



Complaint ID#: 0262 1617, 1618 & 1619
Roll No's. 30002330875, 30002330876 & 30002330877

COMPOSITE ASSESSMENT REVIEW BOARD DECISION
HEARING DATE: June 27, 2022

PRESIDING OFFICER: B. HISEY
BOARD MEMBER: R. SCHNELL
BOARD MEMBER: M. CHALACK

BETWEEN:

LAEBON RENTAL COMMUNITIES LTD.
As represented by Altus Group Limited

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	MUNICIPAL ADDRESS	ASSESSMENT AMOUNT
30002330875	A 301 Timothy Drive	\$7,869,800
30002330876	B 301 Timothy Drive	\$8,796,200
30002330877	C 301 Timothy Drive	\$8,186,400

The complaint was heard by the Central Alberta Regional Assessment Review Board on the 27th day of June, 2022, via video conference.

Appeared on behalf of the Complainant: Brett Robinson, Altus Group Limited

Appeared on behalf of the Respondent: Jason Miller, City of Red Deer / Amy Minhas, City of Red Deer

DECISION:

The assessed value for 30002330875 at \$7,869,800, 30002330876 at \$8,796,200 and 30002330877 at \$8,186,400 are confirmed.

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

Roll Number 30002330875 (A 301 Timothy Drive)

- [2] The subject property known as Timberstone Village Apartments (Building A), is a multi-family 4 storey low rise apartment with 67 units: 5 bachelor, 28 one-bedroom and 34 two-bedroom suites. The building was constructed in 2012.
- [3] The assessment has been calculated on the Income Approach to value with an annual Potential Gross Income (PGI) of \$813,000, a vacancy allowance of 12% and a Gross Income Multiplier (GIM) of 11.00.

Roll Number 30002330876 (B 301 Timothy Drive)

- [4] The subject property known as Timberstone Village Apartments (Building B), is a multi-family 4 storey low rise apartment with 73 units: 4 bachelor, 39 one-bedroom and 30 two-bedroom suites. The building was constructed in 2013.
- [5] The assessment has been calculated on the Income Approach to value with an annual Potential Gross Income (PGI) of \$908,700, a vacancy allowance of 12% and a Gross Income Multiplier (GIM) of 11.00.

Roll Number 30002330877 (C 301 Timothy Drive)

- [6] The subject property known as Timberstone Village Apartments (Building C), is a multi-family 4 storey low rise apartment with 67 units: 4 bachelor, 29 one-bedroom and 34 two-bedroom suites. The building was constructed in 2012.
- [7] The assessment has been calculated on the Income Approach to value with an annual Potential Gross Income (PGI) of \$845,700, a vacancy allowance of 12% and a Gross Income Multiplier (GIM) of 11.00.

PRELIMINARY MATTERS

- [8] The Presiding Officer confirmed that Board Members did not indicate any bias and neither party raised any objection to the composition of the Board.

[9] The Board confirmed that a concurrent hearing would be held for roll numbers, 30002330875, 30002330876 & 30002330877. All parties agreed that one written decision would be appropriate for matters before the Board on these files.

POSITION OF THE PARTIES

Position of the Complainant

[10] The Complainant introduced the properties and stated that they had been assessed above market value with a typical 12% vacancy rate. It was suggested a revised value of 19% would be more reflective of the market and chronic vacancy realized for the subject properties.

[11] As additional support for an excessive assessment for the subject properties, the Complainant identified a year over year increase to the valuation of the subject properties at 11.7%, 8.9% and 12.8%. This increase was due in part to the reduction of the vacancy allowance from 15% to 12%.

[12] It was the Complainant's contention that the subject properties suffered from chronic vacancy and should received a higher than typical vacancy allowance.

[13] A chronic vacancy situation was described as a above average vacancy rate that is experienced over an extended period. The Complainant suggested that several municipalities use a chronic vacancy adjustment, to stabilize that variable for properties that show a higher than typical vacancy rate for the last three consecutive years, immediately proceeding the valuation date.

[14] Several Composite Assessment Review Board (CARB) decisions were reviewed that support the application of a chronic vacancy adjustment to properties with atypical vacancy issues.

[15] To defend the requested vacancy rate adjustment, the Complainant provided a six-year Vacancy Summary chart. This included the subject properties (roll numbers 30002330875, 30002330876 and 30002330877) and 2020 Apartments (roll numbers 30002321906 and 30002321907). These multi-family apartment units are within the same market area, on the East side of the City.

	July 2016	July 2017	July 2018	July 2019	July 2020	July 2021	MEAN (%)	MEDIAN (%)
Laebon Rental Communities Buildings A & B	39.00	35.00	13.00	29.00	9.00	9.00	22.33	21.00
Timberstone Village Buildings A, B, & C	25.00	16.00	3.00	28.00	26.00	11.00	18.17	20.50
Typical Vacancy (345 Units)	29.00	23.00	7.00	28.00	19.00	10.00	19.33	21.00

- [16] The Complainant suggested that vacancy rates for these properties from July of 2016 until the current Valuation Date of July 1, 2021, demonstrate that the subject properties consistently suffer from vacancy issues. The Complainant argued that these properties have chronic vacancy that should warrant a higher than market typical rate.
- [17] A second chart was provided to the Board that showed the same properties and highlighted the three-year vacancies for these properties. Typical mean and median vacancy rates for the 345 units was 19.00%. This was the Complainant's requested value for the revised vacancy of the subject properties.
- [18] Upon questioning, the Complainant stated the description for chronic vacancy in the presentation was from the City of Grande Prairie's Office and Bank Methodology Guide. This definition included the requirement for a property to confirm a vacancy greater than 10% for three consecutive years immediately proceeding the valuation date. The Respondent suggested this definition was not found in legislation and was intended for a different income producing space, in a different municipality.
- [19] The Complainant concluded with a request to adjust the subject properties assessed vacancy rate from 12% to 19% based on the three-year typical vacancy of 345 units. This would revise the current assessment for the subject properties as follows:
- I. for 30002330875 at \$7,243,830,
 - II. for 30002330876 at \$8,096,517, and
 - III. 30002330877 at \$7,535,187.

