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Complaint ID 0262 1471  
Roll No. 30000830435

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COMPOSITE ASSESSMENT REVIEW BOARD DECISION  
HEARING DATE: August 05, 2021

PRESIDING OFFICER: B. Johnston  
BOARD MEMBER: M. Chalack  
BOARD MEMBER: R. Irwin

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BETWEEN:

2293917 ALBERTA LTD.

Complainant

-and-

REVENUE & ASSESSMENT SERVICES  
For 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 an Assessor of the City of Red Deer as follows:

ROLL NUMBER: 30000830435  
MUNICIPAL ADDRESS: 5515 - 41 Street, Red Deer, AB.  
ASSESSMENT AMOUNT: \$744,100

The complaint was heard by the Composite Assessment Review Board on the 5<sup>th</sup> day of August 2021, via Video Conference within the province of Alberta.

Appeared on behalf of the Complainant: Chris Forgues, Director & Property Owner  
Appeared on behalf of the Respondent: Steve Beveridge, Senior Assessor, City of Red Deer  
Jason Miller, Deputy City Assessor, City of Red Deer

**DECISION:** The assessed value of the subject property is varied to \$614,800.

**JURISDICTION**

- [1] 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”].

**PROPERTY DESCRIPTION AND BACKGROUND**

- [2] The subject property is a six suite apartment building classed as a multiplex by the City of Red Deer. The property is in the south-east area of the City and is assessed using the income approach. A quality rating of three in a scale of two to six with two being low and six being high is assigned. The building was constructed in 1977 and was used for accessible housing previously.

**PRELIMINARY MATTERS**

- [3] The Presiding Officer confirmed that no Board Member raised any conflicts of interest with regard to matters before them.
- [4] Neither party raised any objection to the panel hearing the complaint.
- [5] No additional preliminary or procedural matters were raised by any party. Both parties indicated that they were prepared to proceed with the complaint.

**POSITION OF THE PARTIES****Position of the Complainant**

- [6] The Complainant presented evidence that the subject property was listed for sale for \$600,000 on September 1, 2020 and purchased on September 25, 2020 for \$570,000. The property required substantial renovation prior to being able to be rented.
- [7] Evidence of an engineers signed, and stamped report was presented in evidence. This report indicated that the property required both mandatory and recommended needs totaling between \$119,000 and \$139,500. In his presentation the Complainant stated that it was recommended by a tradesman that the boiler, with a cost of between \$35,000 and \$40,000 did not need to be replaced.
- [8] An appraisal prepared by Colliers International on November 2, 2020 was also presented in evidence. This appraisal, prepared for the Bank of Montreal for mortgage financing estimated the leased fee interest in the property at \$580,000.
- [9] The Complainant presented evidence that the cost of repairs/upgrades conducted on the subject property during the period from November 27, 2020 to May 2021 totaled \$63,525.38. Of this amount \$16,626.58 was spent in 2020 and the balance of \$46,898.80 was spent in 2021.
- [10] A sales brochure presented in evidence by the Complainant showed that the subject property had a 27 percent vacancy based on revenue in the year 2019. Further evidence was presented that the vacancy in the subject property was 67 percent at the time of acceptance of the offer to purchase and 83 percent at the time of closing. The vacancy did not change until February 2021 when one additional suite was rented mid month. On June 30, 2021, all suites were rented.

