



Complaint ID 0310 1711  
Roll No. 00876900

COMPOSITE ASSESSMENT REVIEW BOARD DECISION  
HEARING DATE: December 06, 2022

PRESIDING OFFICER: E. Williams  
BOARD MEMBER: D. Dey  
BOARD MEMBER: D. Wielinga

BETWEEN:

LAEBON RENTAL COMMUNITIES LTD  
As Represented by Altus Group Limited

Complainant

-and-

TOWN OF SYLVAN LAKE  
As Represented by Wild Rose Assessment Services

Respondent

This decision pertains to a complaint submitted to the Central Alberta Regional Assessment Review Board in respect of a property assessment prepared by Wild Rose Assessment Services for the Town of Sylvan Lake as follows:

ROLL NUMBER: 00876900

MUNICIPAL ADDRESS: 13 Broadway Rise

ASSESSMENT AMOUNT: \$10,648,620

REQUESTED ASSESSMENT COMPLAINANT: \$7,028,078

The complaint was heard by the Composite Assessment Review Board on the 6<sup>th</sup> day of December 2022, via videoconference.

Appeared on behalf of the Complainant: A. Izard, Altus Group Limited  
B. Robinson, Altus Group Limited  
Appeared on behalf of the Respondent: K. Waters, Wild Rose Assessment Services

**DECISION:** The assessed value of the subject property is changed to \$10,547,000.

**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"].

**PROPERTY DESCRIPTION AND BACKGROUND**

- 2) The subject property at 13 Broadway Rise, known as Belmont Village Townhomes – North, is a two storey, 12 building, 66 unit multi family townhome. The configuration of each unit is two bedrooms, 2 ½ bathrooms with no basement. Further, this is the only large scale townhome rental development in the municipality.
- 3) The property was assessed using the Income Approach.

**PRELIMINARY MATTERS**

- 4) The Presiding Officer confirmed that no Board Member raised any conflicts of interest with regard to matters before them.
- 5) No additional preliminary or procedural matters were raised by any party. Both parties indicated that they were prepared to proceed with the complaints.

**PROPERTY ISSUES**

- 6) The Complainant and the Respondent confirmed to the Board that the \$10,648,620 assessment of the subject property was based on an incorrect number of units.
- 7) Both parties requested a change in the assessment because of the error in the number of units. The Respondent's request was for a Recommended Assessment which is permitted by the Legislation.

**POSITION OF THE PARTIES**

- 8) The Complainant and Respondent each presented substantial evidence varying in its relevancy. In the interests of brevity, the Board will restrict its comments to those items the Board found relevant to the matters at hand. Furthermore, the Board's findings and decision reflect on the evidence presented and examined by the parties before the Board at the time of the hearing.
- 9) In respect of decisions of the Assessment Review Board, the Land and Property Rights Tribunal and the Alberta Court of King's Bench which are submitted as evidence in support of the parties' positions, it should be noted that those decisions were made in respect of issues and evidence that may be dissimilar to that before this Board.

**Position of the Complainant**

- 10) The Complainant advised that the assessment was prepared using an incorrect number of units. Specifically, the number of units reported in the Respondent's Direct Capitalization detail was 100 units. However, a review of the documentation provided in support of the Development Permit, current architectural drawings, correspondence from the owner and the July 01 2021 Rent Roll support a total of 66 units.

