

**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:**

***Nesle Corp. (as represented by Assessment Advisory Group Inc.), COMPLAINANT***

**and**

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

**before:**

***K. D. Kelly, PRESIDING OFFICER  
R. Cochrane, MEMBER  
A. Zindler, 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>069112209</b>
<b>LOCATION ADDRESS:</b>	<b>1214A – 9 AV SE</b>
<b>HEARING NUMBER:</b>	<b>64817</b>
<b>ASSESSMENT:</b>	<b>\$1,230,000</b>

This complaint was heard on 4<sup>th</sup> day of October, 2011 at the office of the Assessment Review Board located at Floor Number 4, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 3.

Appeared on behalf of the Complainant:

- Mr. T. Howell - Assessment Advisory Group Inc.

Appeared on behalf of the Respondent:

- Mr. C. Yee - Assessor, City of Calgary

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

None

**Property Description:**

The subject is a 1920 vintage stand-alone 4,600 square foot (SF) retail and restaurant building known as "Chelsea Antiques" in the Inglewood area of southeast Calgary. It has 2,300 SF of restaurant/dining lounge assessed at a typical \$26 per SF, and 2,300 SF of retail assessed at \$20 per SF. The property is assessed using the Income Approach to Value methodology for a total assessment of \$1,230,000.

**Issue:**

1. The assessment for the subject is inequitable when compared to other similar properties.

**Complainant's Requested Value:** \$1,060,000

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

**Issue #1:** "The assessment for the subject is inequitable when compared to other similar properties."

**Complainant's Position:**

The Complainant presented his 18 page Brief C-1 and identified the specific site characteristics of the subject. He clarified that he had not been inside the subject and therefore had no internal photos, but was familiar with its location and configuration.

The Complainant referenced the City's "Assessment Summary Report" and noted the subject is a 1920's "B-" quality building of 4,600 SF on 3,986 SF (0.09 acres (AC)) of land. The

Complainant provided a map locating the subject in Inglewood, as well as an overhead orthophoto and front view photo of the subject.

The Complainant provided the City's "Assessment Summary Reports" for six properties he considered comparable to the subject. He noted that they were all nearby the subject in Inglewood, and one was immediately abutting the subject to the west. The buildings ranged in age from 1936; to 1945; to 1950; to 1962; to 1976; to 2001 and ranged in size from approximately 3,500 to 6,000 SF. In terms of building quality, four of the properties were "C" Class and two were "B-" like the subject. He considered the "best" comparable to be 1214 – 9 AV SE – a "B" quality building immediately next door to the subject, which he calculated was assessed at \$231 per SF.

The Complainant clarified that the subject was assessed at \$267 per SF whereas his six comparables were assessed at values ranging from approximately \$143 to \$231 per SF. The average was \$177.70 per SF. He calculated these per square foot values by dividing the assessed value of the property by the square footage of the assessed onsite improvement. Therefore, he considered the assessment to be inequitable. The Complainant provided a front photo of only his "best" comparable adjacent to the subject, to demonstrate its relative similarity.

The Complainant concluded on the basis of his analysis of his six property comparables that a value of \$230 per SF would be appropriate and equitable for the subject. This would result in a reduced assessed value of \$1,060,000 (truncated) which he considered to be fair and equitable. The Complainant provided no market sales evidence in support of his requested value, nor did he provide an alternate calculation of value using the "Income Approach to Value" methodology which was used by the City to assess the subject.

#### **Respondent's Position:**

The Respondent presented his Brief R-1 and clarified that the subject is not just 4,600 SF of retail space, but in fact contains both 2,300 SF of restaurant/dining lounge space as well as 2,300 SF of retail space. The restaurant space is assessed using a "typical" \$26 per SF whereas the retail space is assessed using \$20 per SF. Both spaces display a high degree of finish which accounts in part for its "B-" quality rating and the rent rate parameters assigned to it in the assessment calculation.

The Respondent presented on page 15 of R-1 the City's "Non-Residential Properties – Income Approach Valuation" sheet which clarified precisely how the subject was assessed. He noted that the entire 2,300 SF of retail space falls within the City's space size category of 1,001 to 2,500 SF and accordingly has been assessed at a "typical" rate noted above for this category of retail space. By using "typical" vacancy and capitalization rates; operating costs; and non-recoverable allowances, the calculated property assessment value comes to \$1,230,000.

The Respondent argued that the Complainant's calculations of per square foot comparative value are flawed because he simply divided the assessed value of each comparable property by the square footage of the improvements thereon. He clarified that because each of his comparable properties are quite different from each other in form, fit, and use, and from the subject, the Complainant's calculations of comparative value are invalid and unreliable.

