

**COMPOSITE  
ASSESSMENT REVIEW BOARD  
DECISION WITH REASONS**

In the matter of the complaint against the Property assessment as provided by the *Municipal Government Act*, Chapter M-26.1, Section 460(4).

**between:**

***Altus Group Ltd., COMPLAINANT***

**and**

***The City Of Calgary, RESPONDENT***

**before:**

***C. Griffin, PRESIDING OFFICER***

***D. Julien, MEMBER***

***J. Mathias, MEMBER***

This is a complaint to the Composite Assessment Review Board (CARB) 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: 083026807 / 086156619 / 104142617**

**LOCATION ADDRESS: 5337 – 26 Avenue SW / 22 Glenway Place SW / 5334 Lakeview Drive SW Respectively**

**HEARING NUMBER: 58860 / 58863 / 58912**

**ASSESSMENT: \$27,820,000. / \$13,090,000. / \$14,190,000. Respectively**

This complaint was heard on 8<sup>th</sup> day of November, 2010 at the office of the Assessment Review Board located at Floor Number 3, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 9.

Appeared on behalf of the Complainant:

- J. Weber

Appeared on behalf of the Respondent:

- E. Currie
- D. Lidgren

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

The three (3) properties that constitute the subject of this complaint all share the same issues and it was requested by both parties that these be heard jointly. The CARB concurred, but reserved the right to issue separate written decisions should they so choose.

The Assessor has revised the assessments for these properties and puts forth these revised assessments as a recommendation. The revisions to the original assessments stem from a reduction in the applied typical rental rates utilized in the preparation of the assessed values of the properties. The revised and recommended assessments are as follows:

Roll # 083026807	\$25,897,000.
Roll # 086156619	\$12,110,000.
Roll # 104142617	\$13,420,000.

After considering these recommendations the Complainant did not accept same and requested that the Hearing proceed.

**Property Description:**

Roll number 083026807 refers to a 181 suite, 3 storey, walk-up style sub-urban apartment building that was originally constructed in 1977. The project contains 53 one bedroom suites and 128 two bedroom suites.

Roll number 086156619 refers to an 87 suite, 2.5 storey, walk-up style sub-urban apartment building that was originally constructed in 1970. This project contains 44 one bedroom suites and 42 two bedroom suites.

Roll number 104142617 refers to a 90 suite, 2.5 storey, walk-up style sub-urban apartment building that was originally constructed in 1970. The project contains 2 bachelor suites, 10 one bedroom suites, 66 two bedroom suites and 12 three bedroom suites.

**Issues:**

While there are a number of inter-related grounds for complaint identified on the complaint form, at the Hearing the Complainant confirmed, as identified on page 3 of Exhibit C-1, that there are only two issues to be argued before the CARB and they are:

1. The subject assessed rents are in excess of market rent and
2. The vacancy rate applied by the Assessor is not indicative of market vacancy.

**Complainant's Requested Value:**

The Complainant's requested assessments are as follows:

Roll # 083026807	requested value \$19,760,000.
Roll # 086156619	requested value \$ 9,640,000.
Roll # 104142617	requested value \$ 11,060,000.

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

It is the contention of the Complainant that the revised rental rates suggested by the Assessor, while close to those being proposed by the Complainant, require further reductions to reflect the rent inducements offered by the property owner to compensate for weak market conditions as they related to the rental market in Calgary as at the Date of Value. It is further contended by the Complainant that the applied vacancy rate of 2% is not appropriate and that a vacancy rate of 5% is more reflective of market conditions as at the Date of Value. In support of their rental inducement argument, the Complainant introduced (Exhibit C-1[Roll # 083026807] pgs 17 - 30)