- 11) The original assessment of \$10,648,604 was based on the following Input parameters:

| INPUT PARAMETER       | AMOUNT  |
|-----------------------|---------|
| Number Units          | 100     |
| Typical Rent per unit | \$1,270 |
| Vacancy Rate          | 39%     |
| Expense Ratio         | 35%     |
| Non Recoverable       | 1%      |
| Reserves              | 1%      |
| Cap Rate*             | 5.50%   |

Cap Rate\* - Capitalization Rate

- 12) Based on only a change in the number of units and acceptance of all the input parameters for the Income Approach, outlined in the preceding table, the Complainant requested a reduction in the assessment from \$10,648,620 to \$7,028,078.
- 13) However, a review of the input parameters for the assessment of the 72 unit apartment building at 11 Broadway Rise, located next to the subject property at 13 Broadway Rise, determined that the Cap Rate was 6.25%. Based on this equity comparison there is a basis to increase the Cap Rate for the subject property from 5.50% to 6.25% which supports an alternative requested assessment of \$6,184,709.
- 14) In summary the assessment of the subject property was based on the incorrect number of units. Correcting only the number of units from 100 to 66 units revised the assessment from \$10,648,604 to \$7,028,078. This assessment is further reduced to \$6,184,709 with an adjustment in the Cap Rate to 6.25% which was argued to be more reflective of the Sylvan Lake market than the 5.50% used in the original assessment.

### Position of the Respondent

- 15) The Respondent acknowledged that the original assessment was based on an incorrect analysis of data available during the preparation of that assessment. As the property was originally considered to have 100 units the determination of the input parameters of rental rate, vacancy rate, non-recoverable operating costs and Cap Rate was based on the 100 units and not 66 units. Accepting the input parameters used for the 100 unit property to determine the assessment of a 66 unit property was not a sound valuation approach.
- 16) The determination that the subject property was a 66 unit property meant that it was necessary the input parameters for the Income Approach be reviewed to determine if they accurately reflected the market for comparable properties. As the subject property was the only townhome rental property in the municipality the market study included rental apartment properties. The best two comparable apartment properties were a 72 unit property built in 2013 immediately south of the subject property and a 98 unit property built in 2019 which is in close proximity to the subject property.
- 17) The market study focused on the input parameters of rental rate, vacancy rate, non-recoverable operating costs, and Cap Rate for the period July 1, 2020 to July 1, 2021. This review determined that the input parameters of rental rate, vacancy rate and Cap Rate needed to be re-established. The following paragraphs will outline the determination of the new input parameters.

- 18) The unit monthly rental rate was increased from \$1270 to \$1335 based on:
- a) a review of the October 2021 rent roll which determined that during the period July 2020 to July 2021 there were 27 new leases with a median monthly rental rate of \$1335;
  - b) the analysis of three apartment properties, which are the only market comparables as the subject is the only townhome rental property in the municipality, determined:
    - (i) a median rental rate of \$1209 for two bedroom units;
    - (ii) a mean rental rate of \$1264 per month for two bedroom units in two properties with 2013 and 2019 year of construction and in close proximity to the subject are the best comparable rental properties; further,
    - (iii) one of these two comparables have three bedroom units which rented for \$1388 per month.

In summary the \$1335 monthly rental rate is supported by the market analysis and the rent roll for the subject property's two bedroom units which have 2½ bathrooms.

- 19) The vacancy rate of 39% which was based on the incorrect number of 100 units was not supported by an analysis of the October 2021 rent roll which determined a 0% vacancy in the subject property as of July 2021. A review of the vacancy rate for the best two apartment comparables included in the rental rate study determined their 2021 vacancy rates were in excess of 5.0% which was considered as reflective of the typically market conditions and was applied to the subject property.
- 20) The Cap Rate was increased from 5.50% to 6.00 % based on:

- a) a mean Cap Rate of 5.45% for two sales in the municipality dated September 2018 and March 2020 of an 8 and 18 unit apartment property;
- b) a mean Cap Rate of 5.45% for three sales of townhome rental properties in Red Deer, Leduc and Spruce Grove; further
- c) the two sales in Spruce Grove and Leduc which transacted in June 2018 and January 2021 with an average Cap Rate of 5.305% although similar to the subject property on the basis of age and number of units were superior to the subject property based on location;
- d) market studies by an independent third party reported that the Cap Rate for Edmonton and Calgary multifamily apartment transactions were ranging from 4.00% to 5.75%.

