

# Central Alberta

Regional Assessment Review Board

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Complaint ID#:0262 1204

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 30002321907**

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  
Laebon Rental Communities Ltd. (via mail only): 289 Burnt Park Dr., Red Deer County, AB T4S 2L4  
mgbmail@gov.ab.ca

# Central Alberta

Regional Assessment Review Board

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**CARB 0262 1204 2019**

Complaint ID 1204

Roll No. 30002321907

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COMPOSITE ASSESSMENT REVIEW BOARD DECISION

HEARING DATE: July 23, 2019

PRESIDING OFFICER: J. DAWSON

BOARD MEMBER: B. SCHNELL

BOARD MEMBER: L. MCLEVIN

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BETWEEN:

LAEBON RENTAL COMMUNITIES 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:	30002321907
MUNICIPAL ADDRESS:	B 31 Timberstone Way, Red Deer, AB
ASSESSMENT AMOUNT:	\$ 8,245,200

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 \$7,471,200.

**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 a four (4) story building containing built in 2015 with surface parking. The complex has two (2) bachelor suites, sixteen (16) one-bedroom suites and forty-six (46) two-bedroom suites.
4. The income approach to valuation was utilized with the following parameters:

Description	Quantity	Rate	Potential Gross Income
Apartment – bachelor / 5 quality range	2	\$10,200	\$20,400
Apartment – 1 bedroom / 5 quality range	16	\$11,400	\$182,400
Apartment – 2 bedroom / 5 quality range	46	\$15,960	\$734,160

5. A vacancy allowance of twenty percent (20%) was applied to the apartment income before multiplying it by a Gross Income Multiplier (GIM) of 11.0.

**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 rental income 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, 1191, 1202 and 1203 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 20.0% appropriate considering the vacancy evidence provided?**

**Should the subject property's bachelor suite rental value change based on equity comparable properties?**

**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 provided a vacancy study of the subject property showing 47.6% vacancy with 30 suites out of 63 remaining vacant with an unreported date that was said to be near the valuation date (June-July).
16. The Complainant reviewed a vacancy study of properties it reported as comparable. There were a reported 203 vacant suites from a total of 724 suites to calculate a vacancy of 28.0%.
17. The Complainant explained that the subject property bachelor suite and two-bedroom incomes are not equitable to similar buildings in the same area. The Complainant provided four equity comparable properties within evidence with each repeated in the rebuttal disclosure.
18. 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 18.0% vacancy allowance versus the 20.0% assessed.

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**Position of the Respondent**

19. The Respondent reviewed the subject property including street level and aerial photographs depicting the existing condition and location in the stratification of South East, which was described as anything south of the river, north of 55<sup>th</sup> street and east of 40<sup>th</sup> Avenue within the municipal boundaries.
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 5, has a suite count greater than 23, and is in the South East 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 17 comparable properties to derive its vacancy allowance of 15.0%. However, 20.0% was applied in error. No request was made to correct the error.
23. The Respondent explained that the revenue attributed to the assessment of multi-family residential properties is based on actual reported income for each property arguing that it has treated each property in an equitable manner.
24. In summation, the Respondent reviewed its concerns and explained some information on vacancy allowances. The Respondent requested that the assessment remain unchanged at \$8,245,200.

**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 convinced that the argument put forward by the Complainant in rebuttal was sound and did not place any weight on this evidence.
28. The Board considered all the vacancy evidence and finds that sufficient data exists to stratify South Central high-rise buildings on its own and that by including it with the 13 South East low-rise buildings of similar quality that it has altered the assessment of the South East stratification to the detriment of the taxpayers involved. 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 18.0%.

29. The Board finds that for assessment purposes using the income approach the Respondent has used actual rent averages rather than a typical rental income for the quality stratification. The mixing of actual and typical values in the creation of an assessment is not an appropriate practice. For assessment of special properties, such as hotels, actual income is an acceptable methodology. However, for residential income producing properties all parameters; rental rates, vacancy, gross income multiplier must be derived using typical comparable properties.
30. The Board finds that the equity argument presented by the Complainant is sound and applies the bachelor suite income requested of \$9,000 and the two-bedroom income requested of \$14,100.

**DECISION SUMMARY**

31. The complaint regarding vacancy allowance of the subject property is not accepted. The complaint regarding the equitable treatment of rental income is accepted. The overall assessment value changed to \$7,471,200.
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.

  
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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.13	– Complainant Disclosure (172 pages)
3.	R.9	– Respondent Disclosure (54 pages)
4.	C.14	– Complainant Rebuttal Disclosure (28 pages)