

**CALGARY
COMPOSITE ASSESSMENT REVIEW BOARD (CARB)
DECISION WITH REASONS**

In the matter of the complaint against the Property assessment as provided by the *Municipal Government Act*, Chapter M-26, Section 460(4).

between:

Colliers International Realty Advisors, COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

J. Fleming, PRESIDING OFFICER

D. Cochrane, MEMBER

K. Kelly, MEMBER

This is a complaint to the Calgary Assessment Review Board in respect of Property assessment prepared by the Assessor of The City of Calgary and entered in the 2010 Assessment Roll as follows:

ROLL NUMBER: 067128603

LOCATION ADDRESS: 725 12th Ave. SW

HEARING NUMBER: 57462

ASSESSMENT: \$14,500,000

This complaint was heard on the 15th day of November, 2010 at the office of the Assessment Review Board located at Floor Number 3, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 11.

Appeared on behalf of the Complainant:

- *M. Uhryn, for the Complainant*

Appeared on behalf of the Respondent:

- *J. Toogood; City of Calgary for Respondent*

Board's Decision in Respect of Procedural or Jurisdictional Matters:

There were no procedural or administrative matters raised.

Property Description:

The property under complaint is a fee simple highrise apartment with associated parking and 750 square feet of main floor office space (the office is not under appeal) built in 1969. The property contains 97 suites (84 1 Bedroom, and 13 2 Bedroom) and is located in the Beltline area. The property is valued on the Income Approach to Value using the Gross Income Multiplier (GIM) method.

Issues:

An attachment to the Complaint form identified 11 grounds but the Complainant reduced those to 6 at the hearing (Numbers 1, 2, 3, 4, 7 & 9 on the attachment to the complaint form). The actual issues argued by the Complainant may be summarized as;

1. What is the appropriate method of valuation for the subject property?
2. What are the best attributes to be used based on the method of valuation selected?
3. Are the actual rents a better representation of suite market value than the typical rents used by the Respondent?

Complainant's Requested Value:

\$12,070,000

Board's Decision in Respect of Each Matter or Issue:

1. There is insufficient support for the Capitalized Income Approach to Value (IAV) to be accepted as the best method of valuation.
2. The Gross Income Multiplier used by the City is the best supported approach for valuation.
3. The typical rents used by the Respondent should be used to determine market value.

Board's Decision:

The complaint is denied and the assessment is confirmed at \$14,500,000

REASONS:

Both parties provided similar comparable sales; 5 of the 6 comparable sales provided by the Complainant (Doc 1C pg 13) were the same as 5 of the 6 sales provided by the Respondent (Doc

1R pg 25). Both parties excluded sales which were outside the market zone and these were not included in the figures noted above.

Both parties attributed the difference between the calculations resulting from an analysis of the comparables to the treatment of commercial and parking income and the difference between actual and "typical" income. The Complainant used actual and stabilized data provided by third party reporting agencies and from Colliers files. The Respondent used "typical" rents and vacancies at the time of sale and actual sales prices. The Respondent considers "only" suite revenue in calculating Effective Gross Income, but divides it into the total sale price to develop their GIM. The Respondent recognizes that parking, laundry and other miscellaneous revenue is NOT included in its income but presumably would be reflected by a purchaser in the sales price. They argue however that because they have a consistent method, they adequately capture the proper value within their GIM and apply it to all similar properties. Thus each party used their own calculations resulting from the common sales to arrive at different numbers that they argued supported their case. Principally, the Complainant arrived at a GIM of 11.50 and the Respondent arrived at a GIM of 13.0. As noted earlier, both parties acknowledge that the difference relates primarily to treatment of additional income. The Complainant includes additional income which will result in a "lower" GIM than the Respondent who excludes such income.

The Complainant also provided a rent roll for the subject property as of July 1st 2009 and he argued that this rent roll supported rents of \$935.00 per month for the 1 Bedrooms (as opposed to \$975.00 typical used by the Respondent) and \$1,200 per month for the 2 Bedrooms (as opposed to \$1,150.00 typical used by the Respondent).

