

**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:

***Alberta Treasury Branches
(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: 057259707

LOCATION ADDRESS: 217 16 Avenue NW

LEGAL DESCRIPTION: Plan 8010599; Block 3; Lot 13

HEARING NUMBER: 68824

ASSESSMENT: \$ 5,900,000

- [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

SECTION A: Preliminary, Procedural or Jurisdictional Issues:

Preliminary Issue 1 - Evidence

- [4] The Complainant and the Respondent requested to bring forward all evidence, comments, questions, and answers articulated during a previous hearing, and heard before this Board to this hearing: CARB 2391/2012-P.
- [5] **The Board determined, from the decision of CARB 2391/2012-P, that all evidence, comments, questions, and answers, is to be brought forward and incorporated just as if it were presented during this hearing.**
- [6] No additional procedural or jurisdictional matters were raised.

SECTION B: Issues of Merit

Property Description:

- [7] Constructed in 1979, the subject – 217 16 Avenue NE, is a three-storey suburban office building located at the corner of 16 Avenue and 1 Street NW in the community of Crescent Heights.
- [8] The Respondent prepared the assessment on the income approach showing 31,525 square feet graded as a 'B' quality: 7,691 square feet of bank space; 16,127 square feet of office space; and 7,707 square feet of storage space. The site has an area of 26,251 square feet.

Matters and Issues:

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

[10] 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:	\$4,520,000
Within disclosure:	\$5,150,000

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

[11] 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)

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

- 2012 Property Assessment Notice – a 36% increase or \$1,560,000 change in assessment value over 2011;
- Property Assessment Summary Report – indicating the year of construction as 1979 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 7,691 square feet of bank space;
- 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
- Aerial maps – showing location;
- Three photos of exterior showing a plain, three-storey office structure that is typical of 1979 construction.

[13] 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. 25-30)

[14] 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 2007 within the building.

[15] The Complainant concluded with their request for an assessment of \$5,150,000. (C1 pp. 78)

Respondent's position

[16] The Respondent indicates that a permit was completed for interior renovations valued at \$150,000 resulting in the current assessment. (R1 p. 3)

[17] The Respondent reviewed the subject details (R1 pp. 5-18):

- 2012 Property Assessment Notice – identical to Complainant evidence;
- Non-Residential Properties – Income Approach Valuation – identical to Complainant evidence;
- Aerial maps – showing location – similar to Complainant evidence;
- Three photos of exterior only – similar to Complainant evidence; and
- Building permit for \$150,000 – dated March 2, 2007 for the main floor, with a scope of; *“...construction of new interior partitions and associated millwork, finishes, HVAC, plumbing, electrical and lighting on the ground floor and the replacement of existing exterior doors with glazing panels.”* 800 square feet of total construction. The renovation amounted to \$187 per square foot.

[18] 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.20-23)

[19] 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 \$150,000 dated March 2, 2007, deems the bank space to be built between 1990 and 2007. (R1 p. 15)

[20] 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. 31-38)

[21] The Respondent concluded with a statement that the assessment of the subject is correct, fair and equitable. (R1 p. 25)

Complainant's rebuttal position

- [22] 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)
- [23] 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)
- [24] 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)
- [25] 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 \$5 per square foot when looking at the entire space and another bank had a total cost of under \$6 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)
- [26] 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)
- [27] 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

- [28] 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.
- [29] The permit of \$150,000 indicates that; *"...construction of new interior partitions and associated millwork, finishes, HVAC, plumbing, electrical and lighting on the ground floor and the replacement of existing exterior doors with glazing panels."* The evidence suggests that an exterior entrance/exit was removed and glazing placed making room for more office space. At 800 square feet, it is not a substantial area.
- [30] The renovation of 800 square feet of 7,691 square feet of bank space amounts to 10.4% 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 ten to eighteen years.
- [31] The Respondent is charged with finding market value. In 2011 it was determined that market value was \$4,340,000. By spending \$150,000 in renovations in 2007 the Respondent says the market value increased to \$5,900,000 in 2012. This amounts to an increase value at more than 10 times the expenditure.

- [32] The Board finds the evidence and request from the Complainant to be reasonable. The assessment conducted by the Respondent is not fair or defensible.

Matter #4 - an assessment class

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

Board's Decision:

- [34] After considering all the evidence and argument before the Board it is determined that the subject's assessment is changed to a value of \$5,150,000 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 – 42 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