

**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(4).

between:

Linnell Taylor Assessment Strategies, COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

Steven C Kashuba, PRESIDING OFFICER

A. Wong, MEMBER

I. Zacharopoulos, 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 NUMBERS: 071134308 and 201220043

LOCATION ADDRESS: 2767 – 2 Avenue SE

HEARING NUMBER: 56215 and 56217

ASSESSMENT: \$9,470,000 (Taxable, Roll #071134308) and,
\$6,040,000 (Tax Exempt, Roll #201220043)

This complaint was heard on 31 day of August, 2010 by the Composite Assessment Review Board at the office of the Assessment Review Board located at Floor Number 3, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 12.

Appeared on behalf of the Complainant:

- *David Sheridan*

Appeared on behalf of the Respondent:

- *Christina Neal*

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

No procedural or jurisdictional matters brought forward.

Property Description:

The subject property is a two-storey suburban improvement building constructed in 1997 and currently occupied by two post-secondary school institutions. It is situated on the edge of the predominantly industrial warehouse district of SE Calgary known as Meridian Park. The total floor area is 69,630 square feet and the current assessment of the taxable portion of the building is \$9,470,000 while the assessment of the tax exempt portion of the building is \$6,040,000.

Issues:

1. Should a standard market office lease rate be applied to a building wherein the primary activity is educational in nature?

Complainant's Requested Value: \$7,170,000 for the taxable portion and \$4,570,000 for the tax exempt portion of the building.

Position of Complainant:

In support of their position that the subject property should be assessed at values per square foot lower than that which is applied to standard office space, the Complainant submitted building plans which show the allocation of floor space to computer labs, laptop-ready classrooms, electronics labs, classroom space, student services offices, faculty offices, and administrative offices. The building is occupied by the for-profit DeVry Institute of Technology while some of the space is sub-leased to Bow Valley College. The current lease was signed by DeVry Institute of Technology on June 15, 1998 with an end date of June 30, 3013.

It is the position of the Complainant that educational facilities in Calgary such as colleges and universities are typically assessed by using the Cost Approach. However, in this regard no specific rental data has been developed by the ABU, although a discount is applied in some circumstances as noted in Roll #058168402 (1-C, Appendix B).

As for educational institution comparables which utilize an income approach to value, the Complainant relies on assessment values as applied within the Calgary Montessori Lease, the Calgary Board of Education and the Calgary Roman Catholic School districts, the Jerry Potts School, and the Third Academy School as comparables (1-C, pages 6 – 8). The leases in these instances range in value from \$10 per square foot to \$14 per square foot while the subject property is assessed at \$20 per square foot.

In way of summary the Complainant requests a rate of \$20 per square foot for 16,799 square feet of office space, and \$14 per square foot for 52,831 square feet utilized for educational purposes. When these rates are applied in a Pro-Forma (1-C, page 8) with a vacancy rate allowance of 9%, and a capitalization rate of 7.5%, a requested assessment value of \$11,740,000 is attained.

Position of Respondent:

It is the position of the Respondent that the subject property is correctly valued as office space in NE Calgary at a market rate of \$20 per square foot, a standard vacancy rate allowance of 9%, and a capitalization rate of 7.5% (1-R, pages 17 – 18).

In support of their submission, the Respondent submitted the rent rates for thirteen suburban offices in SE Calgary (1-R, page 21) where the rent rates range from \$17.31 per square foot to \$27 per square foot with an average rate of \$24.49.

Board's Findings as Regards the Issue:

The board finds that the subject building is relatively new and constitutes suburban office space. Even though the floor space is currently demised into various educationally-related uses such as classroom space, computer rooms, and office space, the board concludes that the quality and the finish of the interior of the building both reflect the concept of suburban office space and, therefore, should be assessed as such.

Board's Decision:**Roll Number 0711344308, File Number 56215 (Taxable)**

It is the decision of the board to confirm the assessment of the subject property for 2010 at \$9,470,000.

Roll Number 201220043, File Number 56217 (Tax Exempt)


It is the decision of the board to confirm the assessment of the subject property for 2010 at \$6,040,000.

Reasons

The board is persuaded by the Respondent's argument that the subject property, even though much of it is used for educational purposes, constitutes office space and should be assessed as such. In other words, the portion of the building which is set aside for educational purposes is a *for profit* initiative and, in most respects, similar to any *for profit* commercial venture.

The board rejects the Complainant's contention that the property is unique in that it is occupied by DeVry Institute of Technology, which, although it is a *for profit* educational provider, should receive consideration in its lease rate per square foot because of its institutional use. As well, the board is not persuaded by the four rent comparables presented by the Complainant in that these exhibit characteristics dissimilar to those evident in the subject property.

DATED AT THE CITY OF CALGARY THIS 8 DAY OF September 2010.


Steven C. Kashuba,
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.*