

**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**

***Veteran's Way Project Ltd.***  
***(as represented by Colliers International Realty Advisors Inc.), COMPLAINANT***

**and**

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

**before**

***L. Yakimchuk, PRESIDING OFFICER***  
***A. Huskinson, MEMBER***  
***P. McKenna, MEMBER***

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: 061060802**

**LOCATION ADDRESS: 4040 Bowness Rd NW**

**FILE NUMBER: 65867**

**ASSESSMENT: \$56,780,000**

for non-hospital surgical facilities. However, to date no tenants have been found for Building A except for the medical retail service on the first floor.

[7] The Complainant suggested that there were two possible approaches to assessing this property:

- 1) The Income Approach (p50 C1), using A+ office building parameters and accepting the City's Warehouse parameters for Building C, resulting in a Total Taxable Assessment of \$42,353,179. Mr. Hartly suggested that for Building A to be renovated as an office tower, an extra \$6,031,600 would have to be spent and that this amount should be subtracted from the calculated Income Assessment.
- 2) The Cost Approach (p58 C1), using Marshall and Swift guidelines and assessing Building A as an Outpatient Centre and Building B as a medical office, with "B" Marshall and Swift construction ratings, resulting in a value of \$34,768,255.43 excluding costs for renovation.

[8] The Complainant argued that there is a difference between Value in Use and Value in Exchange. Although the subject building was constructed for a specific purpose, it could not be leased for that purpose because the contract for the surgeries was cancelled and AHS does not foresee a future need to renew such a contract. Further, private providers are not legally allowed to provide AHS services without AHS permission. The Complainant also argued that other medical services which are provided outside AHS do not require facilities built to the high standards of the subject. For this reason, he contended, the building cannot realize its potential Value as a non-hospital surgical facility and the best use for it will be as medical offices.

[9] As further evidence, Mr. Hartly included a description of improvements (Buildings A and B) which confirmed the buildings were "B" construction rated buildings for the purposes of a Marshall and Swift assessment. He included an estimate of expenses for renovation to Offices for Building B from Clark Builders (p57, C-1), the Bankruptcy Decision from Court of Queen's Bench (QB) for the subject property including the bankruptcy information and NIC contracts, the actual cost of construction (Clark Builders) and a list of lease comparables for "A+" medical office buildings.

[10] The Respondent, Ms. M. Lau, City of Calgary Assessor, reviewed the Marshall and Swift definitions for *Hospital* and *Outpatient (Surgical) Centre*. She chose to redefine the Cambrian Wellness Centre as an Outpatient (Surgical) Centre and recalculate the value of the buildings using Marshall and Swift guidelines for Outpatient (Surgical) Centres. The resulting value was \$61,935,408, higher than the 2012 Market Value Assessment.

[11] Ms. Lau also introduced the Office Transaction Summary for the subject property (June 29, 2011) which was a Foreclosure Sale, therefore not considered to be an example of true market value. The property had been sold for \$72,835,022.

[12] The Respondent also presented an Appraisal Report of the Cambrian Wellness Centre (January 10, 2011) from Durant Consulting Valuation Advisory Services for one of the principles of the Cambrian Wellness Centre. The appraised value in January 2011 was \$79,600,000.

[13] In rebuttal, the Complainant argued that the Respondent had chosen to assess both buildings as Hospitals, and again as Outpatient (Surgical) Centres and that Building B is a Medical Office Tower. He also argued that the Foreclosure Sale did not represent the value of the building because it was purchased by a group which included Clark Builders, who were trying to recoup their construction costs. Further, he argued that the Appraisal Report would be inaccurate because it was performed prior to the cancellation of the AHS contract, and that this would have affected the value of the building.

Board Findings

[14] **Has the Cambrian Wellness Centre been correctly classified as a hospital?** The Board decided that the Cambrian Wellness Centre is not correctly classified as a hospital. The building was constructed to the standards set out by the College of Surgeons and Physicians, and not to AHS hospital standards.

