

**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:

***First Calgary Financial Savings and Credit Union Ltd.
(as represented by Altus Group Limited), COMPLAINANT***

and

The City of Calgary, RESPONDENT

before:

***J. Dawson, PRESIDING OFFICER
A. Blake, MEMBER
H. Ang, MEMBER***

This is a complaint to the Calgary Composite Assessment Review Board [CARB] 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:	046199006
LOCATION ADDRESS:	505 17 Avenue NE
LEGAL DESCRIPTION:	Plan 3182FU; Block 2; Lots 3-Multiple
HEARING NUMBER:	68819
ASSESSMENT:	\$ 8,790,000

- [1] This complaint was heard on the 12 day of November, 2012 at the office of the Assessment Review Board [ARB] located at Floor Number 4, 1212 31 Avenue NE, Calgary, Alberta, Boardroom 2.
- [2] Appeared on behalf of the Complainant:
- D. Main Agent, Altus Group Limited
 - K. Fong Agent, Altus Group Limited
- [3] Appeared on behalf of the Respondent:
- M. Lau Assessor, City of Calgary
- [4] The following individuals were present for all or part of the proceedings and did not appear on behalf of a party:
- R. Zhou
 - S. Hirata
 - A. Wong
 - C. Workman
 - M Kelndorferi

SECTION A: Preliminary, Procedural or Jurisdictional Issues:

- [5] No preliminary, procedural, or jurisdictional matters were identified.

SECTION B: Issues of Merit

Property Description:

- [6] Constructed in 1978, the subject – 505 17 Avenue NE, is a two-storey suburban office building located at the corner of 16 Avenue and 4 Street NE in the community of Winston Heights/Mountview.
- [7] The Respondent prepared the assessment on the income approach showing 34,094 square feet graded as a 'B' quality: 15,092 square feet of bank space; 14,662 square feet of office space; 4,340 square feet of storage; and 25 enclosed parking stalls. The site has an area of 42,935 square feet.

Matters and Issues:

- [8] The Complainant identified two matters on the complaint form:
- Matter #3 - an assessment amount*
 - Matter #4 - an assessment class*

[9] Following the hearing, the Board met and discerned that this is the relevant question which needed to be answered within this decision:

1. *Is the manner in which the subject bank has been stratified – correct, fair or equitable?*

Complainant's Requested Value:

On complaint form:	\$6,910,000
Within disclosure:	\$7,310,000

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

Matter #3 - an assessment amount

Question 1 *Is the manner in which the subject bank has been stratified – correct, fair or equitable?*

Complainant's position

[10] The Complainant argues that the Respondent uses the year of construction [YOC] to stratify bank space assessments and changes the YOC (increasing the assessment) on the basis of a minor renovation that has not changed the effective age of the bank space. (C1 p. 3)

[11] The Complainant reviewed the details of the subject, including (C1 pp. 10-21):

- 2012 Property Assessment Notice – a 42% increase or \$2,620,000 change in assessment value over 2011;
- Property Assessment Summary Report – indicating the year of construction as 1978 and quality grading of 'B';
- 2012 Municipal Assessment Summary;
- Non-Residential Properties – Income Approach Valuation – showing the \$33 per square foot assessed market rental rate for the 15,092 square feet of bank space;
- Aerial maps – showing location;
- City of Calgary – My Property report – indicating no building or development permits active or issued during the previous 3 years (as of September 20, 2012); and
- Two photos of exterior showing a plain, two-storey office structure that is typical of 1978 construction.

[12] The Complainant provided information obtained from the Respondent on bank space

assessment methods for 2012, showing that bank spaces 1989 and older are assessed at a rate of \$25 per square foot. Bank space with a YOC of 1990 through 2007 are assessed at \$33 per square foot, and bank space with a YOC of 2008 and newer are assessed at \$45 per square foot. (C1 pp. 28-31)

[13] The Complainant explained that from the submission and discussion with the Respondent, the only reason their assessment increased in 2012 over 2011 was because of a building permit issued in 2008 within the building.

[14] The Complainant concluded with their request for an assessment of \$7,310,000. (C1 pp. 78)

Respondent's position

[15] The Respondent indicates that a permit was completed for interior renovations valued at \$195,000 resulting in the current assessment. (R1 p. 3)

[16] The Respondent reviewed the subject details (R1 pp. 5-13):

- 2012 Property Assessment Notice – identical to Complainant evidence;
- Non-Residential Properties – Income Approach Valuation – identical to Complainant evidence;
- Six photos of exterior only – similar to Complainant evidence; and
- Building permit for \$195,000 – dated February 12, 2008 for second floor, with a note; *"Main Floor – partitions for offices in mailroom area. Second Floor – partitions for offices."* 2,494 square feet of total construction – no breakdown by floor provided. The Respondent stressed the renovation of \$78 per square foot shows a substantial improvement including structural, mechanical and electrical.

