:	1631770 / 1631775
MUNICIPAL ADDRESS:	5405 / 5305 – 47A Avenue
ASSESSMENT:	\$3,115,400 / \$3,232,800

[2] These complaints were 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 complaints.

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

[8] At the outset of the hearing the Complainant and Respondent agreed to having both complaints heard as one hearing.

### **BACKGROUND**

[9] Located on each of the subject properties there are two 18 suite apartment buildings. Each building was built in 1962 and located in downtown Red Deer. One of the four apartment buildings contains 9 one bedroom suites and 9 two bedroom suites. The other three apartment buildings contain 3 one bedroom suites and 15 two bedroom suites. The subject properties and other like properties have been assessed utilizing a Gross Income Multiplier. The Complainant believes that the Gross Income Multiplier (GIM) of 9.75 that the Respondent utilized for the subject property is incorrect.

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

[10] The Complainant's requested value is \$2,900,000 for roll number 1631770 and \$3,065,000 for roll number 1631775.

### **ISSUES**

[11] The Complainant identified the matter of an assessment amount as under complaint and 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**

[12] The Complainant took the position that the GIM of 9.75 used by the Respondent is too high.

[13] The Complainant provided four sales comparables to support their position.

COMPARABLE	NO.OF SUITES	AGE	SALE DATE	NOI	EXP.	EFF. PGI	GIM	SP/SUIT E
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
Comparable D	12	1979	12/11	\$65,308	\$38,431	\$103,739	9.45	\$81,667

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

[15] The Complainant also presented information on two buildings in south Red Deer (built in 1981 and 1987) that are newer than the subject buildings and 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 these two assessment comparables show that the subject should command a GIM of less than 10.25.

[16] The Complainant stated that there are insufficient sales of old and new buildings in Red Deer to identify how much the GIM changes with the age of the building and noted that the Edmonton Assessment Department uses a GIM adjustment of 0.031 lower for each additional year of age. Based on this factor the GIMs from the four sale comparables and two assessment comparables can be adjusted as follows:

COMPARABLE	AGE	GIM	ADJUSTED GIM
Comparable A	1976	8.18	7.75
Comparable B	1978	10.38	9.88
Comparable C	1979	9.83	9.30
Comparable D	1979	9.45	8.92
Assessment Comparable E	1981/87	10.25	9.57
Assessment Comparable F	1987/87	10.25	9.57

[17] The Complainant stated that based on this analysis and comparison of the sale and assessment information, a GIM of 9.25 and a value of \$80,000 per suite for roll number 1631770 would be appropriate and a GIM of 9.25 and a value of \$85,000 per suite for roll number 1631775 would be appropriate.

[18] For roll number 1631770; in applying the GIM of 9.25 results in a value of \$2,955,579 and in applying \$80,000 per suite results in a value of \$2,880,000. The Complainant requested the assessment be reduced to \$2,900,000.

[19] For roll number 1631775: in applying the GIM of 9.25 results in a value of \$3,067,078 and in applying \$85,000 per suite results in a value of \$3,060,000. The Complainant requested the assessment be reduced to \$3,065,000.

### **Respondent's Position**

[20] 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. Comparable D transaction occurred in December of 2011, considerably past the valuation date (July 1, 2011) and should not be considered.

[21] The Respondent stated that the expenses used in the Complainant's calculation are not detailed, nor examined or stabilized. There is no way of knowing if all appropriate expenses are included and those that are not appropriate, excluded. Furthermore, the Complainant's GIM analysis uses third party sources and therefore has no background information relative to the income, actual versus estimated, source of income, date of income and whether the vacancy rate is actual, typical or otherwise.

[22] The Respondent argued that Comparables A, C and D all have 12 or less suites, compared to the subject properties which each have a total of 36 suites. It is the Respondent's position that these properties are not comparable to the subject properties and that they would trade in a different market segment.

[23] Relative to the 0.031 age adjustment used by the Complainant, the Respondent stated that notwithstanding the fact that an adjustment based on Edmonton data is not appropriate; the Edmonton Assessment Department advised the Respondent that they do not apply a 0.031 age adjustment to their sales.

[24] The Respondent stipulated that the application of Income utilized by the Respondent and a GIM derived from the Complainant's information is not compatible and the resulting indications of value are not accurate.

[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 argued that the range of sale price per suite of \$81,667 to \$97,778, with an average of \$88,314 and the subject assessments at \$86,539 and \$89,800 per suite, are reasonable. It was also concluded that the age adjustments made by the Complainant are not supported by market evidence.

### **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. Comparable D is a post facto sale (subsequent to valuation date of July 1, 2011) and not considered by the Board.

[28] In relation to the estimated expenses used by the Complainant to determine the GIMs for Comparables B and C, the Board is not convinced that these estimates alone would render the 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 D. 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 sufficiently comparable to the subject properties with a total of 36 suites each and therefore the Board places little weight on the two assessment comparables provided by the Complainant.

[30] The Board is not convinced to accept the utilization of the GIM age adjustment applied by the Complainant. No evidence was presented in support of the argument that data derived from the Edmonton market would be similar to the Red Deer market and therefore applicable to the subject property. In addition, no evidence was provided to refute the Respondent's argument

that the 0.031 value is in fact, not an adjustment made by the Edmonton Assessment Department.

### **SUMMARY**

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

Roll # 1631770 confirmed at \$3,115,400

Roll # 1631775 confirmed at \$3,232,800.

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).**

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**APPENDIX "A"**

Documents Presented at the Hearing  
and considered by the Board

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**NO.****ITEM**

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|-------|---|
| 1. C1 | Complainant's Disclosure of Evidence (Roll # 1631770) |
| 2. C2 | Complainant's Disclosure of Evidence (Roll # 1631775) |
| 3. R1 | Respondent's Disclosure of Evidence                   |

**FOR MGB ADMINISTRATIVE USE ONLY**

<b>Decision No. 0262-472/2012</b>				<b>Roll No. 1631770 &amp; 1631775</b>
<b><u>Appeal Type</u></b>	<b><u>Property Type</u></b>	<b><u>Property Sub- Type</u></b>	<b><u>Issue</u></b>	<b><u>Sub-Issue</u></b>
CARB	Residential	-Walk-up apartment	Income Method	GIM Rate