In summary the details outlined above support that the Cap Rate for the only townhome rental property in the municipality would be higher than the cap rate of actual transactions in the period 2018 to 2021 in municipalities located in close proximity to major cities.

- 21) Based on the preceding analysis the input parameters for the Income Approach were amended to reflect typical market conditions for rental properties which revised the original assessment of \$10,648,604 to the Recommended Assessment of \$10,547,000. The following table presents the input parameters for the Income Approach on which the original and the Recommended Assessment were prepared:

| INPUT PARAMETER       | ORIGINAL            | RECOMMENDED         |
|-----------------------|---------------------|---------------------|
| Number Units          | 100                 | 66                  |
| Typical Rent per unit | \$1,270             | \$1335              |
| Vacancy Rate          | 39%                 | 5%                  |
| Expense Ratio         | 35%                 | 35%                 |
| Non Recoverable       | 1%                  | 1%                  |
| Reserves              | 1%                  | 1%                  |
| Cap Rate*             | 5.50%               | 6.00%               |
| <b>Assessment</b>     | <b>\$10,648,620</b> | <b>\$10,547,000</b> |

Cap Rate\* - Capitalization Rate

- 22) In support of the 6.0% Cap Rate the Respondent compared the per unit sale price for the three townhome rental properties used in the Cap Rate study and the assessed per unit rate for the subject property. This analysis is presented in the following table which shows that the \$159,803 per unit assessment of the subject property would be at the lower end of the range of per unit sale price and is less than the average sale price per unit of \$192,545.

| MUNICIPALITY   | SALE DATE | AGE  | UNITS | SALE PRICE/UNIT |
|----------------|-----------|------|-------|-----------------|
| RED DEER       | 2018      | 1995 | 235   | \$157,076       |
| SPRUCE GROVE   | 2018      | 2017 | 60    | \$195,500       |
| LEDUC          | 2021      | 2013 | 107   | \$225,000       |
| <b>AVERAGE</b> |           |      | 103   | \$192,545       |
| <b>SUBJECT</b> |           | 2015 | 66    | \$159,803       |

- 23) In summary the Recommended Assessment of \$10,547,000 is reflective of the market value for the subject property. Further, the market analysis which determined the input parameters for the Income Approach to calculate the Recommended Assessment clearly demonstrates that there is no support for the Complainant's equity based change in only the Cap Rate from 5.50% to 6.25%

#### Position of the Complainant – Rebuttal

- 24) The challenge of the Recommended Assessment which was based on new input parameters of rental rate, vacancy rate and cap rate focused on the change in the assessment from a number of perspectives including the original construction costs of the subject property.
- 25) The comparison of assessment per unit of the subject property to other rental properties in the municipality as presented in the following table:

| PROPERTY                              | AGE  | UNITS | ASSESSMENT PER UNIT |
|---------------------------------------|------|-------|---------------------|
| Apartment - Elevatored                | 2013 | 72    | \$85,606            |
| Apartment - Elevatored                | 2019 | 98    | \$115,626           |
| Apartment - Walkup                    | 2020 | 16    | \$103,101           |
| Median                                |      |       | \$103,101           |
| SUBJECT Townhouse                     | 2016 | 66    |                     |
| Respondent Recommended - \$10,547,000 |      |       | <b>\$159,803</b>    |
| Complainant Requested - \$7,028,078   |      |       | <b>\$106,486</b>    |

supports that the subject property Respondent's assessment of \$159,803 per unit is significantly over assessed which questions the Respondent's input parameters. In comparison the Complainant's requested assessment based on the 5.50% Cap Rate yields an assessment per unit which is more reflective of market and compares favourably with the market for rental properties.

- 26) In summary on an equity basis there is no support for the Recommended Assessment of \$10,547,000 and challenges the input parameters on which the assessment was prepared. In contrast the Complainant's requested assessment which was based on the original input parameters compares more favourably with the three comparables selected by the Respondent.

