



Complaint ID 0262-1842
Roll No. 30001112195

COMPOSITE ASSESSMENT REVIEW BOARD DECISION
HEARING DATE: JULY 2, 2024

PRESIDING OFFICER: J. JONES
BOARD MEMBER: S. DUSHANEK
BOARD MEMBER: R. IRWIN

BETWEEN:

Laebon Rental Communities Ltd. represented by Altus Group 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 an Assessor of The City of Red Deer as follows:

ROLL NUMBER: 30001112195

MUNICIPAL ADDRESS: 69 Leonard Crescent, Red Deer, Alberta

ASSESSMENT AMOUNT: \$9,717,200

The complaint was heard by the Central Alberta Regional Assessment Review Board on the 2nd day of July 2024, via video conference.

Appeared on behalf of the Complainant: S. Hirji, Altus Group Ltd.
P. Chmeleski, Altus Group Ltd.

Appeared on behalf of the Respondent: A. Minhas, Assessor, City of Red Deer
T. Johnson, Assessor, City of Red Deer
C. Green, Assessor, City of Red Deer

DECISION: The 2024 assessed value of the subject property is confirmed at \$9,717,200.

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”].

PROPERTY DESCRIPTION AND BACKGROUND

- [2] The subject property is a three-storey apartment complex, built in 2004, that contains 14 one-bedroom and 50 two-bedroom suites. The 2024 assessment utilized the income approach to valuation with the application of market rental rates, a 5.5% vacancy allowance and a gross income multiplier (GIM) of 11.00. The assessed value equates to \$151,831 per suite.

PROCEDURAL MATTERS

- [3] The parties did not object to the Board’s composition or to being video recorded. In addition, the Board members stated they had no bias with respect to this file.

PRELIMINARY MATTERS

- [4] At the start of the hearing when the disclosed documents from the parties were being entered into evidence it became apparent that two documents (C-2 & R-2) were not included in the Board’s package. Both parties advised that they had received these documents. After a recess it was found that the documents in question had been received by the Board within the required timelines and had been mis-filed.
- [5] Prior to the presentation of the Complainant’s rebuttal document (C-2), the Respondent objected to pages 10 to 27, noting that they contained new evidence and did not rebut material presented by the Respondent.
- [6] The Complainant advised that pages 10 to 18 addressed the sale of a property that had been presented by the Respondent as an equity comparable. Pages 19 to 22 dealt with changes in interest rates from the subject’s sale date to the valuation date and pages 23 to 27 was a Colliers report relating historical interest rates to capitalization rates.
- [7] After reviewing the pages in question, the Board found that pages 10 to 18 were proper rebuttal in that they compared the time adjusted sale of an equity comparable presented by the Respondent to the assessed value to determine an assessment to sale ratio (ASR). The Board found that the remaining pages in question (pages 19 to 27) did raise new issues and arguments that had not been included in the Complainant’s initial disclosure and were not in response to anything submitted by the Respondent.
- [8] In summary, the Board accepted pages 10 to 18 and deleted pages 19 to 27 along with any other references to them within the rebuttal.

ISSUE

- [9] Is the 2024 assessment of the subject property reflective of market value when considering the sale of the subject property?

POSITION OF THE PARTIES**Position of the Complainant**

- [10] In support of a requested reduction of the subject's assessment to \$9,288,400, the Complainant presented the sale documents from the subject's sale on Dec. 12, 2020. The sale was for \$1.00 and the assumption of a mortgage under a joint venture exit agreement and the affidavit of land value referenced an opinion of land value of \$8,170,000.
- [11] In the land titles document "value" means the dollar amount that the land might be expected to realize if it were sold on the open market by a willing seller to a willing buyer. In addition, "land" includes buildings and all other improvements affixed to the land.
- [12] In order to adjust the subject's sale value from the sale date to the valuation date of July 1, 2023, the Complainant utilized data from the Consumer Price Index (CPI) published by the Bank of Canada. The adjustment equated to 13.69% and derived a time adjusted sale value of the subject at \$9,288,440.
- [13] The Complainant also referenced court decisions that supported the importance of consideration of the sale of the subject property in determining market value.
- [14] In summary, the Complainant requested a reduction of the subject's assessment to \$9,288,400.

Position of the Respondent

- [15] The Respondent outlined the mass appraisal methodology employed to determine the subject's assessment utilizing the income approach to valuation. Typical market rents, vacancies, expenses and capitalization rates or GIM's are developed to value groups of similar properties.
- [16] In support of the subject's assessment at \$151,831/suite, the Respondent presented nine equity comparables, ranging in assessed unit value from \$146,100 to \$169,591/suite and in year built from 2004 to 2018. The Respondent also presented the assessed values per room for reference as some properties do not include certain suite sizes such as bachelor and three-bedroom suites. The subject's assessment equates to \$40,154/room with the comparables ranging from \$41,733 to \$45,955/ room.
- [17] The Respondent critiqued the Complainant's use of the subject sale as the sale had not been exposed to the open market, was between related parties and no actual funds were exchanged as the sale was for \$1.00 and the assumption of a mortgage.
- [18] In addition, the Complainant's use of the CPI to time adjust the sale value was flawed as the CPI does not capture real estate which is considered an asset and not a good or service. This was supported by a document from the Bank of Canada which outlined the goods and services included in the CPI analysis.

[19] In summary, the Respondent requested that the subject's assessment be confirmed at \$9,717,200.

Complainant's Rebuttal

[20] In rebuttal, the Complainant referenced the Respondent's equity comparable #4 which was assessed at \$14,478,300. This property sold under the same terms as the subject sale with an opinion of value at \$12,635,000 on Oct. 28, 2020. Utilizing a CPI adjustment the value was time adjusted to the July 1, 2023 valuation date to a value of \$14,562,373, which produces an ASR of 99.42%. This demonstrates the accuracy of the initial opinion of value and the time adjustment.