[15] **Is the Cost Approach the most accurate assessment approach for this property?** The board found that it was difficult to assess the subject property on the Income Approach because much of the improvements were built for a special purpose and there were no comparables presented to justify a value for that purpose. The Complainant had used an Income Approach assessment based on medical office use, but Building A was not a medical office during the assessment period. It would most accurately be classified as an Outpatient (Surgical) Centre. The Board agreed with the Complainant that Building B was a medical office building.

[16] The Board found that the subject property could be assessed using the Cost Approach, however the Complainant and the Respondent had conflicting Marshall and Swift Cost Approach assessments. The Complainant created his assessment using the "B" construction standard for Offices, while the Respondent used the standard for Outpatient (Surgical) Centres. Both the Complainant and Respondent agreed on the value set by the City for the Warehouse and Parking.

[17] The Board found that the Appraised Value of the property was the best valuation available. However, the Appraisal did occur prior to the use of the property being changed. There was no title presented for the valuation date, and no other true market valuation for this unique property, containing a Medical Office building, an Outpatient (Surgical) Centre, a warehouse and underground parking, was available. Therefore the Board found that the 2012 Market Assessment was most reflective of the subject property's Market Value.

Board's Decision:

[18] The Board confirms the assessment at \$56,780,000.

DATED AT THE CITY OF CALGARY THIS 14 DAY OF August 2012.

  
Lana Yakimchuk  
Presiding Officer

**APPENDIX "A"****DOCUMENTS PRESENTED AT THE HEARING  
AND CONSIDERED BY THE BOARD:**

<b>NO.</b>	<b>ITEM</b>
1. C1 (a,b,c,d)	Complainant Disclosure
2. C2	Complainant Disclosure
3. C3	Rebuttal
4. R2	Respondent Disclosure

*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. 0808-2012-P

Roll No. 092028703

<b>Subject</b>	<b>Type</b>	<b>Issue</b>	<b>Detail</b>	<b>Issue</b>
CARB	Medical Centre	Multiple	Cost Approach	Classification

This complaint was heard on July 27, 2012 at the office of the Assessment Review Board located at Floor Number 4, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 1.

Appeared on behalf of the Complainant:

- *C. Hartly, Colliers International Realty Advisors Inc.*
- *A. Farley, Colliers International Realty Advisors Inc.*

Appeared on behalf of the Respondent:

- *M. Lau, City of Calgary Assessment*

**Property Description:**

[1] The Cambrian Wellness Centre on 4040 Bowness Rd NW is a 6.4 Acre property with three buildings including a 65,580 square foot (sf) Tower (assessed as a hospital), a 52,403 sf Tower (assessed as a hospital) and a 30,268 sf Warehouse. The four-storey towers share a common access joining them together and common underground parking. The current assessed value is \$56,780,000.

**Issues:**

- [2] Is the Cost Approach the most accurate assessment approach for this property?
- [3] Has the Cambrian Wellness Centre been correctly classified as a hospital?

**Complainant's Requested Value:** \$ 35,000,000

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

**Evidence and Arguments**

[4] The Complainant, Mr. C. Hartly, on behalf of Colliers International Realty Advisors Inc., explained that the Cambrian Wellness Centre had been built in response to a need from Network Health Inc. (NHI). He said NHI had a contract from Alberta Health Services (AHS) to perform hip and knee surgeries to alleviate a backlog in AHS. The Cambrian Wellness Centre was planned to provide surgical facilities, overnight beds, and medical offices for this service. The Complainant informed the Board that after the towers were constructed the AHS contract was cancelled, resulting in NHI cancelling its tenant lease.

[5] Mr. Hartly stated that in the assessment period Building A had been completed as a surgical facility, without tenant finish, and Building B had been completed as a Medical Office building. Building A has no client except on the main floor. The Complainant said that Building B has some medical office building clients. He argued that neither building is a hospital. Building A is a non-hospital surgical facility and Building B is a medical office tower.

[6] Further, the complainant argued that neither Building A nor Building B is built to AHS hospital standards. He said Building A is built to College of Surgeons and Physicians standards