

**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:

**A. Woessner Construction Company Ltd.  
(as represented by Altus Group Ltd.), COMPLAINANT**

and

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

before:

**J. Krysa, PRESIDING OFFICER  
J. Massey, MEMBER  
G. Milne, MEMBER**

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

<b>ROLL NUMBER:</b>	<b>068142504</b>
<b>LOCATION ADDRESS:</b>	<b>1212 1 St SE</b>
<b>HEARING NUMBER:</b>	<b>68712</b>
<b>ASSESSMENT:</b>	<b>\$4,900,000</b>

The complaint was heard on August 20, 2012, in Boardroom 4 at the office of the Assessment Review Board, located at 1212 – 31 Avenue NE, Calgary, Alberta.

Appeared on behalf of the Complainant:

- D. Genereux

Appeared on behalf of the Respondent:

- D. Grandbois

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

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

**Property Description:**

The subject property is a 26,239 sq.ft. (square foot) parcel of land, improved with a two storey, "B" quality office structure, constructed in 1978, and comprised of 25,857 sq.ft. of net rentable office area, and 48 underground parking stalls.

**Issues:**

The Complainant raised the following matters in section 4 of the complaint forms:

3. an assessment amount                      4. an assessment class

At the commencement of the hearing, the Complainant withdrew matter # 4, and led evidence and argument only in relation to matter #3, an assessment amount. The Complainant set out 12 grounds for the complaint in section 5 of the complaint form with a requested assessment of \$3,500,000; however, at the hearing, only the following issue was before the Board:

- Is the subject property equitably assessed in relation to the assessments of similar properties?

**Complainant's Requested Value:**

At the hearing, the Complainant requested an assessment of \$3,160,000.

**Board's Decision in Respect of the Issue:**

[1] The Complainant argued that the capitalization rate applied in the subject's assessment calculation is incorrect, as the assessments of similar properties are significantly less than their sale prices.

[2] In support of the argument, the Complainant provided a summary of six, southwest office buildings that transferred between April 2009 and January 2012, to demonstrate a range of 2012 assessment to sale ratios (ASR's) from 0.50 to 0.85; with average and median ARS's of 0.66 and 0.63, respectively. {Column G}

[3] The Complainant provided a further calculation to estimate the net operating incomes of each of the properties based on the Respondent's 7.75% capitalization rate coefficient, {Column H}, and the capitalization rate evident when the estimated net operating income level is applied to the current 2012 assessment of the sample of properties, {Column I}.

A	B	C	D	E	F	G	H	I
SW Address	Sale Date	Sale Price	Bldg. Class	Bldg Age	2012 Assessment	ASR	Estimated NOI*	Equivalent Capitalization Rate**
1207 11 Ave	Jan-12	\$29,850,000	B	1980	\$14,920,000	0.50	\$2,313,375	15.51%
906 12 Ave	Dec-11	\$30,000,000	B	1980	\$25,407,239	0.85	\$2,325,000	9.15%
1520 4 St	Dec-11	\$28,800,000	B	1974	\$17,095,000	0.59	\$2,232,000	13.06%
901 10 Ave	Sep-11	\$ 7,300,000	C	1955	\$ 4,770,000	0.65	\$ 565,750	11.86%
1313 10 Ave	May-09	\$15,000,000	B	1978	\$ 8,980,000	0.60	\$1,162,500	12.95%
933 17 Ave	Apr-09	\$14,500,000	B	1979	\$11,050,000	0.76	\$1,123,750	10.17%
Wtd. Average						0.66		11.82%
Average						0.66		12.11%
Median						0.63		12.40%

\* Estimated NOI (Net Operating Income):

Sale Price x (assessed) Capitalization Rate

\*\* Equivalent Capitalization Rate:

Estimated NOI ÷ 2102 Assessment

[4] The Respondent argued that the subject property is equitably assessed in relation to similar properties, and that the current assessment which equates to a unit rate of \$189 per sq.ft., is a reasonable estimate of market value.