[21] It was noted that the requested assessment for the subject when compared to the actual assessment produces an ASR of 104.62%.

[22] The Complainant also presented a critique of the Respondent's equity comparables noting that the comparables were newer than the subject property. A group of five comparables that the Complainant had detailed access to had a median unit value of \$148,385/suite compared to the subject's assessment at \$151,831/suite.

[23] Applying the median value of the group of five comparables to the 64 suites in the subject property produces an alternate requested value of \$9,496,624.

[24] In summary, the Complainant requested that the subject's assessment be reduced to \$9,288,400 or alternatively \$9,496,624.

BOARD FINDINGS and DECISION

[25] The Board considered the sale of the subject property presented by the Complainant. If the sale had been exposed to the open market and been an arm's length transaction between unrelated parties, the Board would have placed significant weight on its indication of market value as of the sale date.

[26] However, the subject's sale did not meet the requirements to be considered a valid sale to determine market value. The sale was between related parties in a joint venture and the transaction consideration was \$1.00 and the assumption of a mortgage. The same situation occurred with the sale of the Respondent's equity comparable #4 presented in the Complainant's rebuttal. As a result, the Board placed less weight on these sales as an indication of market value.

[27] Additionally, the Board found that the Complainant's time adjustment methodology was flawed in that it utilized the CPI, which as was illustrated by the Respondent did not include real estate.

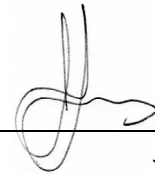
[28] The Board found that the income approach to valuation was the best method to utilize in determining the market value for the subject's property type due to the market data available. The Board placed greatest weight on the equity comparables presented by the Respondent as they captured the subject's assessment within an acceptable range from both a value per suite and a value per room basis.

[29] The Board placed less weight on the Complainant's use of a reduced number of the Respondent's equity comparables, as it focused on the five lowest values based primarily on age but eliminated higher values with similar ages.

- [30] The Board noted that both values requested by the Complainant fell within 5% of the subject's assessment, which lent further support to the accuracy of the assessed value.
- [31] In summary, the Board found the subject's assessment to be equitable and reflective of market value.

DECISION SUMMARY

- [32] The Board confirmed the original assessed value at \$9,717,200.
- [33] Dated at the Central Alberta Regional Assessment Review Board, in the city of Red Deer, in the Province of Alberta this 24th day of July 2024 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.



Jack Jones
Presiding Officer

MGA Section 470(1) Where a decision of an assessment review board is the subject of an application for judicial review, the application must be filed with the Court of King's Bench and served not more than 60 days after the date of the decision.

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 (24 pages)
2. C-1	Complainant's brief (186 pages)
3. R-1	Respondent's brief (62 pages)
4. R-2	Respondent's legal brief (68 pages)
5. C-2	Complainant's rebuttal (45 pages- pages 19-27 were excluded)

LEGISLATION**The *Municipal Government Act, RSA 2000, c M-26*, reads:**

s 1(1)(n) "market value" means the amount that a property, as defined in section 284(1)(r), might be expected to realize if it is sold on the open market by a willing seller to a willing buyer;

s 455(1) Two or more councils may agree to jointly establish the local assessment review board or the composite assessment review board, or both, to have jurisdiction in their municipalities.

(2) Where an assessment review board is jointly established,

(a) the councils must jointly designate one of the board members as chair and must jointly prescribe the chair's term of office and the remuneration and expenses, if any, payable to the chair, and

(b) the chair may delegate any of the powers, duties or functions of the chair to another board member but not to the provincial member of a panel of the board.

s 467(1) An assessment review board may, with respect to any matter referred to in section 460(5), make a change to an assessment roll or tax roll or decide that no change is required.

s 467(3) An assessment review board must not alter any assessment that is fair and equitable, taking into consideration

(a) the valuation and other standards set out in the regulations,

(b) the procedures set out in the regulations, and

(c) the assessments of similar property or businesses in the same municipality.

The Matters Relating to Assessment Complaints Regulation, 2018 reads:

Disclosure of evidence

9(1) In this section, “complainant” includes an assessed person who is affected by a complaint who wishes to be heard at the hearing.

(2) If a complaint is to be heard by a composite assessment review board panel, the following rules apply with respect to the disclosure of evidence:

- (a) the complainant must, at least 42 days before the hearing date,
 - (i) disclose to the respondent and the composite assessment review board the documentary evidence, a summary of the testimonial evidence, including a signed witness report for each witness, and any written argument that the complainant intends to present at the hearing in sufficient detail to allow the respondent to respond to or rebut the evidence at the hearing, and
 - (ii) provide to the respondent and the composite assessment review board an estimate of the amount of time necessary to present the complainant’s evidence;
- (b) the respondent must, at least 14 days before the hearing date,
 - (i) disclose to the complainant and the composite assessment review board the documentary evidence, a summary of the testimonial evidence, including a signed witness report for each witness, and any written argument that the respondent intends to present at the hearing in sufficient detail to allow the complainant to respond to or rebut the evidence at the hearing, and
 - (ii) provide to the complainant and the composite assessment review board an estimate of the amount of time necessary to present the respondent’s evidence;
- (c) the complainant must, at least 7 days before the hearing date, disclose to the respondent and the composite assessment review board the documentary evidence, a summary of the testimonial evidence, including a signed witness report for each witness, and any written argument that the complainant intends to present at the hearing in rebuttal to the disclosure made under clause (b) in sufficient detail to allow the respondent to respond to or rebut the evidence at the hearing.