

**CALGARY  
COMPOSITE ASSESSMENT REVIEW BOARD (CARB)  
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:**

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

**and**

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

**before:**

***P. Irwin, PRESIDING OFFICER***

***C. McEwen, MEMBER***

***D. Steele, MEMBER***

A hearing was convened on October 12<sup>th</sup>, 2010 in Boardroom 10 at the office of the Calgary Assessment Review Board, located at 1212 – 31 Avenue NE, Calgary, Alberta in respect of the Property assessment prepared by the assessor of the City of Calgary, and entered in the 2010 Assessment Roll as follows:

<b>ROLL NUMBER:</b>	<b>067188201</b>
<b>LOCATION ADDRESS:</b>	<b>880 16 AV SW</b>
<b>HEARING NUMBER:</b>	<b>58277</b>
<b>ASSESSMENT:</b>	<b>\$22,500,000</b>

**PART A: BACKGROUND AND DESCRIPTION OF PROPERTY UNDER COMPLAINT**

The subject property is a five storey brick and glass building known as Mount Royal Village, constructed circa 1978, and is located in the BL6 part of the Beltline Community. It has approximately 30,000 square feet (sf) of rentable space. The market value was determined by using the income approach to value.

**PART B: PROCEDURAL OR JURISDICTIONAL MATTERS**

There were no objections to the composition of the Board, nor were there any jurisdictional matters.

**PART C: MATTERS/ ISSUES**

The Complainant reviewed the objectives of his presentation to the hearing, namely: (i) to demonstrate an inequitable assessment of the subject property; (ii) to raise concerns that the assessment was not derived using mass appraisal; (iii) to demonstrate that the assessor attributed an improper classification to the subject; (iv) to demonstrate that the square footage is incorrect; (v) to provide a rental equity analysis of similar properties; and (vi) to suggest a fair, equitable assessment.

The Board summarizes the issues as follows:

1. Is the assessment of the subject property too high?
2. Is the square footage of the subject property too high?

The Complainant described the location of the subject property and its characteristics, and provided an abundance of photographs of the subject's interior spaces. He pointed out that the Mount Royal Village also has a large parking component, but on several separate roll numbers. He reviewed a table of information on the potential net income for the various types of space in the building (including office, restaurant, retail and storage), their square footages, their market net rental rates, and their total market rents. The requested rates are \$17 per sf for office space and \$28 per sf for retail main floor.

The Complainant provided a table showing the numbers for five comparables: (i) First Seventeenth Place; (ii) High Street House; (iii) Rockwood Square; (iv) Barclay Square; and (v) Mount Royal Place. These comparables were chosen because of similar vintage, all B class buildings, and proximity to the subject (either BL4 or BL6 location).

The Respondent provided a comprehensive package of information to the Board. It included photos, maps, Assessment Request for Information data, and website information on the subject, including reference to the retail opportunities at Mount Royal Village. Also included was a 2010 Local Assessment Review Board (LARB) decision confirming the business tax for unit 3L of the subject at \$32 per sf for retail space and a 2010 CARB decision on a Tomkin's Park (next door) complaint confirming the vacancy rate at 8.5%. The Respondent provided a 2010 Business Comparable Report showing rent rates ranging from \$23 per sf to \$34 per sf. Also provided was a 2010 Assessment Equity Comparable Report for five retail properties, all assessed at \$32 per sf. A 2010 Assessment Equity Comparable report for five office properties, all assessed at \$23 per sf. With respect to the Complainant's comparables, the Respondent's table highlighted some differences when compared to the subject, such as smaller square footages and much lower or zero percentage of retail space.

The Complainant also provided a Rebuttal package with more photos and information on comparables.

As part of the Respondent's Summary, a statement was made that the subject is an A+ building.

