

**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:

Bow Parkade Holdings Ltd.
(as represented by Colliers International Realty Advisors Inc.), COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

P. Mowbrey, PRESIDING OFFICER
D. Morice, MEMBER
R. Roy, MEMBER

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

ROLL NUMBER:	068077205
LOCATION ADDRESS:	250 - 7 Avenue SW
HEARING NUMBER:	66278
ASSESSMENT:	\$26,940,000

The complaint was heard on July 31, 2012, in Boardroom 10 at the office of the Assessment Review Board, located at 1212 – 31 Avenue NE, Calgary, Alberta.

Appeared on behalf of the Complainant:

- C. Hartley

Appeared on behalf of the Respondent:

- H. Neumann

Board's Decision in Respect of Procedural or Jurisdictional Matters

[1] There were no procedural or jurisdictional matters raised by either party during the course of the hearing.

Property Description

[2] The subject property, known as the Bow Parkade, consists of 2 parcels of land in the Downtown Commercial core of Calgary. The first parcel is located at 231 6 Avenue SW and the second parcel is located at 250 7 Avenue SW. Both parcels of land are improved with a 7 level free standing open air parkade with 2 entrances to the parkade, one on 2nd street and one on 6th Avenue. Main level retail comprises 22,108 sq ft. The second parcel of the subject property is 32,573 sq ft of land located at 250 7 Avenue SW and the 2012 assessment was based on 474 parking stalls with a stated total parking stalls for both parcels of 1010.

[3] The subject property was assessed by the income approach to value and the 2012 assessment for the subject property is \$26,940,000.

Issues

[4] The Assessment Review Board Complaint form, filed February 15, 2012, contained a lengthy list of reasons and grounds for the complaint. The issues the Complainant brought forward at the hearing were:

1. Is the 2012 Assessment correct?
 - (a) Is the assessed revenue per parking stall overstated?
 - (b) Is the assessed expense ratio underestimated?
 - (c) Is the capitalization rate appropriate?

Complainant's Requested Assessment

[5] The Complainant requested an assessment for the subject located at 250 7 Avenue SW for 447 parking stalls at \$450 per parking stall. The Complainant provided a total requested assessment for both parcels of \$48,370,000 with no breakout for each parcel.

Complainant's Position

[6] The Complainant's position was that the 2012 assessment for the subject was incorrect and argued the subject parkade was a free standing facility that does not benefit from an association with a particular office building and as such is prone to fluctuations in revenue yet the expenses remain constant with no opportunity to recover them. The Complainant pointed out to the Board that there was a discrepancy in the parking stall count, the Complainant stated there were 447 but the assessment was based on 474.

[7] The Complainant indicated that the 2011 potential revenue for the subject was overstated as well the operating expenses were underestimated and that the capitalization rate for downtown parkades is incorrect and inequitable. The Complainant referred to Board Order

140/01, in which the Complainant indicated that when determining the appropriate capitalization rate it is required that the classification of properties be considered.

[8] The Complainant argued that a capitalization rate more appropriate for the subject was 7.5% and moved the subject into a Class B parking facility category, which is appropriate, as it is one of the oldest parkades in Calgary and lacks the physical characteristics and location of other parkades. The assessed capitalization rate is 7.0% and the assessed classification is an A Class parking facility. The Complainant provided eight 2012 Assessment Income Approach Valuation documents for B Class parking facilities to indicate the use of a 7.5% capitalization rate.

[9] The Complainant presented a Statement of Income and Expense for the Four Years Ending December 31, 2010, and a Statement of Income and Expense for the Year Ended December 31, 2011, prepared by management. The Complainant stated that in retrospect the 2010 revenue had been projected to increase to \$8,441,085, but in reality, only reached \$5,658,143 and 2011 revenues were at \$5,495,754. The Complainant explained that the decrease in monthly parkers has impacted the revenue and there is a clear history of increasing expenses as indicated on the four year Income and Expense Statement.

2008	41.2%
2009	39.7%
2010	43.7%

[10] The Complainant reasoned that while there appears to be a grading system for parkades, there is no distinction of capitalization rates. There is no differentiation between the higher quality parkades that should be assessed at a lower capitalization rate, than inferior parkades such as the subject. The subject is more similar to older unenclosed parkades that are assessed using a \$450 per month per stall versus the subject at \$475 per month per stall.

[11] The Complainant stated that based on a Bow Parkade 2011 Decision, the operating cost allowance was increased from 25% to 40% for all downtown parkades but the significant increase was tempered by a 0.5% decrease in the capitalization rate. The Complainant indicated that the Complainant estimated market NOI as an average of the subject NOI for 2010 and 2011, which was \$3,311,764, parking only. The Complainant also presented a series of financial projections that was completed for the subject at the time of the 2007 sale.

Respondent's Position

[12] The Respondent stated in support of the 2012 assessment that all assessments are prepared using the mass appraisal methodology and using typical data. The Respondent indicated that the Assessment Request For Information (ARFI), that is forwarded to each property owner every year, requesting information regarding the performance of the property in the assessment year, with a requirement to return, was minimally completed and therefore no actual revenue and expense information was available for assessment or for comparative purposes. The Respondent provided 3 ARFI's for similar parking facilities as comparables.

[13] The Respondent presented Monthly Parking Assessment reports for the subject for the months of May 2010 to January 2011 which indicated an average new sign up rate ranging from \$331.84 to \$433.58 per stall per month and a Statement of Income and Expense for the Year

Ending December 31, 2010 which indicated parkade revenue of \$5,727,988 and revenue per stall of \$473 for 1010 parking stalls.