### **BOARD FINDINGS and DECISION**

- 27) Based on the evidence presented the Board determined that:

- a) both parties accepted that the original assessment in the amount of \$10,648,620 prepared using the Income Approach was based on an incorrect number of rental units, specifically the number of rental units should be reduced from 100 to 66 units;
- b) the correction of the number of rental units from 100 to 66 required a review of the input parameters for the Income Approach to determine if the original inputs were still reflective of the market for a 66 unit property;
- c) the Complainant's requested assessments of;
  - (i) \$7,028,078, based on 66 units and the original Income Approach input parameters of rental rate, vacancy rate, non-recoverable operating costs, and the cap rate of 5.50%, and
  - (ii) the alternate requested assessment of \$6,184,709 based on 66 units with a change in the cap rate from 5.50% to 6.25% as that was the cap rate for an apartment building next to the subject property, basically an equity argument based on one property,

were not supported by an analysis of the rental market to confirm the original input parameters of rental rate, vacancy rate, non-recoverable operating costs, and the cap rate of 5.50% were still applicable to a 66 unit property.

- d) the Respondent's correction of the assessment and preparation of a Recommended Assessment to reflect the change in the number of rental units from 100 to 66 is supported by s305 (1) of the MGA which states:

*"If it is discovered that there is an error, omission or misdescription in any of the information shown on the assessment roll,*

*(a) the assessor may correct the assessment roll for the current year only, and*

*(b) on correcting the roll, an amended assessment notice must be prepared and sent to the assessed person."*

- e) the Respondent's preparation of the Recommended Assessment for the 66 unit townhome property was based on the input parameters of rental rate, vacancy rate, non-recoverable operating costs and Cap Rate which were reflective of the July 1, 2021 rental market;
- f) in respect of these input parameters the Respondent provided supporting evidence based on the subject property and the rental market that the selected input parameters reflected typical market conditions;

- g) the following table presents the input parameters for the Income Approach used to prepare the original assessment and the Recommended Assessment:

| INPUT PARAMETER       | ORIGINAL            | RECOMMENDED         |
|-----------------------|---------------------|---------------------|
| Number Units          | 100                 | 66                  |
| Typical Rent per unit | \$1,270             | \$1335              |
| Vacancy Rate          | 39%                 | 5%                  |
| Expense Ratio         | 35%                 | 35%                 |
| Non Recoverable       | 1%                  | 1%                  |
| Reserves              | 1%                  | 1%                  |
| Cap Rate*             | 5.50%               | 6.00%               |
| <b>Assessment</b>     | <b>\$10,648,620</b> | <b>\$10,547,000</b> |

Cap Rate\* - Capitalization Rate

- 28) In summary the Board accepted that the correction of the number of rental units from 100 to 66 required the input parameters for the Income Approach be reviewed and re-established to reflect the market for the 66 unit property. The revised input parameters of **\$1335 unit rental rate, 5% vacancy rate, 37% non-recoverable operating costs and 6.00% Cap Rate** (emphasis added) determined by the Respondent were reflective of typical market conditions for properties similar to the subject property as of July 1, 2021.

#### DECISION SUMMARY

- 29) The Board accepted the Recommended Assessment of \$10,547,000 for the 66 unit townhome rental property at 13 Broadway Rise.
- 30) Dated at the Central Alberta Regional Assessment Review Board, in the city of Red Deer, in the Province of Alberta this 20<sup>th</sup> day of December, 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.



Earl K Williams  
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).*

**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 – 10 pages                         |
| 2. C.1     | Complainant Disclosure – Belmont Village Townhomes – North – 170 pages |
| 3. C.2     | Complainant Rebuttal – Belmont Village Townhomes – North – 103 pages   |
| 4. R.1     | Respondent Disclosure Repot – 13 Broadway Rise – 106 pages             |