

Complaint ID No. 0194 1254

Roll No. 013038505

COMPOSITE ASSESSMENT REVIEW BOARD DECISION

HEARING DATE: October 2, 2019

PRESIDING OFFICER: Brenda Hisey

BOARD MEMBER: Maureen Chalack

BOARD MEMBER: Al Gamble

BETWEEN:

LAEBON RENTAL COMMUNITIES

Complainant

-and-

CITY OF LACOMBE

Respondent

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

ROLL NUMBER: 013038505

MUNICIPAL ADDRESS: 2 Trinity Street

ASSESSMENT AMOUNT: \$7,147,000

The complaint was heard by the Central Alberta Regional Assessment Review Board on the 2nd day of October 2019, at The City of Lacombe, in the province of Alberta.

Appeared on behalf of the Complainant: Kam Fong, Altus Group Limited

Appeared on behalf of the Respondent: Warren Powers, Powers & Associates Appraisal Services

DECISION: The assessed value of the subject property is confirmed at \$7,147,000.

JURISDICTION

[1] 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 No. 3474/2011, *Regional Assessment Review Board Bylaw* (November 14, 2011).

PROPERTY DESCRIPTION AND BACKGROUND

[2] The subject property is known as Trilogy Apartments located at 2 Trinity Street in the City of Lacombe. It is a four level 64-unit apartment built in 2015 on 1.73 acres of land. The building area is 55,940 square feet (sf) and has 45 two-bedroom units, 17 one-bedroom units, and 2 bachelor suites.

[3] The current assessment has been calculated utilizing the Income Approach with a 10.0 % vacancy rate, 35.0 % expense ratio, 1.0 % non-recoverable rate and a 1.0 % reserve for replacements.

PRELIMINARY MATTERS

[4] The Presiding Officer confirmed that no Board Member raised any conflicts of interest regarding the matters before them.

[5] Neither party raised any objection to the panel hearing the complaint.

[6] No additional preliminary or procedural matters were raised by any party. Both parties indicated that they were prepared to proceed with the complaints.

[7] The Board confirmed the submissions of the parties and entered the following Exhibits into the record:

- i. A.1 – Hearing Materials provided by the Clerk
- ii. C.1 – Complainants Disclosure (174 pages) titled “Trilogy Apartments”
- iii. R.1 – Respondent Disclosure (24 pages) titled “Trilogy Apartments”

ISSUES

[8] Has the subject been correctly assessed based on a typical rent value of \$1,200 for the two - bedroom suites, when an actual median value is shown to be \$1,150?

[9] Should a higher expense ratio of 43 % be used in the income calculation for the subject property rather than the typical value of 35%?

[10] Should a "church status" be granted for one of the residential units?

Position of the Complainant

[11] The Complainant presented an overview of the subject and the current assessment for the property.

[12] The first issue brought forward by the Complainant was that the typical rental income for two-bedroom units within the subject property was overstated at \$1,200 per unit and the actual two-bedroom rents should be considered in the income calculation.

[13] The Complainant provided rent roll information as of July 1, 2018 for consideration. This lease evidence gave overall statistics on the subject property. It was used to determine a median requested value for the two-bedroom units of \$1,150.

[14] The second issue raised by the Complainant was that the expense ratio used in the income approach was understated and should be 43% plus 1% for the non-recoverable rate and 1% reserve for replacements. The Complainant stated this value was conservatively less than the actual rate of 47% shown on the expense tables provided by the Complainant for the subject property.

[15] During summation for this hearing the Complainant conceded the request for “church status”, under section 362 (1)(k), of the *Municipal Government Act* as insufficient evidence was available for this determination.

[16] A 2019 Requested Assessment Value table was provided that adjusted the expense ratio from 35% to 43% and the monthly rental rate for two-bedroom units from \$1,200 to \$1,150. The Complainant requested a revised assessment of \$6,041,200 for the subject property.

Position of the Respondent

[17] The Respondent explained that mass appraisal was used to determine the assessment base for property taxation in accordance with legislative requirements. Typical rates and values have been consistently applied in the Income Approach to determine market value for the subject property.

[18] The Respondent stated that no market or equity information had been supplied by the Complainant to show the subject property assessment to be inaccurate or inequitable. Notwithstanding that the question of onus was not raised by the Respondent as a preliminary issue, the Board determined that the Complainant had provided sufficient evidence for a merit hearing.

[19] Speaking to the issues the Respondent noted that part of mass appraisal process relies on the yearly return of information from ratepayers. A copy of the Request for Information (RFI) form was provided to the Board from the 2018 assessment year for the subject property. Several inconsistencies were noted from the RFI documents and the rent roll information provided by the Complainant. It was the Respondents contention that the average 2018 two-bedroom rate was \$1,207 per month according to the RFI. This amount is consistent with the typical value applied to the income calculation of \$1,200 per month for the two-bedroom units.

[20] The Respondent also noted that the “church status” request for one residential unit was not supported by evidence as the land use for the property was residential and the tenancy agreement for the Property rented by the Church of Jesus Christ Latter-Day Saints was also shown to be for residential use.

[21] The Respondent requested the current assessment be confirmed.

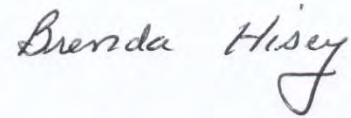
BOARD FINDINGS and DECISION

- [22] The Board considered the question of onus and determined that Complainant had provided sufficient information for a merit hearing to proceed. It is necessary for the Respondent to acknowledge that legislated requirements had been followed.
- [23] The Board finds that the Complainant's request to use some of the actual information from the subject property does not meet the legislated requirements set out in section 2(c) of *the Matters Relating to Assessment and Taxation Regulation, Alberta Regulation 220/2004* which states that an assessment of property must reflect typical market conditions for properties similar to that property. This necessitates the use of typical income and expenses to determine the current assessment.
- [24] Additionally, the Board was not convinced that mixing actual and typical values within the income assessment methodology would produce reliable values. Without market or equity comparables the Board is unable to evaluate the correctness of the requested assessment.
- [25] The Complainant verbally withdrew arguments regarding the request for "church status" on a residential unit within the subject property. The Board confirms there was insufficient evidence available to confirm that request.
- [26] The Board acknowledges Section 467(3) of the *Municipal Government Act, RSA 2000, c M-26* states that an assessment review board must not alter any assessment that is fair and equitable. Proving the incorrectness of an assessment is the responsibility of the individual alleging it. The Board was not presented with sufficiently compelling evidence on which a change to the assessment could be based.

DECISION SUMMARY

[27] The Board finds that the Respondent values are CONFIRMED.

[28] Dated at the Central Alberta Regional Assessment Review Board, in the City of Red Deer, in the Province of Alberta this 22nd day of October, 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.



Brenda Hisey
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
2.	C.1 – Complainants Disclosure 174 pages titled “Trilogy Apartments”
3.	R.1 – Respondent Disclosure 24 pages titled “Trilogy Apartments”