

**CALGARY  
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:**

***Crabtree & Co. Inc. (as represented by Altus Group Limited), COMPLAINANT***

**and**

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

**before:**

***Board Chair, J. Zezulka  
Board Member, J. Massey  
Board Member, K. Farn***

This is a complaint to the Calgary Assessment Review Board in respect of a property assessment prepared by the Assessor of The City of Calgary and entered in the 2012 Assessment Roll as follows:

**ROLL NUMBER: 067088229**

**LOCATION ADDRESS: 1232 - 11 Avenue S.W.**

**HEARING NUMBER: 67899**

**ASSESSMENT: 1,990,000.00**

This complaint was heard on the 19 day of June, 2012 at the office of the Assessment Review Board located at Floor Number Four, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom Two.

Appeared on behalf of the Complainant:

- *D. Genereux*

Appeared on behalf of the Respondent:

- *M. Ryan*

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

- (1) There were no procedural or jurisdictional matters to be dealt with.

**Property Description:**

- (2) The subject is known as the Crabtree Building, which is a three storey office building located in the west portion of the Beltline district in south west Calgary. The building area has an assessed area of 11,038 s.f., of which 6,585 s.f. is office space, 2,395 s.f. is retail, and 2,058 s.f. is storage. The building is 34 ft. wide, by a depth of approximately 110 ft. . The improvement was built in 2002. The site size is 9,581 s.f.

**Issues:**

- (3) The premises are currently assessed using the income approach. For assessment purposes, the building is classified by the City as a class "A" office building. The Complainant does not dispute the valuation method. Following are the issues as presented.
1. The building does not meet the criteria of a class "A" building, and should be classified as a class "C" office building.
  2. The office rent ought to be \$12.00 per s.f., rather than the \$16.00 rate adopted by the City.
  3. The retail rent should be \$21.00 per s.f., rather than the \$28.00 rate adopted by the City.
  4. A capitalization rate of 8.25 per cent is more appropriate than the 7.25 per cent rate being applied.
  5. The assessment is not equitable with similar buildings
- There is no issue with the \$3.00 per s.f. storage space rate.  
There are no other issues.

**Complainant's Requested Value:** \$1,290,000

**Evidence**

- (4) The Board notes that the assessment has increased from \$1,860,000 in 2011 to the current level in 2012.

a. Building Classification

- (5) Correct classification of office buildings is fundamental to valuation for both assessment and appraisal purposes. Various appraisal and assessment manuals, as well as

costing manuals, have set out classification criteria over the years.

(6) Generally speaking, in Calgary, class "A" office buildings are located in the downtown core. They are generally of steel frame construction, are "plus 15" connected to adjacent buildings, have, among other things, elaborate, spacious lobbys and wide corridors, multiple elevators, state-of-the-art mechanical systems, well lit offices with good fenestration, underground parking, landscaped site areas, and a mix of tenant services. These buildings generally have over 100,000 s.f. of rentable area. According to the Marshal & Swift Valuation service, class "A" buildings have *"fireproofed structural steel frames with reinforced concrete or masonry floors and roofs"*. These types of buildings have high quality exterior finish of decorative steel or glass panels, brick, or similar material.

(7) By comparison, class "C" buildings *have masonry or concrete exterior walls, and wood or steel roof and floor structures, except for concrete slab on grade*. Class "D" buildings *have wood frame floor or roof structure. They may have a concrete floor on grade and other substitute materials, but are considered combustible construction*. These structures can be found in the downtown core, but are mainly located in the more suburban locations. They are generally smaller than class "A" or "B" buildings, and have fewer amenities. Parking is often surface parking.

(8) The Complainant presented a table of nine buildings in the Beltline area that are classified as "B" buildings. The median size of these buildings is 49,557 s.f. Exterior photographs of each building were presented. The photographs showed more elaborate architectural designs than the subject, landscaped site areas, and ample windows. Visually, at least, each of these appeared superior to the subject.

(9) The subject building is located in the west Beltline, well removed from the downtown core. There is no "plus 15" connection to nearby buildings. Parking is surface parking. The building is of wood frame construction with stucco exterior. There are no windows on the buildings west elevation. The main floor is occupied by a single retail tenant. The lobby for the office tenants consists of an unpretentious entry leading to a single elevator. The building's long narrow shape necessitates a long hallway on each of the upper floors.