[17] The Respondent included their 2012 Bank Lease Analysis to demonstrate how the banks are stratified and how it applies to the subject – similar to Complainant evidence. (R1 pp.16-19)

[18] The Respondent explained that the policy of the Assessment Business Unit [ABU] is any building permit of \$100,000 or greater results in bank space assessed YOC changing. In the subject, the building permit of \$195,000 dated February 12, 2008, deems the bank space to be built between 1990 and 2007. (R1 p. 14)

[19] The Respondent provided a Local Assessment Review Board [LARB] – Business decision; LARB 0639/2012-B, showing that for a bank with a 2,000 square foot addition plus \$343,000 interior renovation, the effective YOC had been confirmed. (R1 pp. 28-35)

[20] The Respondent concluded with a statement that the assessment of the subject is correct, fair and equitable. (R1 p. 21)

Complainant's rebuttal position

[21] The Complainant argued that the renovations on the subject property did not change the

effective YOC and as can be demonstrated by budgets for new banks and the cost to brand a space after construction. (C2 p. 2)

- [22] The Complainant showed building permit information for a new bank (2009) at 5680 Signal Hill Centre SW. The 10,240 square foot building cost \$1,794,000 or \$175 per square foot and the branding (leasehold improvements) cost another \$555,000 or \$54 per square foot. (C2 pp. 3-6)
- [23] The Complainant included building permit information for a new bank (2012) at 2929 Sunridge Way NE. The 4,482 square foot building cost \$900,000 or \$201 per square foot and the branding (leasehold improvements) cost another \$500,000 or \$111 per square foot. (C2 pp. 7-13)
- [24] The Complainant provided charts to compare the two new banks with the costs of building permits for the subject and a bank with similar renovations. The chart shows the subject experienced a total cost of under \$6 per square foot when looking at the entire space and another bank had a total cost of under \$5 per square foot when looking at the entire area. The new structures cost a total of \$229 and \$312 per square foot. (C2 pp. 14-18)
- [25] The Complainant provided a Board decision; *LARB 1782/2012-B*, showing that, with an increase of size to the bank space and expenditures of \$156 per square foot, the space did not increase in YOC; therefore, the assessment was reduced to its previous YOC. (C2 pp. 19-22)
- [26] The Complainant concluded that no one walking into a bank could tell the YOC based on looking at interior finish. The banks' branding finish does not extend the life of a building.

Board's findings

- [27] The Board notes the Respondent indicated that *ABU* policy dictated that the YOC change when buildings permit of \$100,000 or greater are completed on bank space. The policy was not in evidence.
- [28] The permit of \$195,000 indicates second floor office space is to be altered. There appears to be a second thought written on the first line where "*Main Floor*" added above the "*Second Floor*" text. The 'Additional Information/Comments' space expands on this; "*Main Floor – partitions for offices in mailroom area. Second Floor – partitions for offices.*" The evidence does not indicate what portion of the renovation was on the bank space. Common sense would dictate that a mailroom is not typically a space open to the public and is not substantial in area.
- [29] The Board cannot ascertain what area of the 2,494 square foot renovation was in the bank space. If 100% was in the 15,092 square foot bank, it amounts to 16.5% of the area. The Board cannot understand how an interior renovation of a small portion of the retail banking area equates to a major change in the effective YOC. Given the evidence, the Respondent concluded that this minor renovation increased the age of the bank by eleven to nineteen years.
- [30] The Respondent is charged with finding market value. In 2011 it was determined that market value was \$6,170,000. By spending \$195,000 in renovations in 2008 the Respondent says the market value increased to \$8,790,000 in 2012. This amounts to an increase value at more than 13 times the expenditure.
- [31] The Board finds the evidence and request from the Complainant to be reasonable. The

assessment conducted by the Respondent in not fair or defensible.


Matter #4 - an assessment class

- [32] The Board did not hear any evidence requesting a change in an assessment class from its current non-residential designation.

Board's Decision:

- [33] After considering all the evidence and argument before the Board it is determined that the subject's assessment is changed to a value of \$7,310,000 which reflects market value and is fair and equitable.

DATED AT THE CITY OF CALGARY THIS 28th DAY OF December 2012.


J. Dawson
Presiding Officer

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

NO.	ITEM
1.	C1 Complainant Disclosure – 80 pages
2.	R1 Respondent Disclosure – 39 pages
3.	C2 Rebuttal Disclosure – 24 pages

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.*

Municipal Government Board use only: Decision Identifier Codes				
Appeal Type	Property Type	Property Sub-Type	Issue	Sub-Issue
CARB	Office	Low Rise	Income Approach	Market Rental Rate