[5] The Respondent argued that the Complainant's analysis is irrelevant as four of the sales occurred subsequent to the legislated valuation date; however, the sales were not time adjusted to reflect the legislated valuation date of July 01, 2011. The Respondent further argued that two of the Complainant's equity comparables are assessed at land value only, as they are dissimilar to the subject as a result of their physical characteristics; a point to which the Complainant conceded in respect of the property located at 1313 10 Ave SW. In support of the argument, the Respondent provided an ARFI (Assessment Request For Information) response indicating that the "C" quality property located at 901 10 Ave SW is unfit for leasing.

[6] The Respondent submitted that the assessment has been prepared by means of the income approach to value, and the office valuation coefficients applied to the subject property, were also applied to all other similarly classed properties, including the Complainant's comparables; therefore the assessments are equitable. The properties assessed at land value, have significantly different physical characteristics, and the assessments reflect those differences.

[7] In respect of the Complainant's requested 12% capitalization rate, the Respondent argued that the Complainant's sales analysis included no corresponding income data to enable the Board to determine the properties' actual net operating incomes and capitalization rates. In support of the assessed 7.75% capitalization rate, the Respondent provided two third party market reports, dated Q2 and Q3 2011, exhibiting capitalization rates ranging from 7.25% to 8.00% for "B" quality offices in the Calgary suburban market.

[8] In response to the Respondent's submission, the Complainant argued that only the assessor is restricted by market evidence subsequent to the July 1 valuation date not the Board.

**Decision:**

[9] The Board finds that there is insufficient evidence to demonstrate that the subject property is inequitably assessed in relation to the assessments of similar properties.

[10] The Board did not find the Complainant's capitalization rate and assessment to sale ratio analysis to be compelling evidence of an inequity in assessments. The Board rejects the Complainant's methodology of applying the Respondent's identical capitalization rate coefficient to estimate the net operating incomes of each of the properties as each sale price would reflect the specific income and risk associated with each individual property, and each sale would exhibit a capitalization rate commensurate with that level of income and risk. Consequently, the Complainant's analysis did not provide any useful "market evidence" that the Board could rely upon to establish a capitalization rate for the subject property.

[11] The Respondent's capitalization rate evidence of third party market reports was afforded little weight, as there was no evidence of how the conclusions were arrived at.

[12] The Board was not also persuaded that the Complainant's ASR analysis demonstrated an inequity as the Complainant's sales were not time adjusted to reflect the legislated valuation date of the assessment, and therefore indicate the properties' values as of different dates. Further, there was no market evidence presented to demonstrate that the subject property, assessed with identical parameters, is not also assessed at less than its market value, and therefore equitably assessed. Notwithstanding the above, the Board examined the subject property's assessment in relation to the assessments of the Complainant's "B" quality offices, excluding 1313 10 Ave SW, which the Complainant conceded is dissimilar to the subject. From this review, the Board finds that the assessment of the subject is not inequitable in relation to the assessments of the similar properties submitted in evidence.

SW Address	Bldg Class	Bldg Age	Improvement Size (Sq.Ft.)	Sale Date	Sale Price	Sale Price per Sq.Ft.	2012 Assessment	Assessment per Sq.Ft.
1207 11 Ave	B	1980	83,880	Jan-12	\$9,850,000	\$ 355.87	\$14,920,000	\$ 177.87
906 12 Ave	B	1980	139,885	Dec-11	\$30,000,000	\$ 214.46	\$25,407,239	\$ 181.63
1520 4 St	B	1974	106,418	Dec-11	\$28,800,000	\$ 270.63	\$17,095,000	\$ 160.64
933 17 Ave	B	1979	49,191	Apr-09	\$14,500,000	\$ 294.77	\$11,050,000	\$ 224.63
<b>Average</b>						\$ 283.93		\$ 186.19
<b>Median</b>						\$ 282.70		\$ 179.75
<b>SUBJECT</b>	<b>B</b>	<b>1978</b>	<b>25,857</b>				<b>\$ 4,900,000</b>	<b>\$ 189.50</b>

The assessment is **CONFIRMED** at: **\$4,900,000.**

**DATED AT THE CITY OF CALGARY THIS**

**11**

**DAY OF OCTOBER, 2012.**

  
**J. Krysa, Presiding Officer**

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

<b>NO.</b>	<b>ITEM</b>
1. C1	Complainant's Submission
2. R1	Respondent's Submission

*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	Office	Low Rise	Equity	Cap Rate