a summary of rental inducements offered by the property owner for one year leases for all of their Calgary properties, including the subject properties. It should be noted that the owner of the subject properties is the largest residential apartment landlord in the City and indeed in the entire country. These lease inducements typically range from \$100/month to \$200/month rental reductions granted upon the signing of a one year lease for a one bedroom apartment or a two bedroom apartment respectively. The Complainant further introduced (Exhibit C-1[same] pgs 34 - 35) extracts from the *Alberta Assessors' Association Valuation Guide* which, under the heading *Determining Market Rents as of the Valuation Date* states "For most tenants the best source of market rent information is the rent roll. Using these rent rolls, the best evidence of "market" rents are (in order of descending importance): Actual leases signed on or around the valuation date." Further, under the heading *Rent Adjustments - Inducements* this same source states "Inducements must be considered when establishing the appropriate market rent for the space. The value of the inducement spread out over a reasonable term should be deducted from the base rent." The Complainant also introduced (Exhibit C-1 [same] pg 45) a definition of *Common Net Effective Rent* as prepared and approved by the *Real Property Association of Canada* (RealPac) and the *Appraisal Institute of Canada* (AIC) which states "Common Net Effective Rent is the true Rent related to a certain lease transaction, based on the present value using the common discount rate, of all Rent receivable by a Landlord over the initial fixed term, less the present value of all tenant inducements, free rent periods and commissions payable, with such remainder present value then amortised over the fixed initial term."

In support of their request for a higher vacancy rate (5%) as opposed to the applied vacancy rate (2%), the Complainant introduced (Exhibit C-1 [same] pgs109 – 111) a vacancy study compiled by the property owner for both Calgary – southwest and Calgary – city wide, both of which support the requested 5%. Additionally, the Complainant provided on pages 113 through 143 the *CMHC Rental Market Report, Calgary CMA Fall 2009* which indicates that the apartment vacancy rate rose 3.2 percentage points from 2.1% in October 2008 to 5.3% in October 2009.

The Respondent reiterated to the CARB that the revised and recommended assessments stemmed from their further review of the *Assessment Request For Information* (ARFI) sheets for the subject properties, which they suggest makes no mention of the rent inducements. It was further suggested by the Respondent that it was unfair of the property owner to provide information to their tax agent that had not been supplied to the Assessor. The Respondent also pointed out that the ARFIs submitted to the Assessor by the property owner shows that not all of the reported, germane leases had been provided by the Complainant and that explained why the Assessor's recommended rents are somewhat higher than the rents suggested by the Complainant. In support of their applied 2% vacancy rate, the Respondent introduced (Exhibit R-1 [Roll # 104142617] pg 39) a copy of the *2010 Roll Year Multi-Residential Low Rise Vacancy Survey* as prepared by the City of Calgary. It is the contention of the Respondent that the aforementioned vacancy survey is more reliable than the CMHC vacancy study because the city report relates to low rise developments only. The said vacancy report indicates a Median Vacancy rate of 2%, relates to 515 suites with 11.59 suites vacant and a weighted vacancy of 2.25%.

The CARB finds the ARFIs contained in the Respondent's evidence to be more complete than those contained in the evidence of the Complainant and, as a result is of the judgment that the revised rents, as applied by the Assessor in deriving the revised assessments for the subject properties, are the more reliable base rents. The CARB is convinced by the evidence of the Complainant that the rent inducements do indeed need to be accounted for as is clearly pointed out in the *Alberta Assessors' Association Valuation Guide*. As a result of the foregoing it is the

judgment of the CARB that the typical rents to be applied to the subject properties should be those recommended by the Assessor less the inducements of \$100/month for one bedroom suites and \$200/month for the two bedroom suites.

Insofar as the vacancy issue is concerned, the CARB notes that the Low Rise Vacancy Study introduced in the evidence of the Respondent is flawed in that the suite counts are not accurate. For example the said study refers to 5337 – 26 Ave. SW, one of the subject properties, as having only 30 units as opposed to the 181 actual units. Similar significant errors are also noted for the property located at 5334 Lakeview Dr. (45 reported vs. 90 actual), 22 Glenway Place (47 reported vs. 87 actual) and 5320 Lakeview Dr. (54 reported vs. 120 actual). In that the Respondent was unable to explain these discrepancies, the CARB finds the entire study to be unreliable and of little value in determining the correct values for the subject properties.

**Board's Decision:**

The assessments are **reduced** as follows:

Roll # 083026807 assessed value \$ 22,830,000.

Roll # 086156619 assessed value \$ 10,680,000.

Roll # 104142617 assessed value \$ 11,910,000.

DATED AT THE CITY OF CALGARY THIS 22<sup>nd</sup> DAY OF NOVEMBER 2010.

  
C. J. GRIFFIN

Presiding Officer

*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.*