

Central Alberta

Regional Assessment Review Board

Complaint ID#:0262 1186

August 23, 2019

Complainant

Altus Group
2020 - 4th Street SW, Suite 310
Calgary, AB T2S 1W3

Email: calgarytax@altusgroup.com
(paper copy to follow)

Respondent

Revenue & Assessment Services
4th Fl, 4914 48 Ave
Red Deer, AB T4N 3T4

Email: assessment@reddeer.ca
(paper copy to follow)

RE: NOTICE OF HEARING DECISION - ROLL 30002032155

Dear Sir/Madam:

Further to the hearing held during the week of July 22, 2019, the Board issues the attached Decision. Paper copies will follow where indicated.

If you have any questions concerning these matters or for clarification, please contact the Board Clerk at (403) 342-8132.

Regards,



J. Kurylo
Appeals Coordinator/Regional Assessment Review Board Clerk

Att:

xc: K. Waddle, Legislative Services (via email only): kristen.waddle@reddeer.ca
Avenue Living Real Estate Opportunity (via mail only): 220-5824 2 St SW, Calgary, AB T2H 0H2
mgbmail@gov.ab.ca

Central Alberta

Regional Assessment Review Board

CARB 0262 1186 2019

Complaint ID 1186

Roll No. 30002032155

COMPOSITE ASSESSMENT REVIEW BOARD DECISION

HEARING DATE: July 22, 2019

PRESIDING OFFICER: J. DAWSON

BOARD MEMBER: B. SCHNELL

BOARD MEMBER: L. MCLEVIN

BETWEEN:

AVENUE LIVING REAL ESTATE OPPORTUNITY GP LTD.

Complainant

-and-

THE CITY OF RED DEER

Respondent

This decision pertains to a complaint submitted to the Central Alberta Regional Assessment Review Board in respect of a property assessment prepared by the Assessor for The City of Red Deer as follows:

ROLL NUMBER:	30002032155
MUNICIPAL ADDRESS:	25 Howarth Street, Red Deer, AB
ASSESSMENT AMOUNT:	\$ 4,986,800

The complaint was heard by the Composite Assessment Review Board on the 22nd day of July 2019, at the Baymont by Wyndham Red Deer within the city of Red Deer, in the province of Alberta.

Appeared on behalf of the Complainant:

J. NEWHOUSE	Agent, Altus Group
A. IZARD	Agent, Altus Group

Appeared on behalf of the Respondent:

S. BEVERIDGE	Senior Assessor, The City of Red Deer
J. BAUMBACH	Assessor, The City of Red Deer
A. ROTH	Legal Services Department, The City of Red Deer

DECISION:

1. The complaint is not accepted for the assessment on the subject property. The assessment is unchanged at \$4,986,800.

JURISDICTION:

2. The Central Alberta Regional Assessment Review Board ["the Board"] has been established in accordance with section 455 of the Municipal Government Act, RSA 2000, c M-26 ["MGA"], and The City of Red Deer bylaw.

PROPERTY DESCRIPTION AND BACKGROUND:

3. The subject property is a three (3) story multi-family residential building built in 1979 with surface parking. The complex has one (1) bachelor suite, twelve (12) one-bedroom suites, thirty-four (34) two-bedroom suites and one (1) three bedroom suite.
4. The income approach to valuation was utilized with the following parameters:

Description	Quantity	Rate	Potential Gross Income
Apartment – 1 bedroom / 3 quality range	12	\$10,200	\$122,400
Apartment – 2 bedroom / 3 quality range	34	\$11,340	\$385,560
Apartment – 3 bedroom / 3 quality range	1	\$12,900	\$12,900
Apartment – bachelor / 3 quality range	1	\$9,000	\$9,000
Other Revenue			\$985
Laundry			\$1,981

5. A vacancy allowance of fifteen percent (15%) was applied to the apartment income before multiplying it by a Gross Income Multiplier (GIM) of 11.

PRELIMINARY MATTERS:

6. The Board Chair confirmed that no Board Member raised any conflicts of interest regarding the matters before them.
7. Neither party raised any objection to the panel hearing the complaint.

8. The Complainant and Respondent confirmed the complaint information before the board is solely regarding the vacancy allowance applied to the apartment income.
9. No additional preliminary or procedural matters were raised by any party. Both parties indicated that they were prepared to proceed with the complaints.
10. The Board confirmed the submissions of the parties and entered the Exhibits into the record. See Appendix for details.

ISSUES:

11. The Board considered the parties' positions and determined the following question is to be addressed within this decision:

What properties are acceptable as comparable rental properties to establish market indices including vacancy allowance?

Is the subject property's vacancy allowance of 15.0% appropriate considering the vacancy evidence provided?

What impact does the sale of the subject have on the market value as of July 1, 2018?

POSITION OF THE PARTIES:

Position of the Complainant

12. The Complainant reviewed the subject property including aerial maps, the land area and rental rate of each suite.
13. The Complainant argued that the vacancy allowance should be adjusted to 30.0% based on the comparable properties it has in evidence. As an alternative, the Complainant offered a new assessment based on a 25.0% vacancy allowance.
14. The Complainant provided a vacancy study of the subject property showing 20.8% vacancy with 10 suites out of 48 remaining vacant with an unreported date that was said to be near the valuation date (June-July).
15. The Complainant reviewed a vacancy study of properties it reported as comparable with 155 vacant suites from a total of 505 suites to calculate a vacancy of 30.7%.

