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:

Vista Group Inc., as represented by Colliers International, COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

S. Barry, PRESIDING OFFICER
J. Mathias, MEMBER
J. Pratt, 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:	**067042903**
LOCATION ADDRESS:	**912 6 AV S.W.** **Calgary, AB**
HEARING NUMBER:	**61384**
ASSESSMENT:	**$25,240,000**

This complaint was heard on 24th day of October, 2011 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:

- *M. Uhryn, Colliers International*

Appeared on behalf of the Respondent:

- *D. Lidgren, 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 21 story, multi-family residential building constructed in 1969. It is located in the Downtown Commercial Core on an 18,614 square foot (sq.ft.) parcel. It contains a total of 151 units: 75 1-bedroom and 76 2-bedroom units that are assessed at $975 and $1,200 per unit respectively. The residential assessment represents 96 per cent of the total assessment. There is also a commercial retail component of 700 sq.ft. assessed at $275 per sq.ft. and a 3,500 sq.ft. office component assessed at $200 per sq.ft. These non-residential components equate to 4 per cent of the total assessment. There are 147 parking stalls. The property is assessed using the Income Approach to value using, on the residential component, a Gross Income Multiplier (GIM) of 13.

Issues:

There is no issue with respect to rental rates of either the residential or non-residential space or the vacancy rate of 5.0 per cent.

The Complainant contends that the fair market value of the property is best derived using a GIM of 12.3.

Complainant's Requested Value: The request on the Complaint Form was $21,000,000. The request was revised on the Complainant's Disclosure document to $23,930,000.

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

Both the Complainant and the Respondent submitted a Highrise GIM study or analysis. The Respondent's study was comprised of five sales, all of which were part of the Complainant's study which had seven sales. There was discussion about various components of the study but the crux of the argument rested on the differences in methodology specifically related to the inclusion or exclusion of parking income in deriving the GIM. There was also a difference in the way commercial value was treated by the parties. Both parties agreed that the typical rents relative to the suite mix should be used to calculate the potential gross income (PGI) and then

the typical vacancy rate for the year of sale should be applied to obtain the typical effective gross income (EGI) for the year of sale. The parties agreed on the rate for the relevant years for the common comparables. They likewise agreed on the dates of the sales and, with one minor exception, on the sales price. At this point, the Parties parted way on methodology.

It was the Complainant's contention that, because the City does not include income from parking when it develops a multi-residential assessment using the income approach, then the income from parking should be deducted from the actual sales price. Dividing this then-adjusted sales price by the EGI would result, in the Complainant's opinion, in a GIM that equates to an assessment that does not include parking income. In the case of these comparables, the Complainant applied a rate of $15,000 per stall. For the purposes of this decision, the number of stalls or the calculation of the presumed rent is not material.

The Respondent does not deduct any calculation for parking income because, he said, the parking income has value, just as the rents, both residential and commercial, have value and they are reflected in the sale price. If the income attributed to parking is deducted from the sale price for the purpose of calculating the residential GIM then it must be added to the income on the assessment side of the ledger.

The different methodologies used result in two different typical GIMs. The Respondent achieved a median GIM of 13.03 and the Complainant's approach resulted in a median GIM of 12.3. When applied to the subject property, the difference in assessment, in the Complainant's favour, is $1.3 million.

The Board agreed with the Respondent. The goal of the assessment process, according to the Act and the Regulations, specifically s.6(1) of *Matters Relating to Assessment and Taxation Regulation AR 220/2004* (M.R.A.T.) is to prepare an assessment that reflects the market value of both the land and the improvements. In employing the income approach, the assessor cannot exclude part of the income stream from the sale price of a property. Whether the parking is provided at no or little cost, to the residential or commercial tenants as a benefit or inducement, or whether it is marketed to the public, it forms part of the revenue stream and is therefore part of the consideration in the sale price of the property. In theory, it would be clearer if parking rents could be dealt with as a separate income stream in the assessment. However, the assessor is also required, pursuant to s.2 of M.R.A.T. to prepare the assessment using mass appraisal. Given the permutations and combinations of parking situations and the rents that pertain, it would, in the Board's opinion, be most difficult, and likely inequitable, to create "typical" rates for all the various multi-residential properties.

The Board noted, however, that because the Respondent is trying to achieve a residential GIM it does reduce the actual sale price by the assessed value of the commercial component, which has different assessment rates calculated on a per square foot basis, and divided that calculation by the EGI to obtain the residential GIM which was then applied to the EGI to obtain the current assessment. The Complainant did not appear to deal with the commercial component in his analysis.

The Board does not accept the Complainant's methodology and thus the Complaint fails.

Board's Decision:

The 2011 assessment is confirmed at $25,240,000. The Residential/Non-Residential assessment split is confirmed at 96 and 4 per cent respectively.

DATED AT THE CITY OF CALGARY THIS 2 DAY OF November 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.