CALGARY
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, Section 460, Revised Statutes of Alberta 2000 (the Act).

between:

Boardwalk REIT Properties Holdings (Alberta) Ltd., as represented by Altus Group Limited, COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

S. Barry, PRESIDING OFFICER
K. Farn, MEMBER
J. Mathias, MEMBER

This is a complaint to the Composite Assessment Review Board (CARB) in respect of a property assessment prepared by the Assessor of The City of Calgary and entered in the 2011 Assessment Roll as follows:

ROLL NUMBER:	**043074012**
LOCATION ADDRESS:	**2010 Ulster Rd N.W. Calgary, AB**
HEARING NUMBER:	**62110**
ASSESSMENT:	**$34,260,000**

This complaint was heard on the 4th day of October, 2011 at the office of the Assessment Review Board located at Floor Number 4, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 1.

Appeared on behalf of the Complainant:

- *J. Weber, Altus Group Limited*

Appeared on behalf of the Respondent:

- *B. Brocklebank*, City of Calgary
- *S. Cook, City of Calgary*
- *S. Poon, City of Calgary*

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

There were no Procedural or Jurisdictional Matters raised at the hearing.

Property Description:

The property under complaint is a suburban, 17 storey, high-rise, multi-residential development containing a total of 202 suites of which 136 are 1-bedroom units and 66 are 2-bedroom units. The development is located in the University Heights community within Market Area 6. It has 5 per cent vacancy and is assessed using the Income Approach employing a Gross Income Multiplier (GIM) of 12. The 1-bedroom units are assessed at $1,150 per unit and the 2-bedoom units are assessed at $1,425 per unit.

Issues:

1. Do the Respondent's assessed rents represent the correct market value for the property?

2. Should the Effective Gross Income (EGI) be reduced by an allowance for Tenant Inducements before the application of the GIM in order to achieve the correct market value for the property?

Complainant's Requested Value: The requested assessment on the Complaint Form was $27,500,000. This request was revised in the Complainant's Disclosure document to $32,057,760.

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

1. The Complainant argued that, for assessment purposes, the correct rent for the 1-bedroom units in the property is $1,100 and the correct rent for the 2-bedroom units is $1,350. In support of this argument, the Complainant provided a rent roll dated July 1, 2010 which lists all of the leases and highlights 35 of the 1-bedroom and 19 of the 2-bedroom units as current. For both types of units the current leases run from January 1, 2010 to July 1, 2010, the valuation date. These samples represent 26% of the 1-bedroom units and 29% of the 2-

bedroom units. The current leases demonstrate a median rental rate of $1,099 and $1,359 respectively. In support of the rental rate period chosen for this sample, the Complainant refers to the Alberta Assessors' Association Valuation Guide, Valuation Parameters (February 1999) (AAAVG) which states, as paraphrased from section 3, p.45, that current market rent is best determined from the rent roll using actual leases signed on or around the valuation date.

The Respondent argued that typical rents are appropriate for assessment purposes and are derived from the annual Assessment Request for Information (ARFI) process. However, no ARFI's were produced to support the Respondent's contention that the rents applied to the subject are typical. The Respondent did provide an undated rent roll which did not appear to contain any leases negotiated after April 1, 2010. The Respondent also provided an extract from the Owner's website which the Board did not find compelling. There was no evidence to show that this website page, printed on September 13, 2011, reflected rents that were actually being achieved on the valuation date.

The Respondent stated that the income for a whole year should be considered as noted in their own extracts of this same publication but particular to Apartment/Multi-Residential (September 1998). In fact, the Respondent included in its Disclosure package R1, some 39 pages of that document. The Board noted that the process starts with the collection and analysis of actual monthly income which forms the basis for all other calculations including the development of typical rents, resulting in typical potential gross income, etc. The Board noted, however, that the process is not the issue; the issue is the result and whether or not the "typical" results demonstrate an equitable basis for determining the market value of the subject. The Respondent's evidence does not demonstrate that. The Complainant contended that there is no difference between the Respondent's approach and his, in that he has applied the derived current rent into an annualized amount that becomes a potential gross income to which vacancy rates and GIM are applied. When those results are compared with the Respondent's results, he stated, there is a clear inequity.

With respect to the first issue, the Board noted that the development is sufficiently large to create its own market and, in any event, the Complainant demonstrated the requested rents represent a better indication of market value on July 1, 2010 and the Board revised the assessment accordingly.

2. It was the Respondent's position that there are no adjustments in their assessment formula for rent/tenant inducements and that these are never considered in calculating the assessment.

In support of his request to adjust the EGI for tenant inducements, the Complainant again referenced the AAAVG, specifically p.46, which clearly directs that such inducements should be deducted from the base rent unless the inducement adds value to the real estate. In the residential tenancies before the Board, that was not the case – the inducements were clearly described as a monthly reduction in rent in exchange for entering into leases of specific periods. The Complainant further supported his request by reference to CARB decision 2298/2010-P which dealt with the same issue affecting a 240 unit, two storey townhouse. That Board concurred with the Complainant's position.

This Board concurs with the Complainant's position from a theoretical point of view but in

this instance decided not to apply the requested deduction of $49,700 because of the insufficiency of the supporting documentation. The table of incentives provided by the Complainant lists specific suite numbers where inducements have been applied. Except for a move-in bonus, they have been annualized. The incentives listed span a range from July 1, 2009 to August 1, 2010: some are *post facto* of the valuation date of July 1, 2010 and some reflect two separate inducements being applied to the same unit within a 12 month period yet both are annualized. It is not the Board's responsibility to attempt to decipher which of these are appropriate or which may represent duplication and in which amount. The Complainant should be prepared to provide a clear and comprehensible analysis of the incentives to show the actual incentives that were applied to the units for specific terms and not duplicated. In the absence of that evidence, the request is denied.

The assessment, therefore, will only be reduced to reflect the requested rental rates of $1,100 for 1-bedroom units and $1,350 for 2-bedroom units.

Board's Decision:

The 2011 Assessment is revised to $32,650,000.

DATED AT THE CITY OF CALGARY THIS 27 **DAY OF** October **2011.**

S. Barry, Presiding Officer

APPENDIX "A"

DOCUMENTS PRESENTED AT THE HEARING AND CONSIDERED BY THE BOARD:

NO.	ITEM
1. C1	Complainant's Disclosure
2. R1	Respondent's Disclosure

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.