[14] The Respondent provided a chart with the sales of parking facilities dated from 1986 to a post facto sale of the subject dated April 2012. The Respondent provided third party transaction summary sheets and Certificate of Title documentation for the more recent sales of which the two most recent are of the subject, one in May 2007, and the last sale in April 2012. The 2007 sale transacted for a sale price of \$86,000,000 for 1010 parking stalls, and the post facto sale of April 2012 was for \$90,000,000 for 1010 parking stalls. The Respondent indicated the post facto sale in April 2012 is intended for trending information purposes and was not used in the 2012 assessment, but will be used in the preparation of 2013 assessment.

[15] The Respondent included a Colliers 2011 Parking Rate Survey, and brought to the Board's attention that Calgary is shown to be in the top 25 monthly parking rates in the world with a reported rate of \$486.34 per stall per month and in North America is in the top 10 for daily parking rates with an indicated rate of \$26 per stall per day. The parking survey includes 61 central business districts across North America. The survey indicates that rates have changed little over the past twelve months.

[16] The Respondent presented a Bow Parkade Parking News sheet which advertises that monthly rates for random parking is \$475 plus GST and for reserved parking is \$561 plus GST, as well, after hours parking, weekend and evening rates are available.

[17] The Complainant presented Rebuttal which restated that the fluctuation in income of the subject had a greater impact on expenses as the subject did not have the benefit of an association with an office property and that the 2012 assessment had overstated revenue and under estimated expenses for the subject.

[18] In the Rebuttal the Complainant highlighted a CARB Decision, 1660/2011-P, which indicated that the post facto sale of a property had not been taken into consideration in the Board's decision.

Decision

[19] The Decision of the Board is to confirm the 2012 Assessment of \$26,940,000 for the subject property located at 250 – 7 Avenue SW.

Reasons

[20] The Board reviewed and carefully considered the evidence of the Complainant and Respondent.

[21] In regard to the issue, is the assessed revenue per parking stall overstated, the Board referred to the 3 year analysis of the subject and 2 comparables where the Complainant applied a 7% capitalization rate to each of the property's NOI to reach a value, which was confusing to the Board as the requested capitalization rate was 7.5%.

[22] The Board considered the Statement of Income and Expense for the Four Years Ending December 31, 2010, and the Statement of Income and Expense Year Ending December 31, 2011, which was prepared by management and noted the revenue stated in the analysis was taken from these financial records. However, there was no supporting documentation for the comparables.

[23] From the information provided, the Board was unclear how the Complainant reached the requested value of \$450 per stall per month and finds the complainant lacked evidence from the market to support the issue that the 2012 assessed revenue per parking stall was overstated. Therefore the Board accepts the assessed revenue per parking stall of \$475 per month.

[24] In regard to the issue, is the assessed expense ratio underestimated, the Board referred to the Complainant's evidence presented which was the Statement of Income and Expense for the Four Years Ended December 31, 2010 for the subject, which reported the expense ratio for the years, 2008, 2009 and 2010. The Complainant presented no market evidence for comparison.

[25] The Board finds the Complainant presented the actual performance of the subject but insufficient comparable evidence to support the issue that the assessed expense ratio was underestimated and therefore accepts the assessed expense ratio of 40%.

[26] In regard to the issue, is the capitalization rate appropriate, the Complainant provided Income Approach Valuation Assessment reports for 8 properties that indicated a capitalization rate of 7.5% and cited them as B Class parking facilities. There was no supporting documentation presented for the comparables.

[27] The Complainant presented a proposed assessment calculation using the requested 7.5% capitalization rate to reach the requested value, but there was no support for the NOI calculation.

[28] The Board noted the Complainant referred to the 3 most recent sales of the subject but indicated the 2004 sale should not be given consideration for current downtown parkade capitalization rates, the 2007 sale is of limited use to establish capitalization rates as this sale occurred in an explosive upward trend and with the change in direction since then negates the analysis and expectations of the purchaser, and the April 2012 sale is a post facto sale occurring well after the valuation date of July 01, 2011 and should be given no consideration in establishing a capitalization rate.

[29] The Board finds the Complainant lacked evidence to support the requested capitalization rate of 7.5% and therefore accepts the assessment capitalization rate of 7%.

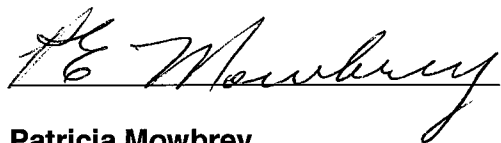
[30] The Board could not establish the correct number of parking stalls for the subject as neither the Complainant nor the Respondent had completed a stall count, therefore, the Board suggested the Complainant and Respondent confirm the correct number of parking stalls.

[31] The Board placed greatest weight on the Respondents evidence.

[32] The Board finds the 2012 Assessment of the subject property located at 250 -7 Avenue SW of \$26,940,000 is correct, fair and equitable.

The assessment is **CONFIRMED** at: \$26,940,000

DATED AT THE CITY OF CALGARY THIS 18 DAY OF September, 2012.

A handwritten signature in cursive script, appearing to read 'P. Mowbrey', written over a horizontal line.

Patricia Mowbrey
Presiding Officer

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

NO.	ITEM
1. C1	Complainant's Submission (74 pages)
2. R1	Respondent's Submission (106) pages)
3. C2	Complainant's Rebuttal Submission (20) pages)
4.	CARB 1660/2011-P
5.	Land Title Certificates and Real Net Transaction Reports
6.	Board Order: MGB 140/01

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	Other Property Types	Parking	Income Approach	Improvement Calculation Expenses Capitalization Rate