#### b) Office Rent

(10) The Complainant presented two class "B" office buildings, in which the office space was assessed at a rental rate of \$13.00 per s.f. He also asserted that office space in class "C" buildings was assessed at \$12.00 per s.f.

(11) The Respondent presented the Assessment Request for Information sheets (ARFI) for the subject. The rents shown were \$28.00 and \$31.00 per s.f. However, one of the leases was signed in April, 2007, and expired in March, 2012. Another of the leases is month to month, with no lease contract, and the third lease contains extraneous provisions for the landlord to pay interior design fees, there are free base rent provisions for specified periods, credited base rent provisions, and extra payment provisions, none of which were adequately dealt with in the presentation. No other market evidence was presented by the Respondent.

#### c) Retail Rent

(12) The Complainant submitted two assessment comparables to show restaurant and retail

space being assessed at \$25.00 and \$21.00 per s.f. However, no actual market rents were entered into evidence.

(13) Except for the ARFI, no retail rent evidence was presented by the Respondent.

d )Capitalization Rate

(14) The two assessment comparables submitted by the Complainant showed a capitalization rate of 7.75 per cent for class "B" buildings. The Complainant maintained that class "A" buildings were applied a capitalization rate of 7.25 per cent, and class "AA" buildings were 6.75 per cent. Following this same type of progression, the Complainant reasons that the appropriate rate for a class "C" building should be 8.25 per cent. In his rebuttal submission, the Complainant presented a third party report summary that showed 2011 capitalization rates for class "B" and "C" buildings at 8.50 per cent, and 7.30 per cent to 9.25 per cent for class "B" buildings in 2010.

However, the two assessment comparables submitted by the Complainant are the only compelling evidence regarding capitalization rates that was submitted.

The Respondent submitted no evidence relative to capitalization rates, but simply argued that the Complainant's evidence was not supported by market data.

e.)Equity

(15) No specific evidence regarding the equity of the subject's assessment was presented. The Complainant's arguments regarding equity are inherently contained in the complaint regarding the rental rate, and the capitalization rate. If the rental rate is reduced, or if the capitalization rate is increased, the natural result will be a decrease in the assessed value, which would bring the assessment more in line with the Complainant's perception of comparable buildings.

**Board's Decision**

(16) The Respondent appears to tie the building classification to rental performance. However, the subject building's ARFI is not considered to be an accurate representation of the current rental status of the subject. Nor is it considered to be representative of current market conditions in general. Moreover, an office building's classification is typically contingent on the building's physical characteristics, including some structural components. Since these do not customarily change, the building class should accordingly remain constant over the economic life of the structure. If the classification were tied to the income performance, then building class could conceivably be in a constant state of fluctuation. And that is clearly not the intention of the classification system.

(17) Based on the evidence presented, it is the Board's opinion that the subject has more in common with a class "C" or "D" building, than with a class "A" office. Accordingly, rents are reduced to resemble the rates typically applied to class "C" buildings. For the office space, a rate of \$12.00 per s.f. is applied. The retail rent is reduced to \$21.00 per s.f. and a capitalization rate of 7.75 per cent is applied.

(18) With those inputs, the revised assessment calculates to \$1,372,542, truncated to \$1,370,000.

DATED AT THE CITY OF CALGARY THIS 5 DAY OF July, 2012.



Jerry Zezulka  
Presiding Officer

**APPENDIX "A"**

**DOCUMENTS PRESENTED AT THE HEARING  
AND CONSIDERED BY THE BOARD:**

- 
1. C1 Complainant Submission of Evidence,
  2. C2 Complainant, Non-Residential Properties – Income Approach Valuation
  3. C3 Complainant 2011 Capitalization Rate – Rebuttal Submission
  4. R1 City of Calgary Assessment Brief

*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.*
-

## For MGB Administrative Use Only

Decision No. 0674/2012-P			Roll No. 067088229	
<u>Subject</u>	<u>Type</u>	<u>Issue</u>	<u>Detail</u>	<u>Issue</u>
CARB	3. Office	Classification	Income approach	Lease Rates, capitalization rate