Complaint ID 0262 1858
Roll No. 30002820040

COMPOSITE ASSESSMENT REVIEW BOARD DECISION
HEARING DATE: SEPTEMBER 9, 2024

PRESIDING OFFICER: J. DAWSON
BOARD MEMBER: C. NEITZ
BOARD MEMBER: R. IRWIN

BETWEEN:

2083485 ALBERTA LTD.
Represented by CVG Canadian Valuation Group Ltd.

Complainant

-and-

REVENUE & ASSESSMENT SERVICES
For 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: 30002820040
MUNICIPAL ADDRESS: 7180 Parke Avenue, Red Deer, AB
ASSESSMENT AMOUNT: $5,496,800

The complaint was heard by the Central Alberta Regional Assessment Review Board on the 9th day of September 2024, via videoconference.

Appeared on behalf of the Complainant:	K. Goertzen, agent for Canadian Valuation Group Ltd.
Appeared on behalf of the Respondent:	A. Minhas, Property Assessor for City of Red Deer T. Johnston, Assessment Coordinator for City of Red Deer

DECISION: The assessment of the subject property requires no change.

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 contains two quality three, multi-residential apartment buildings in the north district of Red Deer. The property is assessed using the income approach to value with 1 one-bedroom suite per building with assessed monthly rent of $850 per month, 17 two-bedroom suites per building with assessed monthly rent of $950 per month, and 6 three-bedroom suites per building with assessed monthly rent of $1,175 per month. The vacancy rate is assessed at 6.0%. $3556.00 is the assessed laundry revenue per building. A Gross Income Multiplier (GIM) of 10.0 was used.

PRELIMINARY MATTERS

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

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

[5] The Complainant and Respondent requested that all verbal testimony, questions and answers pertained to common disclosed evidence from hearings 0262 1855, 0262 1860, 0262 1856 and 0262 1857 be carried forward and entered into evidence as if heard during this hearing. The panel agreed.

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

POSITION OF THE PARTIES

Position of the Complainant

[7] The Complainant presented the subject property with photos, map, and property details.

[8] The Complainant argued that the GIM model the Respondent is employing is not producing values reflective of the market. Citing that, while GIM's can be reliable in times of relative economic certainty and stability, when derived from similar properties to a subject, the past few years have been anything but - as the world (including the Red Deer market) worked to navigate COVID.

[9] The Complainant asserted that the application of a capitalization rate with market-supported net operating income figures produces a more appropriate market value estimate. The Complainant provided an analysis and explained that these sales show that CAP rates were high during the pandemic, decreased as restrictions eased and life returned to normal, but then rose again as inflation and interest rates rose at the time of the current assessment. Applying market typical rents and vacancy parameters, a reasonable expense ratio and the appropriate CAP rate for the market area at the time of assessment of 6.25% indicates a multi-residential value of $5,053,000 (rounded).

[10] The Complainant concluded that using a GIM model makes the assumption of constant risk through one of the most volatile real estate periods in history – by making this assumption and applying GIM's

higher than the average for superior properties, the Respondent is over valuing the subject property – and has increased the assessment an unreasonable amount year-over-year.

[11] The Complainant argued that using a model that incorporates risk through the application of market expense ratios and appropriate capitalization rates indicates a value for the subject that is much more congruent with actual market activity and expected values based on recent sales of properties in Red Deer. Suggesting that this value more closely aligns with the appraisal done on the subject in 2019 as well.

[12] The Complainant requested that the 2024 assessment of the subject property be reduced to $5,053,000 to best represent market value at the time of assessment.

Position of the Respondent

[13] The Respondent also argued that the Complainant's evidence raised the issue of whether direct capitalization is a better methodology to assess the subject property than the GIM methodology. The Respondent indicated that the GIM model is more appropriate for mass appraisal purposes and is consistently applied across all multi-family properties within the City of Red Deer and by other major municipalities.

[14] The Respondent stated that the Complainant raised the issue of whether applying a capitalization rate to market-supported Net Operating Income (NOI) figures would produce a more appropriate value estimate for the subject property.

[15] The Respondent provided an analysis of sales compared to their assessments finding that the ratio was a median 1.02 and the average was 1.03, well within an acceptable range.

[16] The Respondent asserted that the GIM model is more appropriate for mass appraisal purposes and is consistently applied to all multi-family properties within the City of Red Deer.

[17] The Respondent requested that the assessment be confirmed as correct.

BOARD FINDINGS and DECISION

[18] The Board finds the GIM methodology used by the Respondent and the direct capitalization methodology used by the Complainant are both appropriate methodologies to make an estimate of market value. However, proper analysis of the inputs is required.

[19] The Board finds that the Respondent demonstrated with 17 sales that their use of the GIM methodology is producing assessment to sales ratios well within an acceptable range with a median 1.02 and the average was 1.03.

[20] The Board finds no assessment to sales ratio evidence from the Complainant to show that the direct capitalization methodology produced a more accurate assessment value.

[21] The Board finds insufficient evidence of market rental rates or vacancy rates used in the Complainant's income approach to value.

[22] The Board finds that the GIM methodology utilized by the Respondent is appropriate and produces an accurate assessment value for fair distribution of the tax base.

DECISION SUMMARY

[23] The assessment of the subject property requires no change.

[24] Dated at the Central Alberta Regional Assessment Review Board, in the city of Red Deer, in the Province of Alberta this 8th day of October 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.

J. Dawson, 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.

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