

Central Alberta

Regional Assessment Review Board

Complaint ID#:0262 1202

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 30000920730

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
Murray Hill Developments Ltd. (via mail only): 9833 110 St NW, Edmonton, AB T5K 2P5
mgbmail@gov.ab.ca

Central Alberta

Regional Assessment Review Board

CARB 0262 1202 2019

Complaint ID 1202

Roll No. 30000920730

COMPOSITE ASSESSMENT REVIEW BOARD DECISION

HEARING DATE: July 23, 2019

PRESIDING OFFICER: J. DAWSON

BOARD MEMBER: B. SCHNELL

BOARD MEMBER: L. MCLEVIN

BETWEEN:

MURRAY HILL DEVELOPMENTS 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:	30000920730
MUNICIPAL ADDRESS:	3110 47 Avenue, Red Deer, AB
ASSESSMENT AMOUNT:	\$ 13,898,700

The complaint was heard by the Composite Assessment Review Board on the 23rd 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 \$12,899,300.

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 ten (10) buildings containing townhouses built between 1971 and 1973 with surface parking. The complex has eleven (11) two-bedroom and eighty-five (85) three-bedroom townhouses.
4. The income approach to valuation was utilized with the following parameters:

Description	Quantity	Rate	Potential Gross Income
Townhouse – 2 bedroom / 3 quality range	11	\$14,616	\$160,776
Townhouse – 3 bedroom / 3 quality range	85	\$14,496	\$1,232,160
Other			\$21,180
Parking			\$11,500

5. A vacancy allowance of five percent (5%) was applied to the townhouse income before multiplying it by a Gross Income Multiplier (GIM) of 10.25.

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, 1187, 1188, 1189, 1190 and 1191 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 5.0% appropriate considering the vacancy evidence provided?

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 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.
15. The Complainant reviewed a vacancy study of properties it reported as comparable. There were a reported 68 vacant suites from a total of 234 suites to calculate a vacancy of 29.1%.
16. 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 21.0% vacancy allowance versus the 5.0% assessed.

Position of the Respondent

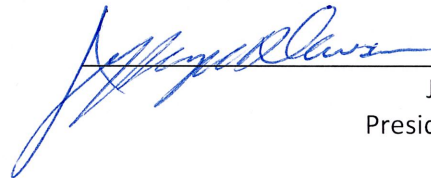
17. The Respondent reviewed the subject property including street level and aerial photographs depicting the existing condition and location within the municipal boundaries.
18. The Respondent explained that it stratified townhouse income properties based on quality. The subject property is assigned a quality of 3.
19. 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.
20. The Respondent indicated that its review found 3 comparable properties to derive its vacancy allowance of 5.0%. Upon reconsideration the Respondent recommended a change in the vacancy allowance to 9.0%, which calculated a new assessment value of \$13,127,600.
21. In summation, the Respondent reviewed its concerns and explained some information on vacancy allowances. The Respondent recommended that the assessment be changed to \$13,127,600.

BOARD FINDINGS and DECISION

22. 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.
23. 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.
24. The Board was not convinced that the argument put forward by the Complainant in rebuttal was sound and did not place any weight on this evidence.
25. The Board considered all the vacancy evidence and finds one comparable property at 4250 54 Avenue does compete in the same marketplace as the Respondent's stratification. With this correction the Board finds the most appropriate vacancy allowance is the value calculated by the average and median and finds, for the subject property, a vacancy allowance of 12.0%.

DECISION SUMMARY

26. The complaint regarding vacancy allowance of the subject property is accepted, the assessed vacancy allowance is changed to 12.0% with the overall assessment value changed to \$12,899,300.
27. 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.9	- Complainant Disclosure (152 pages)
3.	R.7	- Respondent Disclosure (50 pages)
4.	C.10	- Complainant Rebuttal Disclosure (65 pages)