**Board's Findings and Reasons in Respect of Each Matter or Issue:****Issue #1**

With respect to the main floor space occupied by the real estate company ("Procura"), the Board finds that, as of December 31<sup>st</sup>, 2009, the characteristics, physical condition, and actual use of the space were office space and its prospects, in light of a history of unsuccessful retail attempts, would likely remain as office space and therefore the correct assessment of the space is as office, not retail. The assessable office space in BL6 therefore is increased by 5,388 sf and the retail space is commensurately reduced. For the sake of consistency, the correct assessment of the below-grade space actually used as office by ECM Group, Procura, and Imperial Parking (amounts to 5,573 sf) is as office, not retail. The Board put little weight on the marketing materials inviting prospective businesses to consider the space for retail endeavours, given past history over numerous years.

With respect to the office rate, the Board finds that the correct rate is \$20 per sf. The Complainant's comparables were all B quality buildings and the Board found no evidence that the subject was not also a B quality building. The Board finds the Complainant's comparables more compelling. The Highstreet House comparable (933 - 17 Av SW) put forward by the Complainant was regarded as the best comparable because of: its proximity to the subject (1.5 blocks away); similar construction (brick and glass); also several storeys in height; similar finish; and similar year of construction (1980). The Board also noted certain similarities between the subject and Mount Royal Place, also at \$20 per sf. By contrast, the Board did not find the Respondent's equity comparables as compelling. The Devenish (908 - 17 Av SW) is a designated historical resource, having been constructed in 1912, and is demised into much smaller units. The Tomkin's Park office comparables, while located next door, were in a dis-similar type of two-storey walk-up building, with no space below grade.

With respect to the rate for main floor retail space, the Board finds the correct rate is \$28 per sf. The Board finds the Complainant's comparables more compelling. Again, the Highstreet House comparable (\$28 per sf) was regarded as the best comparable, and the Rockwood (\$26 per sf) was also a good comparable. The Respondent's comparables were given less weight because of the differences in the buildings compared to the subject and recent renovations. The Board reviewed the Respondent's Lease Summary table but gave it little weight, as some of the leases were started in 2007 when there was a healthier marketplace.

Based on the above rationale, the Board finds the following, to enable a more fair and equitable valuation:

Office space in BL6: increased by 5,388 sf, to 45,317 sf; rate decreases to \$20/ sf  
Restaurant: remains at 4,455 sf; rate remains at \$36/ sf  
Retail space: decreased by 5,388 sf, to 10,243 sf; rate decreases to \$28/sf  
Retail space below grade: decrease by 5,573 sf, to 19,643 sf; rate remains at \$10/ sf  
Office below grade: increase from 0 sf, to 5,573 sf; \$10/ sf  
Retail space second floor: remains at 10,339 sf; rate remains at \$15/ sf  
Storage space: remains at 2,393 sf; rate remains at \$3/ sf.

With the revised square footages and the revised market net rental rates, the Board derived a new Potential Net Income of \$1,767,948. Applying the same rates for vacancy (8.5%), operating costs (\$12 per sf) and non-recoverables (2%), and capitalization (7.5%), the Board then derived a new

market value of \$19,805,293 (truncated to \$19,805,000).

Issue #2

The Complainant's presentation included a review of a Leasable Area Analysis table that had a list of tenants and the square footages that they were leasing. The Respondent's numbers totalled 97,963 sf, whereas the Complainant's numbers totalled 96,062 sf. As no further information was provided on the discrepancies, and the matter was not addressed in rebuttal, the Board accepts the Respondent's square footages as correct.

**PART D: FINAL DECISION(S)**

The Board reduces the 2010 assessment of the subject property to \$19,805,000.

DATED AT THE CITY OF CALGARY THIS 10 DAY OF NOVEMBER 2010.

  
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**P. Irwin**  
**Presiding Officer**

**APPENDIX "A" : ORAL REPRESENTATIONS**

**PERSON APPEARING**

**CAPACITY**

*Brock Ryan*  
*Emilia Borisenko*

*Altus Group Ltd., representing Mount Royal Properties Ltd.*  
*Assessor, City of Calgary*

**APPENDIX "B" : DOCUMENTS RECEIVED BY THE ASSESSMENT REVIEW BOARD**

Document C – 1	Complainant's Brief (considered)
Document C – 2	Complainant's Rebuttal (considered)
Document C – 3	Complainant's Photos of interior of subject (considered)
Document R – 1	Respondent's Brief (considered)

*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.*