

**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:

Sing Tao Newspaper (as represented by Altus Group), COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

R. Mowbrey, PRESIDING OFFICER

J. Kerrison, MEMBER

K. Coolidge, 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: 068568500

LOCATION ADDRESS: 101 116 3 Ave, SE

FILE NUMBER: 68619

ASSESSMENT: \$958,000

This complaint was heard on 30th day of July, 2012 at the office of the Assessment Review Board located at Floor Number three, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom nine.

Appeared on behalf of the Complainant:

- K. Fong

Appeared on behalf of the Respondent:

- D. Grandbois

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

[1] Upon questioning by the Presiding Officer, the parties indicated they had no objection to the composition of the Board. In addition, the Board members stated they had no bias on this file.

Property Description:

[2] The subject property is an office condominium located at 101 116 3 Ave. SE, which is in the Chinatown district of downtown. The 4,356 square foot office condo is on the main floor in a high-rise residential building, over five stories. The subject property was built in 1981, considered in average condition, and has a 2012 assessment of \$958,000.

Issues:

[3] What is the market value of the subject property?

Complainant's Requested Value: \$670,000

Complainant's Position:

[4] The Complainant filed this complaint on the basis that the subject property assessment of \$958,000 was inequitable and in excess of market value. In support of this position, the Complainant presented a 110-page evidence package to the Board (Exhibit C-1).

[5] The Complainant gave the Board a 2012 comparable assessment valuation based on the income approach. The Complainant utilized a 10% office vacancy allowance, a \$14 per square foot rental rate and a 7.25% capitalization rate to arrive a valuation conclusion of \$670,000. The Complainant used the parameters as set forth in the business assessment summary report in calculating the income approach to value. The actual request was based on \$155 per square foot (Exhibit C-1 page 37-38).

[6] The Complainant presented six equity comparables to the Board. Four of the six equity comparables were condo office units and the remaining two were retail units. The Complainant advised the Board that the first four equity comparables were assessed using the direct sales

methodology for assessment, whereas the last two units utilized the income/capitalization rate methodology for assessment. The equity comparables ranged from 8,804 square feet to 17,695 square feet. The average dollar assessment per square foot was \$146.02 and the median dollar assessment was \$152.14 per square foot, which supported the Complainant's request of a \$155.00 assessment per square foot (Exhibit C-1 page 45).

[7] During argument, the Complainant acknowledged there were not a lot of sale comparables in the Chinatown district. In addition, the Complainant acknowledged that economies of scale were happening when larger properties were traded. The Complainant also advised the Board that the Respondent's sale comparables were substantially smaller in size, making the comparison most difficult.

[8] In conclusion, the Complainant requested the Board to revise the 2012 assessment from \$958,000 to \$670,000 based on \$155 per square foot times 4,356 square feet.

Respondent's Position:

[9] The Respondent presented a 95 page assessment brief to the Board (Exhibit R-1).

[10] The Respondent explained to the Board that the subject assessment and similar assessments were prepared using the direct sales comparison assessment methodology for value (Exhibit R-1 page 72). The Respondent noted that non-residential condominiums were valued using this direct sales approach. The City of Calgary has determined that non-residential condos of similar quality and year of construction sell for similar rates per square foot in the downtown and beltline with the exception of A class properties. The Respondent advised the Board that Chinatown has been looked at in isolation as the sale prices per square foot in this sub-market area seem to trade for less than other parts of the downtown and beltline (Exhibit R-1 page 10).

[11] The Respondent presented a chart to the Board showing the assessed rates for condo units in the downtown and beltline districts (Exhibit R-1 page 11). The rate for class B/C was listed by the Respondent as \$220 per square foot. The Respondent advised the Board that because the subject was in a mostly residential building it was rated as average, but average is equated to a B/C class for non-residential properties.

[12] The Respondent provided an equity chart for those condos over 10,000 square feet of assessment. The chart showed that the 2012 assessment rate was \$200 per square foot of assessment for non-residential condos over 10,000 square feet of assessment (Exhibit R-1 page 21).

[13] The Respondent presented eight sales comparables for the Board's review. The Respondent advised the Board that there was a marked difference between the first and second floor of the comparables. The first floor sale price per square foot approximated \$400 and the sale price per square foot for the second floor approximated \$225 (Exhibit R-1 page 22).

