

**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-26.1, Section 460(4).

**between:**

**Northland Professional Centre Holdings Inc., *COMPLAINANT***

**and**

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

**before:**

**J. Noonan, *PRESIDING OFFICER***

**R. Roy, *MEMBER***

**D. Julien, *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 2011 Assessment Roll as follows:

<b>ROLL NUMBER:</b>	<b>038001905</b>
<b>LOCATION ADDRESS:</b>	<b>4600 Crowchild Trail NW</b>
<b>HEARING NUMBER:</b>	<b>61235</b>
<b>ASSESSMENT:</b>	<b>\$13,070,000</b>

This complaint was heard on the 17<sup>th</sup> day of June, 2011 at the office of the Assessment Review Board located at the 4th Floor, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 10.

Appeared on behalf of the Complainant:

- G. Worsley, Sr. Tax Consultant, Altus Group

Appeared on behalf of the Respondent:

- M. Lau, Assessor, *The City of Calgary*

**Property Description:**

The subject is located at 4600 Crowchild Trail NW, Calgary and known as the Northland Professional Centre. It is a 5-storey "A" quality medical/dental suburban office building constructed in 1978 in the Brentwood community. The property's 49,814 sf. of office area was assessed at an annual lease rate of \$22., the same as other NW buildings in this class. The assessed value is \$13,070,000.

**Issues:**

The complaint form listed a number of issues or grounds for appeal, including that the assessment was in excess of market value, unfair and inequitable in comparison to similar properties, that property details are incorrect, that information requested under ss 299 and 300 of the *MGA* was not provided, the office classification is unfair, inequitable and incorrect, the rental rate should be no more than \$18, and the vacancy and credit allowances should be no less than 8%. At the hearing, the Composite Assessment Review Board (CARB) heard evidence and argument on the following issues:

1. Should the subject be classified as a "B" quality medical/dental building?
2. If not, should the rent rate be reduced to \$19.50?

The Complainant argued the subject should be classified as a "B" quality property which would imply the application of the "B" quality capitalized income approach parameters: a rent rate of \$17 and a cap rate of 8.75% resulting in a reduction of value to \$8,570,000. If the property were to remain in the "A" quality classification, the lease rate applied ought to be reduced to \$19.50 and the assessment changed to \$11,537,000.

**Issue 1: Classification**

The Complainant submitted the subject is similar in age and size to other "B" class properties, some of which have the benefit of underground parking, and should be treated equitably with those "B" comparables. The "A" quality medical/dental classification is applied to only 3 properties in the NW, an insufficient sample size. Four NW comparables were shown, all assessed at an office base rate of \$17, which after typical deductions yielded an assessed value of \$172 per sf. As 3 of the comparables had the benefit of varying amounts of underground parking, the rate per sf of all 4 comparables ranged from the base rate of \$172 up to \$202. In

comparison, the subject carried an assessed value of \$262 per sf. In addition, 5 superior comparables were presented, located in the NE, SW, and SE sectors, 3 of which were A or A+ medical/dental carrying ascribed lease rates of \$19 and \$20, and 2 office buildings rated A and B (Rockyview Health Centre I and II) in the SW which contained some medical tenants, and have lease rates of \$19 and \$14. Adding these superior properties to the 4 NW comparables, the assessment per sf showed an average value of \$186 and a median of \$193. The subject ought not be valued at more than \$190 per sf.

The Respondent submitted that a building acquired a medical/dental classification at time of construction, reflecting the extra costs associated with more plumbing and lighting fixtures, and specialized features such as radiation shielding. Besides the subject, 2 other NW properties built in the 1978-1980 era also carry the "A" quality medical/dental classification, all assessed at a \$22 lease rate and a cap rate of 7.5%. Reference was made to the Complainant's evidence package which showed a B class medical/dental (4411 16 Ave NW) advertising space for rent at an asking rate of \$14, as compared to the subject asking \$23-25. Two leases from the "B" class in the Complainant's package showed an average \$11.50 rate as compared to an average of \$20.62 from the subject and a lease from Foothills Professional. The \$9 average differential showed the subject was achieving superior rents and should not be downgraded to a "B" quality.

#### Issue 2: Rent Rate

A six-lease rental study of NW medical buildings, including 4 leases from the subject justified the requested \$19.50 rate by yielding a median rent of \$19.50 and a weighted average of \$19.46. Only looking at leases from the subject, 7 leases in the Dec '09 – Dec '10 timeframe showed a median rate of \$20 and a weighted average of \$19.97. Four subject leases from Dec '09 – May '10 produced a median of \$19, weighted average of \$19.38, and average of \$20.25.

The Respondent presented 39 leases, including 5 common to the Complainant's study, to justify the \$22 assessed rate. The study included the rollover of all the leases at 4935 40 Ave, one of the "A" quality comparables, and showed a median rent of \$23.

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

##### Issue 1: A or B Class

The Complainant's equity argument did not resonate with the CARB. Indeed there are "B" class medical/dental buildings in the NW, but just observing similarity of age and size is insufficient to establish or change class. All of the "A" properties were of similar age; it does not follow that all should be considered "B" as a result. Leasing evidence from the subject did not support the idea that the \$17 "B" rate was a better reflection of reality than the \$22 "A" rate. If one were to accept that the property should be valued at \$190 per sf., the result would be \$9.46 million, a far cry from the \$8.57 million implied by the "B" class parameters.

##### Issue 2: Rent Rate

The CARB preferred the leasing evidence from the Respondent, a far larger sample of "A" quality NW leases. The subject had 2 Dec '09 leases signed at rates of \$18 which tended to drive down the average rate, to greater or lesser extent depending on the timeframe chosen, but all subsequent activity was in the \$20-\$25 range. In the view of the Board, the subject is not ill-

served by the application of the \$22 typical lease rate for "A" quality NW medical/dental properties.

**Board Decisions on the Issues:**

The Board confirms the assessment of \$13,070,000.

DATED AT THE CITY OF CALGARY THIS 19 DAY OF July 2011.

  
J. Noonan  
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.*