

**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:**

***Real Equity GP I INC. (as represented by Altus Group INC.), COMPLAINANT***

**and**

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

**before:**

***K. D. Kelly, PRESIDING OFFICER***

***B. Jerchel, MEMBER***

***A. Wong, 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 2011 Assessment Roll as follows:

<b>ROLL NUMBER:</b>	<b>045240207</b>
<b>LOCATION ADDRESS:</b>	<b>2008 – 14 ST NW</b>
<b>HEARING NUMBER:</b>	<b>63751</b>
<b>ASSESSMENT:</b>	<b>\$1,030,000</b>

This complaint was heard on 22<sup>nd</sup> day of August, 2011 at the office of the Assessment Review Board located at Floor Number 3, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 10.

Appeared on behalf of the Complainant:

- *Mr. B. Neeson*      *Altus Group LTD.*

Appeared on behalf of the Respondent:

- *Ms. C. Neal*      *Assessor*

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

None

**Property Description:**

The Subject is a 14,553 square foot (SF) or 0.334 acre (AC) corner site at the southeast intersection of 14 ST NW and 20 AV NW. It contains an 825 SF 1984 retail building used for pet supplies and services. The site coverage is 5.5% and is assessed using the Cost Approach to Value methodology at \$1,030,000.

**Issue:**

1. The subject is assessed using the "Cost Approach to Value" but the "Income Approach to Value" should have been used instead.

**Complainant's Requested Value:** \$900,000.

**Board's Review of Each Issue**

The Complainant introduced his Brief C-1 and argued that the subject is incorrectly assessed using the Cost Approach, a methodology generally reserved for "special purpose" buildings which the subject is not. He provided maps and external photos of the subject and its location in the neighbourhood. In addition, because the site is a commercial property, he argued that the Income Approach to Value" should be used to value the subject.

The Complainant provided exterior photos and City "Assessment Summary Reports" for eleven comparable properties on pages 34 to 56 of C-1 which he argued were similar to the subject. He placed them in a matrix on page 32 of C-1, noting that all had been assessed using the Income Approach to Value except for two. He suggested that all were in general proximity to the subject and most enjoyed lower than normal site coverages.

The Complainant proceeded to identify required inputs to his Income Approach calculation for the subject, on page 58 of C-1. He noted on page 31 of C-1, the rent roll for the subject. It revealed that the building tenant has a June 1, 2008 lease where he pays \$30 per SF until May of 2013. The Complainant argued that a \$30 per SF rent is "typical" for this area of the city. The rent roll also revealed that the excess parking in the parking lot is leased by others for an adjacent office building until November 2013 at a rate of \$50,000 per year.

The Complainant referenced his page 58 and argued that a "typical" vacancy rate for "retail free-standing" developments is 7.5%. He also argued that a typical Capitalization Rate for such properties is 7.5% as well. Therefore, he argued, the Income Approach calculation indicates a value of \$900,000 for the subject and not \$1,030,000 as assessed.

The Complainant provided a copy of Calgary Assessment Review Board Decision ARB 0726/2010-P being the Board's analysis and Decision regarding the subject's assessment complaint in 2010. He noted that the Board of the day rejected the subject's assessment based on a "land only" methodology because the Board in part found the Assessor's three comparables – the basis for valuing the land, to be "insufficient". He argued that the Respondent's three market sales on page 17 in R-1 in today's hearing are also insufficient because one needed adjustment by 50% for "shape/topography" and another by 30% for "contamination". Therefore, he argued, reliance on one sale to value the subject is in fact unreliable.

Therefore, the Complainant argued that the only reliable means of valuing the subject is via the Income Approach as he has calculated it on page 58 of C-1. He noted that he had included the annual income from the parking lease. His calculations indicated that the subject should be assessed at \$906,915.50 or \$900,000 (rounded).

The Respondent clarified that she was not the "assessor of record" but offered that a "land only" valuation might have been more appropriate for the site because it appears that the subject is not a "special purpose" building or site. Nevertheless, she clarified that the City would not include the parking revenue in an Income Approach calculation of value.

The Respondent clarified on page 13 of R-1, the "Cost" approach calculations for the subject, noting the various site "influences and other valuation parameters. On page 17 she introduced three market sales upon which she indicated the land value portion of the "Cost" approach had been based. She noted the 50% and 30% site adjustments given to two of the properties as referenced by the Complainant. She indicated that the land portion of the subject's assessment had been calculated at a value of \$65 per SF. The Respondent also provided a matrix on page 18 of R-1 containing nine property comparables in northwest Calgary - all of which had been assessed using a "Land" value approach, which she argued, supported an emphasis on a land component, and not an Income approach.

The Respondent provided several Calgary Assessment Review Board Decisions – CARB 0749/2011-P; CARB 0760/2011-P; CARB 0762/2011-P; CARB 0779/2011-P; CARB 0801/2011-P; CARB 1228/2011-P; CARB 1255/2011-P. She argued that other Boards have addressed the matter of "Land Value" versus "Income Approach" for property valuation, and the Decisions referenced speak for themselves as regards this point.

The Respondent requested that the Board confirm the assessment at \$1,030,000.

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

The Board considers that the following is relevant regarding this appeal:

1. The Board concurs with the parties that the subject does not appear to be a "special purpose" building and hence, by the City's own practices, the "Cost Approach to Value" would also not appear to be the preferred methodology – all as argued by the Complainant and effectively concurred with by the Respondent.
2. In its application of the "Cost Approach", the Board considers that the Respondent's three land sale comparables and the values adduced from them are not convincing. Two of the Respondent's land sales require significant downward adjustments – one 50%, and the other 30%, whereas the third is adjusted upwards by 5% and therefore, establishing a land value for the subject on the basis of these sales is questionable.

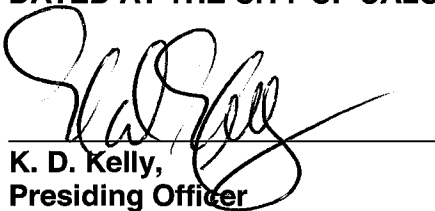
Moreover, the Board notes that the time-adjusted sale prices for the Respondent's three property comparables vary from \$45.63 per SF to \$112 per SF which, in the current case, appears to be a considerable value spread. Thus the Board has considerable difficulty accepting them as indicative of value for the subject on this basis alone.

3. The Board has briefly perused the Calgary Assessment Review Board Decisions referenced by the Parties and notes that many of the same issues and arguments dealing with Land versus Income valuations, and indeed some of the same evidence, was provided to and argued before those Boards as was presented today. Nevertheless, in this hearing today, it is clear to this Board that the land values presented to it by the Respondent are unconvincing. Therefore the Income valuation provided by the Complainant in this hearing is accepted by this Board as being a reasonable approximation of value in the circumstances.

**Board's Decision:**

The Board reduces the assessment to \$906,500.

DATED AT THE CITY OF CALGARY THIS 9 DAY OF SEPTEMBER 2011.

  
K. D. Kelly,  
Presiding Officer

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

<b>NO.</b>	<b>ITEM</b>
1. C1	Complainant Disclosure
2. R1	Respondent Disclosure

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*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.*