

Decision No.: CARB 0262 633/2014

Complaint ID: 633

Roll No.: 1640835

COMPOSITE ASSESSMENT REVIEW BOARD DECISION

HEARING DATE: 08 JULY 2014

PRESIDING OFFICER: P. IRWIN

BOARD MEMBER: A. KNIGHT

BOARD MEMBER: D. MOORE

BETWEEN:

Auto Body Services Red Deer Ltd.
Represented By: Manor Management Ltd.

Complainant

-and-

City of Red Deer
Revenue & Assessment Services

Respondent

[1] This is a complaint to the Central Alberta Regional Assessment Review Board in respect of the following assessment:

ROLL NUMBER:	1640835
MUNICIPAL ADDRESS:	4028 51 St
ASSESSMENT:	\$797,700

[2] The complaint was heard by the Composite Assessment Review Board on the 08 day of July, 2014.

[3] Appeared on behalf of the Complainant:

- David Kennedy, Property Manager (Manor Management Ltd.)

[4] Appeared on behalf of the Respondent:

- Del Stebner, Property Assessor
- Mike Arnold, Property Assessor

JURISDICTION

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

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

PRELIMINARY MATTER

[7] The following Preliminary Matter was brought forth:

A. The Complainant requested to be allowed to present his written rebuttal submission, which he had mistakenly not filed in advance, as evidence.

[8] **Complainant:** The Complainant stated that he had not realized that he was required to file his written rebuttal submission and requested that he be allowed to submit same at the hearing.

[9] **Respondent:** The Respondent argued that the Notice of Hearing the Complainant received clearly outlined the date by which the Complainant was required to file a copy of the written rebuttal submission with both the Respondent and the Board.

[10] It is the Respondent's position that the Board should not accept the Complainant's written rebuttal submission as evidence.

[11] **Board Finding:** After hearing the Respondent's arguments on this matter, the Complainant agreed to withdraw his request to submit his written rebuttal submission. Accordingly, it was not necessary for the Board to make any findings on this matter.

BACKGROUND

[12] The subject property is an eight-suite multi-family residential building known as Maxdale Apartments located in the Michener Hill neighbourhood in the City of Red Deer. It was built in 1957 and contains six 2-bedroom suites and two 3-bedroom suites.

[13] The subject building has been classified by the Respondent as a multi-plex; however, both parties agree that the subject building has some unique features that would be more commonly found in apartment buildings, including:

- common boiler heat,
- common hallway access, and
- common laundry facilities.

ISSUES AND FINDINGS

1. Is the subject property assessed too high?

[14] **Complainant:** The Complainant argued that the Gross Income Multiplier (GIM) valuation method used by the Respondent in determining the subject's assessed value of \$797,700 fails to properly account for the subject property's unique features and as a result, is not reflective of the subject property's actual market value.

[15] Specifically, the Complainant argued that the GIM of 11.00 used by the Respondent does not account for the fact that the subject property has a boiler to heat the common area, common area hallways, common laundry facility and a janitor to clean the common areas. It is the Complainant's position that these unique characteristics make the subject property more comparable to an apartment building than a multi-plex, and as such, the Respondent should have used the 10.25 GIM that they use for apartment building assessments.

[16] The Complainant further asserted that a GIM of 11.00 penalizes the property owner for making improvements to the property by recognizing higher rents achieved due to improvements made to the building without fully accounting for the expense of the improvements. The Complainant believes that using the apartment GIM of 10.25 more fairly accounts for improvement expenses, as well as the subject property's unique features.

[17] Additionally, the Complainant disputed the comparable sales the Respondent used in deriving the GIMs as the Respondent did not indicate the age of the sales comparables and as such, there is no way of knowing how comparable they really are to the subject property.

[18] The Complainant stated that he disagrees with the Respondent's argument that if the subject property should be assessed by using the apartment GIM of 10.25, then it should be completely assessed as an apartment; which would result in a higher assessed value. Specifically, the Complainant stated that he disagreed with the adjustments made by the Respondent in stabilizing the expenses.

[19] The Complainant presented two valuations calculated using the subject's 12 Month Income Statement Ending September 30, 2013 (Exhibit C1, pgs. 2-3) ('2013 Income Statement') showing a Net Income of \$32,884.30. The first valuation of \$657,686 used a Capitalization Rate of 5.0% and the second valuation of \$548,071 used a Capitalization Rate of 6.0%. The Complainant also presented valuations based on the subject property's 2012 Net Income.

[20] The Complainant asserted that these valuations support the requested assessed value of \$600,000. In further support of the \$600,000 value, the Complainant provided to the Board a copy of a real estate listing for the subject property ('2012 Listing'). The subject property was listed for \$695,000, over \$100,000 less than the assessed value.

[21] While the Respondent argued that conditions of the 2012 Listing, such as "Rent rolls and expense statements will NOT be made available to buyers or realtors" and "Viewings only with accepted offer in place" were unreasonable and contributed to the subject property not selling, the Complainant argued that these conditions are not unreasonable or uncommon. Rather, such conditions ensure that only serious buyers are considered. It is the Complainant's position

that the fact that the property did not sell establishes that, at the very least, the assessed value for the subject property should be less than \$695,000.