[14] The Respondent provided the Board with excerpts from the year-end 2010 Calgary Business Condo Report provided by Avison Young. Specific references highlighted by the Respondent are as follows:

- a) "Business condominiums work much the same as their residential counterparts. A company can decide that instead of renting their space, they want to purchase one or more units in a commercial condominium project for their business operations. Similarly,

just as industrial and office/retail are separate products in the leasing market, they are also experiencing completely different environments and activity level changes in the business condominium sales market following the past two years of economic turmoil.”

b) “As long as interest rates remain low, the buy versus lease question remains. The same question that faces home owners versus renters applies to businesses looking for commercial space. Business condominiums are uniquely positioned to meet the needs of small to mid-size businesses, typically service-orientated businesses that can safely predict their permanent space needs.

c) “The average price per square foot for office and retail condominium sales continues to differ considerably between areas of the city. The suburban areas in 2010 had an average sale price \$295 psf in the South and \$209 psf in the North. The Beltline meanwhile had an average sale price of \$382 psf. The Downtown market saw an average price psf of \$419. The overall average prices have increased an average of 6% over 2009, but remain below the peak average of \$353 psf recorded in 2008. Activity levels are expected to pick up as vacancy levels start to drop in the leasing market” (Exhibit R-1 pages 75-76).

[15] The Respondent brought the Board’s attention to the issue between buying and leasing an office condo suggesting that business owners will pay a premium per square foot for ownership over leasing similar space. The example showed it cost \$25.49 per square foot per year to buy, whereas it cost \$32.66 per square foot per year to lease. The Respondent stated that most of the condo office market was owner-occupied (Exhibit R-1 page 91).

[16] During cross examination, the Respondent challenged the Complainant’s comparables. The Respondent noted that two of the sales comparables were not assessed using the direct sales assessment methodology, but the income/capitalization assessment methodology, thus making the comparison most difficult. In addition, those assessments that are over 10,000 square feet of assessment are all assessed at \$200 per square foot of assessment, making the comparability difficult. The subject property is on the first floor, whereas the comparables are on the second, third and basement (Exhibit R-1 page 12).

[17] In summary, the Respondent asked the Board to confirm the 2012 assessment of \$958,000.

Board’s Decision:

[18] The decision of the Board is to confirm the 2012 assessment of \$958,000 as being fair and equitable.

Reasons for the Board’s Decision.

[19] The Board agreed that the chart presented by the Respondent showing deficiencies in the comparables presented by the Complainant played a significant role in minimizing the weight given by the Board to these sales comparables.

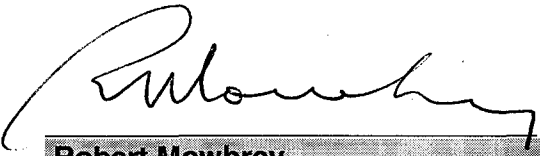
[20] The Board recognizes that the income approach is a valid methodology for establishing market value. However, the Board notes there is not sufficient analysis, data nor evidence to support the parameters used in the income approach to valuation.

[21] The Board put little weight on the Respondent’s sales comparables. The comparables

were substantially smaller, putting the comparison into question. However, the Board did put some weight on the Respondent's equity chart for those condos with over 10,000 square feet of assessment. With the 2012 assessment of \$200 per square foot of assessment for those properties over 10,000 square feet of assessment, and with the economies of scale, this would indicate the subject property should be assessed more than the \$200 per square foot of assessment. The Board agrees that \$220 per square foot of assessment seems fair and equitable for the subject property.

[22] Jurisprudence has established the onus of showing an assessment is incorrect rests with the Complainant. The Board is satisfied that the Complainant did not provide sufficient and compelling evidence to enable the Board to form an opinion as to the incorrectness of the assessment.

DATED AT THE CITY OF CALGARY THIS 10 DAY OF Aug 2012.



Robert Mowbrey
Presiding Officer

APPENDIX "A"

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

NO.	ITEM
1. C1-110 pages	Complainant Disclosure
2. R1-95 pages	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 Administrative Use

Subject	Property Type	Property Sub-Type	Issue	Sub Issue
CARB	Condo	Office Condo	Market Value	Direct sales Equity