

Central Alberta

Regional Assessment Review Board

2019-08-23 10:00 AM

Complaint ID#:0262 1187

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 30000931490

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

CARB 0262 1187 2019

Complaint ID 1187

Roll No. 30000931490

COMPOSITE ASSESSMENT REVIEW BOARD DECISION

HEARING DATE: July 22, 2019

PRESIDING OFFICER: J. DAWSON

BOARD MEMBER: B. SCHNELL

BOARD MEMBER: L. MCLEVIN

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:	30000931490
MUNICIPAL ADDRESS:	3901 50A Avenue, Red Deer, AB
ASSESSMENT AMOUNT:	\$ 1,057,100

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 \$885,300.

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 eleven (11) one-bedroom suites.
4. The income approach to valuation was utilized with the following parameters:

Description	Quantity	Rate	Potential Gross Income
Apartment – 1 bedroom / 3 quality range	11	\$9,600	\$105,600

5. A vacancy allowance of nine percent (9%) 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 and the assessed income rate applied to the apartment income.
9. Both parties requested that all argument, questions and answers pertaining to relevant issues within this hearing be carried forward from the hearing of complaint 1186 involving the same agents, assessors and legal representation and heard by the same panel.
10. No additional preliminary or procedural matters were raised by any party. Both parties indicated that they were prepared to proceed with the complaints.
11. The Board confirmed the submissions of the parties and entered the Exhibits into the record. See Appendix for details.

ISSUES:

12. 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 9.0% appropriate considering the vacancy evidence provided?

Is the assessed rental income of \$9,600 per suite correct?

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

13. The Complainant reviewed the subject property including aerial maps, the land area and rental rate of the suites.
14. The Complainant argued that the rental rate should be \$8,004 per suite versus the assessed \$9,600 per suite.
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 provided a vacancy study of the subject property showing 36.4% vacancy with 4 suites out of 11 remaining vacant with an unreported date that was said to be near the valuation date (June-July).
17. The Complainant reviewed a vacancy study of properties it reported as comparable with 161 vacant suites from a total of 542 suites to calculate a vacancy of 29.7%.

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 is described as anything south of the river and 55th street and west of 40th Avenue within the municipal boundaries.
19. The Respondent agreed that it had an error in the assessed rental rates recommending a change to \$8,040 per suite.
20. 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 less than 12 and is in the South Central part of Red Deer.

21. 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.
22. The Respondent indicated that its review found 11 comparable properties to derive its vacancy allowance of 9.0%.
23. 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.
24. In summation, the Respondent reviewed its concerns and explained some information on vacancy allowances. The Respondent recommended that the assessment be changed to \$885,300.

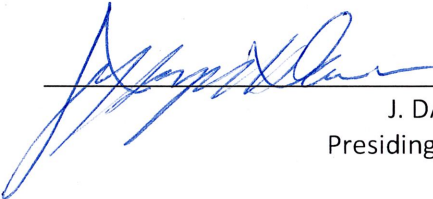
BOARD FINDINGS and DECISION

25. 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.
26. 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.
27. 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.
28. The Board considered the vacancy evidence and finds the most appropriate vacancy allowance to be 8.0%; however, the assessed vacancy allowance of 9.0% is found to be correct.
29. The Board accepts the recommendation from the Respondent of \$8,040 income per suite for the assessment calculation.
30. 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 portfolio sale.

DECISION SUMMARY

31. The complaint regarding vacancy allowance of the subject property is not accepted, the assessed rental rate is changed to \$8,040 with the overall value changed to \$885,300.

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32. 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.



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.

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 (53 pages)
2. C.2	- Complainant Disclosure (165 pages)
3. R.2	- Respondent Disclosure (53 pages)