

# Central Alberta

Regional Assessment Review Board

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Complaint ID#:0262 1188

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 30001620665**

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.

Section 481(2) of the *Municipal Government Act* states:

*"If the assessment review board makes a decision in favour of the complainant, the fees paid by the complainant under subsection (1) must be refunded."*

Any refunds owed will be sent under separate cover. 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

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**CARB 0262 1188 2019**

Complaint ID 1188

Roll No. 30001620665

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COMPOSITE ASSESSMENT REVIEW BOARD DECISION

HEARING DATE: July 22, 2019

PRESIDING OFFICER: J. DAWSON

BOARD MEMBER: B. SCHNELL

BOARD MEMBER: L. MCLEVIN

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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:	30001620665
MUNICIPAL ADDRESS:	4823 46 Street, Red Deer, AB
ASSESSMENT AMOUNT:	\$ 1,063,700

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 accepted on the assessment of the subject property. The assessment is changed to \$1,038,700.

**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 1963 with surface parking. The complex has twelve (12) two-bedroom suites.
4. The income approach to valuation was utilized with the following parameters:

Description	Quantity	Rate	Potential Gross Income
Apartment – 2 bedroom / 3 quality range	12	\$9,456	\$113,472
Laundry			\$247

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. Both parties requested and the Board accepted that all argument, questions and answers pertaining to relevant issues within this hearing be carried forward from the hearing of complaints 1186 and 1187 involving the same agents, assessors and legal representation and heard by the same panel.
10. The Respondent requested to provide new evidence in the form of a corrected vacancy study found on page 18 of its disclosure. This request was objected to by the Complainant. The Board

did not accept new evidence as directed to within the Matters Related to Assessment Complaints regulation section 10.

11. No additional preliminary or procedural matters were raised by any party. Both parties indicated that they were prepared to proceed with the complaints.
12. The Board confirmed the submissions of the parties and entered the Exhibits into the record. See Appendix for details.

**ISSUES:**

13. 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**

14. The Complainant reviewed the subject property including aerial maps, the land area and rental rate of the suites.
15. 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.
16. The Complainant reviewed a vacancy study of properties it reported as comparable which included the vacancy within the subject property. There were a reported 165 vacant suites from a total of 553 suites to calculate a vacancy of 29.8%.
17. In rebuttal, the Complainant recreated the vacancy allowance calculation provided by the Respondent and corrected what it thought were errors and concluded that the Respondent's study showed a 20.0% vacancy allowance versus the 15.0% assessed.

**Position of the Respondent**

18. The Respondent reviewed the subject property including street level and aerial photographs depicting the existing condition and location in the stratification of South Central, which was described as anything south of the river and 55<sup>th</sup> street and west of 40<sup>th</sup> Avenue within the municipal boundaries.

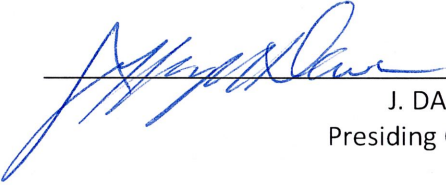
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19. The Respondent explained that it stratified residential income properties based on quality, number of suites per building and location. The subject property is assigned a quality of 3, has a suite count of between 12 and 23, and is in the South Central part of Red Deer.
  20. 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.
  21. The Respondent indicated that its review found 14 comparable properties to derive its vacancy allowance of 15.0%.
  22. The Respondent included information on the sale of the subject property along with four additional properties in what is considered a portfolio sale. The March 2018 sale of five properties for \$5,375,000 derived an Assessment to Sales Ratio (ASR) of 0.90. However, there is no specific information on the value the sale placed on the subject property.
  23. In summation, the Respondent reviewed its concerns and explained some information on vacancy allowances. The Respondent requested that the assessment be unchanged at \$1,063,700.

#### **BOARD FINDINGS and DECISION**

24. 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.
25. 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.
26. 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 South Central geographic zone.
27. The Board considered the vacancy evidence and finds one comparable property in the Respondent's analysis is to be removed because it does not meet the 12 to 23 suite mix of the Respondent's stratification. With this correction the Board finds the most appropriate vacancy allowance is the value calculated by the weighted average and finds, for the subject property, a vacancy allowance of 17.0%.
28. The Board finds the recent sale of the subject property is not the best means of establishing the market value when it is part of a portfolio sale and no information is provided on the value placed on each title within the title.

**DECISION SUMMARY**

29. The complaint regarding vacancy allowance of the subject property is accepted, the assessed vacancy allowance is changed to 17.0% with the overall assessment value changed to \$1,038,700.
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.



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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](http://www.albertacourts.ab.ca).*

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**APPENDIX:**

Documents presented at the Hearing and considered by the Board.

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<u>NO.</u>	<u>ITEM</u>
1. A.1	– Hearing Materials provided by Clerk (53 pages)
2. C.3	– Complainant Disclosure (160 pages)
3. R.3	– Respondent Disclosure (52 pages)
4. C.4	– Complainant Rebuttal Disclosure (13 pages)