[22] Regarding the Respondent's argument that the 2013 Income Statement presented by the Complainant is inaccurate and should not be relied upon as it does not identify improper expenses nor amortize infrequent expense items, the Complainant argued that this is irrelevant because there are no improper expenses and including infrequent expenses would only result in a lower value. If anything, not including the infrequent expenses, such as the roof replacement, is to the Respondent's benefit.

[23] **Respondent:** An explanation of the Respondent's definitions for multi-plex and apartment classifications was provided:

Multi-plex: a building containing a number of rentable units, other than four, and not exceeding two stories in height.

Apartment: a building containing any number of rentable units and exceeding two stories in height.

[24] The Respondent indicated that they are in agreement with the Complainant that the subject property does have some 'apartment-like' characteristics; however, it falls within the multi-plex definition and has been classified as a multi-plex.

[25] The Respondent indicated that the GIM is defined as the factor by which income is multiplied in order to obtain an estimate of value. The GIM was derived from six sales occurring over the past three years. As a result of the Respondent's analysis, the multi-plex GIM was determined to be at 11.75 and the apartment GIM at 10.25. In recognition of the subject property's unique features a hybrid GIM of 11.00, which is halfway between the multi-plex and apartment GIM, was used.

[26] It is the Respondent's position that, if the subject property assessment is to be determined using the apartment GIM of 10.25, then it should be fully assessed as an apartment, as it would not be equitable to change only one component of the assessment. Due to the fact that apartment buildings are assessed differently than multi-plex buildings, in that different adjustments are made when stabilizing expenses, if the subject property was to be assessed as an apartment building, the assessed value would be \$809,700.

[27] The Respondent argued that no weight should be given to the Complainant's values of \$657,686 and \$548,071. It is the Respondent's position that the Complainant has not properly analyzed the 2013 Income Statement to identify improper expenses nor have infrequent expenses been included. Additionally, the Complainant included other inputs without providing any evidence to substantiate the values, including:

- a) Capitalization Rates of 5.0% and/or 6.0%; and
- b) Operating Expense Ratio of 59%.

[28] The Respondent drew the Board's attention to the conditions noted on the 2012 Listing and stated that they were unreasonable; however, the Respondent's main argument for disregarding the 2012 Listing was that the subject property's rents and vacancy rate changed significantly

from the time it was listed to when the assessment was prepared and, as such, the 2012 Listing has “very little relevance” to the 2013 assessment valuation.

[29] The Respondent argued that the Complainant failed to provide any evidence that the GIM used for the 2013 assessment does not give sufficient consideration to the subject property's unique ‘apartment-like’ features, or that the assessed value of \$797,700 is inaccurate, inequitable or unfair. Accordingly, the current assessed value should be confirmed.

[30] **Board Finding:** The Board places little weight on the \$657,686 and \$548,071 values presented by the Complainant. The values were derived utilizing the 2013 Income Statement and, through questions of the Complainant, it was found that the 2013 Income Statement did not include all of the income or expenses. These inconsistencies in the reported income and expenses make it impossible for the Board to compare the Complainant's valuations to the Respondent's assessment.

[31] Because the Board places little weight on the 2013 Income Statement, it is not necessary for the Board to make a finding on the Capitalization Rates used by the Complainant. However, the Board would note that the Complainant did not present any evidence in support of the Capitalization Rates. Regardless of the methodology a party choses to present, it is incumbent upon the party to provide evidence to substantiate the inputs they use.

[32] On the matter of the 2012 Listing, the Board does not accept the Respondent's argument that the conditions of the listing render the 2012 Listing irrelevant as they are unreasonable. There is no evidence on which the Board can find that the conditions are the reason the subject property did not sell.

[33] However, the Board does find that the increase in rents and the decrease in the vacancy rate since the time the property was listed would have enhanced the value of the subject property. As such the Board places little weight on the 2012 Listing.

[34] The Complainant raised a number of issues with the methodology used by the Respondent, arguing that it did not accurately capture the characteristics of the property (i.e. unique features) and that it does not capture the expenses that would be allowable if assessed as an apartment building. The Complainant also argued that sales comparables the Respondent used when determining the GIM were not comparable to the subject property and accordingly, the GIM of 11.00 is not correct or appropriate.

[35] However, as the Complainant's pro-forma was incomplete and utilized unsupported Capitalization Rates and the Complainant did not submit a GIM analysis to refute the Respondent's, the Board finds that there is insufficient evidence to substantiate these arguments.

[36] The Board finds that the assessment of the subject property is fair and equitable.

SUMMARY

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

Roll No.1640835 \$797,700.

Dated at the City of Red Deer, in the Province of Alberta this 25th day of July, 2014 and signed by the Presiding Officer on behalf of all three panel members who agree that the content of this document adequately reflects the hearing, deliberations and decision of the Board.



P. Irwin, 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.

APPENDIX "A"

Documents Presented at the Hearing
and considered by the Board

NO.

ITEM

- | | |
|-------|----------------------------------|
| 1. A1 | Agenda |
| 2. C1 | Complainant's Written Submission |
| 3. R1 | Respondent's Written Submission |

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Decision No.		Roll No.		
<u>Appeal Type</u>	<u>Property Type</u>	<u>Property Sub-Type</u>	<u>Issue</u>	<u>Sub-Issue</u>
CARB	Residential	Walk-up	Income Approach	Net Market Rent