The Complainant argued that the sales provided enough data to apply an Income Approach to Value (IAV) by using the Median Capitalization Rate and Expense Ratio from the applicable Comparable Sales (Doc 1C pg. 13). In their Capitalized IAV analysis they used the average actual apartment rents noted in the previous paragraph and the "typical" vacancy rates. This resulted in the requested value of \$12,070,000 (Doc 1C pg 29). The Complainant further noted that the actual expense ratio for the property was 45% but they were using the median expense ratio for the valuation.

The Complainant also indicated that using their median calculated GIM of 11.50 and the Complainant's average actual rents and the Respondent's typical vacancy rate would also yield an acceptable but slightly higher value than the Capitalized IAV.

The CARB considered all the evidence and argument. There was some argument throughout the hearing with respect to the role that commercial income might play in the calculations. To isolate this effect, the CARB attempted to identify 3 of the common sales comparables which had no commercial space identified by either party. The Complainants comparables B, C, and D were selected. In all cases the Respondent's Effective Gross Income (EGI) was roughly 90% of the income reflected in the Complainants data. In general, the CARB thus concluded that it was inappropriate in the Capitalized IAV to use typical "suites only" rental income where all the other attributes had been derived from total actual income and then apply the attributes to the typical suites only rental income. This was mixing methods and not consistent with good valuation practice.

With respect to the subject property, in this complaint the Complainant had used average actual suite rents which he argued were actually lower than the typical rents. An analysis of the rent roll showed that base rents differed from apartment to apartment. For example, the Rent roll (Doc 1C pgs 32 – 46) showed 1 Bedrooms with rents from \$915.00 to \$975.00 per month and the totals

showed "actual" versus "potential" gross income. In addition, the CARB observed that the rent roll was only a 1 month snapshot, and did not necessarily reflect the entire year. As a result of the variances observed in the data from the Complainant, the CARB concluded that the average rents were not a reliable basis for calculations in the Capitalized IAV.

With respect to the balance of the attributes, the expense ratio was not demonstrated to be typical and reflected properties with an unaccounted for very wide range (from 27.56% to 41.10%) Likewise with the capitalization rate, it too was developed based on reported/actual income and then applied to typical rents and vacancy, an inconsistent mixing of methods. Accordingly, because the Capitalized IAV was based on numbers that were not developed with a consistent methodology, the CARB found that Capitalized IAV was not a dependable (well enough supported) method of valuation in this case.

Turning to the GIM method of Valuation, the CARB found that the Complainant was asking that a GIM derived from total actual income be applied to typical suite only rental income which were lower. The CARB concluded that this was not consistent methodology and noted that had the GIM been derived based on the lower "typical" income, it would have supported the Respondent's valuation in the case of the subject.

The CARB reviewed the methodology and explanations of the Respondent in arriving at a GIM based on comparable sales (Doc 1R pg 25) and concluded that the GIM's were derived based on common and consistent calculations and assumptions (typical rents and vacancy rates both at the time of the sale applied to the sale price). As well, the GIM was applied to the subject in a consistent manner using the same type of calculation (typical rates and typical vacancy).

Finally, the CARB notes that the Respondent included Assessment to Sales Ratios (ASR's) for its Comparable sales, and these ASR's supported the assessment of the Comparables demonstrating that the methodology applied produced an equitable assessment. Accordingly, the assessment is confirmed as noted above.

DATED AT THE CITY OF CALGARY THIS 30 DAY OF NOVEMBER 2010.


James Fleming
Presiding Officer

APPENDIX "A"

DOCUMENTS RECEIVED AND CONSIDERED BY THE CARB

No.	Item
1.	Document 1C Complainant's Brief
2.	Document 1R Respondent's Brief

An appeal may be made to the Court of Queen's Bench on a question of law or jurisdiction with respect to a decision of an assessment review board.

Any of the following may appeal the decision of an assessment review board:

- (a) the complainant;*
- (b) an assessed person, other than the complainant, who is affected by the decision;*
- (c) the municipality, if the decision being appealed relates to property that is within the boundaries of that municipality;*
- (d) the assessor for a municipality referred to in clause (c).*

An application for leave to appeal must be filed with the Court of Queen's Bench within 30 days after the persons notified of the hearing receive the decision, and notice of the application for leave to appeal must be given to

- (a) the assessment review board, and*
- (b) any other persons as the judge directs.*