Position of the Respondent

- [20] The Respondent suggested the Complainant's vacancy request does not result in a valuation that is a better reflection of market value, nor an assessment that is equitable.
- [21] A detailed description of the apartments and the assessments applied to these properties was provided by the Respondent.
- [22] The City of Red Deer (City) is required to prepare assessments in accordance with the requirements of the *Municipal Government Act*, RSA 2000, c M-26 (MGA), and the *Matters Relating to Assessment and Taxation Regulation 2018*, AR 203/17 (MRAT). The legislation requires a municipality to prepare assessments that represent market value by application of the mass appraisal process. The purpose of property assessments is not to reflect one sale price, but to assess all similar properties at a similar value so that taxation is fairly and uniformly distributed among the entire tax base.
- [23] The Respondent also highlighted the MRAT regulation section 5, which states that an assessment of property based on market value:
- a) must be prepared using mass appraisal,
 - b) must be an estimate of the value of the fee simple estate in the property, and
 - c) must reflect typical market conditions for properties similar to that property.

- [24] The City utilizes an Income Approach to assess low rise apartments. This methodology analyzes an effective gross income and multiplies it by a gross income multiplier. Although legislation and regulations strive to ensure equity is achieved by assessing properties according to their market values, there is no requirement to indicate when a particular approach must be used. According to the provincial training manual, *Principles of Assessment*, the focus should be on the outcome (market value), "it is not the methodology or valuation approach that is in issue; It is the end result." It was the Respondent's contention that no evidence or sale comparables had been provided that would suggest the assessment was in excessive of market value.
- [25] The Respondent critiqued the Complainant's Vacancy Study and noted the current vacancy rates for 2021 were lower (9% and 11%) than the typical rates used for the assessment calculation (12%). The Respondent also noted that the City does not use a three-year average to assess chronic vacancy.
- [26] To support the vacancy rate used in the assessment calculation, the Respondent provided a Vacancy Evidence Chart from the Request for Information (RFI) forms for the entire population of quality 5, low rise apartments in the southeast quadrant of the City. The average vacancy rate for these nine properties was 8.5%, which was lower than the typical 12% rate applied to the entire stratification.
- [27] To further confirm the assessed vacancy rate was appropriate, the Respondent provided a data set from the subject properties RFI documents. The actual vacancy rate for these properties in 2021 was 9%, 15% and 12%. The Respondent argued that the actual performance shows support for the typical input value of 12% used in the assessment.
- [28] The Respondent also provided a third-party report from Canada Mortgage and Housing Corporation. This market survey of apartment vacancy rates for buildings constructed in 2000 or later, indicated a downward vacancy trend and supports the City's vacancy analysis for the subject stratification analysis at 8.5%. The result of this secondary analysis suggests the application of a 12% market typical vacancy is on the high end.
- [29] Additionally, nine equitable properties were provided that identified a consistent application of the typical 12% vacancy for similar properties. The value per unit for these comparables ranged from \$117,460 to \$136,621 per suite.
- [30] Based on the evidence presented the Respondent stated the assessed value is correct, fair, and equitable for the subject properties and requested the Board confirm the assessments.

BOARD FINDINGS and DECISION

- [31] The Board placed great weight on the 2021 reported actual average vacancy rate (10.4%, 12.3% and 10.4%) of 11%, provided by the Complainant for the subject properties. This value supports the assessed vacancy rate of 12%. A chronic vacancy suggested by the Complainant and the requested 19% rate is not supported by actual rates for the assessment year.
- [32] The Board finds the use of mass appraisal and typical values are legislated through the MGA and MRAT. The Vacancy Evidence Chart used data from the RFI forms for the entire population of quality 5, low rise apartments in the southeast quadrant of the City. The average vacancy rate for these nine properties was 8.5%. This supports the typical 12% rate applied to the entire stratification.

- [33] The Board accepts the nine equity comparables presented by the Respondent as support for the assessment of the subject property. If an adjustment were made to the typical vacancy rates applied by the City, it would create an inequitable valuation to the remaining properties in that stratum.
- [34] The Board acknowledges support from a third-party report from Canada Mortgage and Housing Corporation. This market survey of apartment vacancy rates for buildings constructed in 2000 or later indicated a downward vacancy trend and supports the City's vacancy analysis for the subject stratification at 8.5%.
- [35] The Board is not bound by previous CARB judgements and this decision has relied upon evidence provided at this hearing. Property assessments are prepared annually and are independent of any previous year's assessments or Board decisions.
- [36] The Board finds that the Complainant has failed to provide sufficient evidence that the subject properties have been assessed in excess of market value.

DECISION SUMMARY

- [37] The Board finds that the original assessed value is confirmed.
- [38] Dated at the Central Alberta Regional Assessment Review Board, in the city of Red Deer, in the Province of Alberta this 26th day of July, 2022 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.

Lori Stubbard

Lori Stubbard, Board Clerk
for
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 (39 pages)
2. C.1	Complainant Submission - Timberstone Village Apartments (393 pages)
3. R.1	Respondent Submission – Roll 30002330875 (113 pages)
4. R1	Respondent Submission – Roll 30002330876 (113 pages)
5. R.1	Respondent Submission – Roll 30002330877 (113 pages)
6. R.2	Respondent Submission – Property Assessment Law and Legislation Brief (66 pages)