Position of the Respondent

16. The Respondent reviewed the subject property including street level and aerial photographs depicting the existing condition and location in the stratification of North, which is described as anything north of the river within the municipal boundaries.
17. The Respondent explained that it stratified residential income properties based on quality, number of suites per building and location. The subject property is assigned a quality of 3, has a suite count 24 plus and is in the North part of Red Deer.

18. The Respondent reviewed its methodology of looking at the actual revenue for each unit type for the entire twelve months prior to the valuation date versus what it would have been if entirely rented to calculate a vacancy allowance, versus the Complainant's methodology of looking at a snapshot in time.
19. The Respondent indicated that its initial review found 17 comparable properties to derive its vacancy allowance of 15.0%. Through questioning it was determined that four buildings located on the same roll with less than 24 suites each were inadvertently included in its analysis. Correcting the error resulted in a weighted average of 18.2%.
20. Despite the error, the Respondent did not offer to make a change to the assessed 15.0% vacancy allowance.
21. The Respondent included information on the sale of the subject property in March of 2018 for \$5,462,000, which derived an Assessment to Sales Ratio (ASR) of 0.913. While outside of the desired 0.95 to 1.05 range, if complaint is excepted the value would be further outside of the range.
22. In summation, the Respondent reviewed its concerns and explained some information on vacancy allowances. The Respondent requested that the assessment be confirmed and unchanged at \$4,986,800.

BOARD FINDINGS and DECISION

23. The Board finds that determining vacancy requires a consistent methodology. When a renter is considering a rental property, it has no concern on the ownership structure. A building that is a single title looks identical to a property that has a condominium structure with multiple titles where the suites are substantially owned by one entity or person. The manner in which it is managed and marketed is identical and the achievable income is unchanged by its ownership structure. While it is factual that the Respondent must assess them in a different manner because of legislative restraints, it does not mean that they are less comparable.
24. The Board finds the methodology used by the Respondent to calculate a vacancy allowance is more accurate and of sound reasoning. Looking at an undefined snapshot in time is not comprehensive in nature by comparison.
25. The Board was not provided any evidence to suggest that market should be segregated in a manner different than the Respondent provided with three separate geographic areas. With this finding the Board considered all properties in evidence located in the North geographic zone.
26. The Board considered the vacancy evidence and finds the most appropriate vacancy allowance to be 18.0%; however, the sale of the subject property needs to be considered.
27. The Board considered decision 2005 ABQB 512 ("Acton decision") at paragraph 24:

"[24] In my view, the MGB's failure to rely on the evidence of value provided by the recent sale of the Property fails to meet the test of reasonableness. I agree with the following comments from ***Re Regional Assessment Commissioner, Region No. 11 v. Nesse Holdings Ltd. et al.*** (1984), 1984 CanLII 1857 (ON SC), 47 O.R. (2d) 766 (Ont. H.C.J. Div. Ct.) at p. 767:

It seems to me to be worth remembering that where the Assessment Act, R.S.O. 1980, c. 31 requires the determination of what a property might be expected to realize if sold on the open market by a willing seller to a willing buyer (s. 18(2)), the price paid in a recent free sale of the subject property itself, where, as in this case, there are neither changes in the market nor to the property in the interval, must be very powerful evidence indeed as to what the market value of the property is. It is for that reason that the recent free sale of a subject property is generally accepted as the best means of establishing the market value of that property.

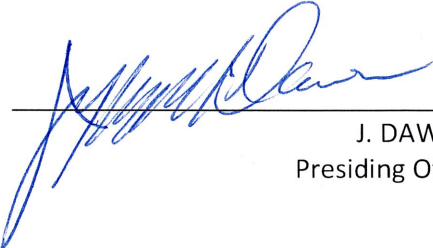
...

...I think that generally speaking the recent sales price, if available as it was in this case, is in law and, in common sense, the most realistic and most reliable method of establishing market value."

28. The Board finds the recent sale of the subject property is the best means of establishing the market value and finds the original assessment fair and equitable leaving it unchanged.

DECISION SUMMARY

29. The complaint regarding vacancy allowance of the subject property is not accepted and the overall value of \$4,986,800 is unchanged.
30. Dated at the Central Alberta Regional Assessment Review Board, in the city of Red Deer, in the Province of Alberta this 23 day of AUGUST, 2019 and signed by the Presiding Officer on behalf of all the panel members who agree that the content of this document adequately reflects the hearing, deliberations and decision of the Board.



J. DAWSON
Presiding Officer

If you wish to appeal this decision you must follow the procedure found in section 470 of the MGA which requires an application for judicial review to be filed and served not more than 60 days after the date of the decision. Additional information may also be found at www.albertacourts.ab.ca.

APPENDIX:

Documents presented at the Hearing and considered by the Board.

<u>NO.</u>	<u>ITEM</u>
1. A.1	– Hearing Materials provided by Clerk (53 pages)
2. C.1	– Complainant Disclosure (162 pages)
3. R.1	– Respondent Disclosure (52 pages)