**Position of the Respondent**

- [11] The Respondent presented the position that the assessment had been prepared using the income approach based on typical market rents and typical vacancy rates as directed in mass appraisal valuation practice. The Respondent stated the Municipal Government Act and the Matter Relating to Assessment and Taxation Regulation mandate the use of mass appraisal valuation practices in determining the assessed value of any property.
- [12] The Respondent requested that the assessment for the subject property be varied to \$697,200. This amount was calculated by reducing the assessed value by what was defined as the cost to cure, or the amount expended by the Complainant in the year 2021 to repair/upgrade the subject property. The cost to cure was \$46,878.90, or \$46,900.00 rounded.
- [13] The Respondent presented the analysis used to determine the typical values which were used to calculate the assessment of the subject property. The subject is assessed on a city wide basis with properties having three or more units that are typically one or two storied and are of the same quality (three). This stratification includes four-plex units which are also assessed separately, and which are further broken down into two areas, north portion, and the south portion of the City.
- [14] The Respondent commented on the comparable properties contained in the appraisal report prepared by Colliers International. The Respondent contended that the properties used to determine the appraisal value of the properties one sale was post facto, one was a low-rise apartment which is in a different stratification and required substantial deferred maintenance and one was a higher quality than the subject. Of the comparable properties used in the appraisal only one was used by the Respondent in their analysis.
- [15] To demonstrate equity with the subject property, the Respondent presented the assessed value of the six-plex properties with quality three. The properties were built between 1977 and 2004. The properties contained a mixture of one, two and three bedroom units, none with the same arrangement as the subject. The assessed value per unit of the other six-plex properties varied from \$110,917 (two one bedroom and four two bedroom units) to \$133,383 (six three bedroom units). The subject was assessed at \$124,017 per unit.
- [16] The Respondent stated that market rents for quality three properties varied between \$800 and \$900 per month for two bedroom units and \$900 and \$1,000 for three bedroom units. The typical rents used by the Respondent were \$850 for two bedroom units and \$950 for three bedroom units.
- [17] The analysis to determine vacancy was presented. The calculated vacancy rate for quality three multi-plexes was 6.5 percent and the typical vacancy rate applied to all multi-plexes was 10 percent.
- [18] The Respondent presented information on the sale of thirteen properties, ten of which were four-plexes, two were three-plexes and one was a six-plex. The sales occurred between September 27, 2017 and March 12, 2020. The age of the properties ranged from 17 years to 70 years old. The sale price per unit was between \$103,333 and \$186,667 for the only quality five unit in the analysis. The maximum sale price per unit for quality three units was \$136,875 and that sale occurred in 2017. The median sale price for all units was \$125,000 per unit and the average was \$126,577.

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- [19] When the four-plexes are removed from the analysis there are two quality three properties and one quality five property remaining. The median sale price per unit was \$118,750 and the average was \$136,250.


#### **BOARD FINDINGS and DECISION**

- [20] The Board finds that the Respondent, in subtracting the amount that the Complainant spent on repairs/upgrades in 2021, the cost to cure, from the assessed value to establish the recommended assessment of \$697,200 is a strong indication that the subject property was not typical.
- [21] The Board further finds that the evidence presented that the subject property was listed for sale for \$600,000 and sold for \$570,000 indicates that the subject property was not typical.
- [22] The Board is persuaded by the evidence of the history of the vacancy of the subject property that it was not typical.
- [23] The appraisal, although conducted for the purpose of financing, is an indication that the subject property was not typical.
- [24] The Professional Engineer's report that shows that the property required between \$119,000 and \$136,500 of repairs/upgrades at the time of purchase is another indication that the subject property was not typical. The Board considered the Complainant's statement that the boiler did not need to be replaced. The Board finds that no evidence was provided to support that statement and therefore the Board placed less weight on that statement.
- [25] The Board recognizes that the information is post facto to the valuation date, the Board was persuaded that the condition of the subject property could not materially change between July 1, 2020 and the date of purchase and the date of the Professional Engineer's evaluation.
- [26] The Board reviewed the market comparable properties presented by the Respondent. When reviewing the three multi-plexes that sold, the Board notes that one of the comparable properties is a quality five property. Based on the evidence presented by the Respondent, a quality five property will generate higher rents which the Board is persuaded make that property not comparable to the subject. The two remaining comparable properties are 17 and 70 years old. The Board is persuaded that the age of these properties makes them not comparable to the subject property.
- [27] Based on the determination that the subject property is not typical as detailed above, the Board is persuaded that the value of the property on July 1 is the value of the property determined using the typical parameters less the cost to repair/upgrade the property to the condition of typical properties. The Board finds that the cost to repair/upgrade the subject property is the cost contained in the Professional Engineer's report. The Board therefore determines that the value of the property is the typical value of \$744,100 less the average of the cost of repairs/upgrades of \$129,250 resulting in an assessed value of \$614,800 truncated.

**DECISION SUMMARY**

[28] The Board finds that the Respondent values are varied to \$614,800.

[29] Dated at the Central Alberta Regional Assessment Review Board, in the city of Red Deer, in the Province of Alberta this 19<sup>th</sup> day of August, 2021 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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Bill Johnston  
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).*

**APPENDIX**

Documents presented at the Hearing and considered by the Board.

<u>NO.</u>	<u>ITEM</u>
1. A.1	Hearing Materials provided by Clerk (4 pages)
2. C.1	Complainant submission (163 pages)
3. R.1	Respondent submission (71 pages)