As an example, the Respondent provided the City's assessment calculations for the Complainant's "best" comparable next door to the subject at 1214 – 9 AV SE. He noted that this

property contained no retail like the subject's 2,300 SF, but rather it contained 2,500 SF of office space assessed at \$15 per SF – some \$5 per SF less than the subject's \$20 per SF retail. In addition, while both properties have restaurant/dining lounge space assessed at \$26 per SF, the comparable contained only 2,168 SF whereas the subject has 2,300 SF. Therefore, he argued, the Complainant's "best" comparable is not completely comparable to the subject and has been assessed using different valuation parameters, which leads to a different assessment value for it versus the subject.

The Respondent provided the City's "Income Valuation" sheets for each of the Complainant's six comparables to demonstrate how they were assessed. He noted that two of the Complainant's property comparables contain restaurants – one of which is solely composed of 4,714 SF of such space but assessed at only \$16 per SF – not \$26 per SF like the subject. However, the remaining four properties used by the Complainant contain a variety of either (a) retail and office, or (b) lower and upper floor retail for example – all assessed using different valuation parameters, thereby leading to a variety of assessed values quite different from the subject. Therefore, he argued, they are not comparable to each other or to the subject.

The Respondent referenced pages 34 to 58 of his Brief R-1 and provided six property comparables of his own. Four were located in Inglewood, one was in Kensington, and one was on Edmonton Trail. He noted in a matrix on page 34 that all of the assessable restaurant spaces were assessed at \$26 like the subject, and all of the retail spaces were assessed at \$20 per SF like the subject. He also referenced copies of the City's "Non-Residential Properties – Income Approach Valuation" sheets and the City's "Assessment Summary Reports" for each of his six comparables, which he argued demonstrated the various and important similarities of these properties to the subject.

The Respondent argued that he had concluded from the Complainant's presentation that he did not provide any independent market evidence to support his valuation request, nor did he challenge any of the City's inputs to its assessment calculation using the Income Approach for either the subject, or any of the property comparables the City presented. Therefore, he suggested, the Complainant's position should fail on this basis alone.

The Respondent requested that the Board confirm the assessment at \$1,230,000.

#### **Board's Analysis and Conclusions - Reasons**

The Board considers the Complainant's position in this appeal fails for the following reasons;

1. The Board notes that the Complainant provided and relied upon six property comparables which, when compared to the subject, are not comparable to it in many respects. The subject is described by the Respondent as an aged but well-finished, stand-alone, combined restaurant and retail space, whereas the Complainant's comparables contain spaces of alternate size and use which have been assessed using quite different valuation parameters than the subject. The Complainant acknowledged that he had not been inside either the subject or his comparable properties and was therefore unable to provide any photographs of, or describe their interiors to refute the position of the Respondent.

2. The Complainant's comparables are of a different (lesser) quality than the subject which is a "B-" quality building, largely reflected by its higher level of interior and exterior finish. Therefore the subject is assessed using different (higher value) parameters than the Complainant's lesser "C" quality comparables which are assessed using lesser valuation parameters, thereby leading to lesser assessment values. The Complainant's comparables are not comparable to the subject or in large part to each other.
3. The Board accepts the Respondent's argument that Complainant's comparables are demised and contain different internal components for their specific use such that they are assessed using different valuation parameters than the subject. Therefore, in form and function the Complainant's comparables are not comparable to the subject. Moreover, the Respondent was able to demonstrate that the Complainant's closest comparable to the subject at 1214 – 9 AV SE, is demised and used differently than the subject and is therefore also not comparable.
4. The subject is assessed using the "Income Approach to Value" methodology and the Complainant offered no market or other evidence to argue that the valuation inputs – including the \$20 per SF "typical" rent rate for the retail, and the \$26 per SF "typical" for the restaurant/lounge, were incorrect. Indeed, the Complainant offered no argument whatsoever that the assessment calculation was incorrect, but merely that it was inequitable when compared to other nearby properties.
5. The Board concurs with the Respondent that the Complainant's per square foot comparative value analysis that he prepared for his comparables is flawed and unreliable because the six properties he compares are not substantially identical one to the other or to the subject. Simply dividing the assessment by the square footage of the improvement is not an industry-accepted method of comparative valuation.
6. The Respondent provided six comparable properties which displayed characteristics of use, fit and finish similar to the subject - all of which had been assessed using the several "typical" input values as applied to the subject, including a \$26 per SF rent rate for the restaurant's 2,300 SF, and \$20 per SF for the retail area's 2,300 SF.

Consequently, the Board concludes on the basis of the evidence provided, and on balance, that the Complainant has provided insufficient information and argument to convince the Board that the assessment is either incorrect or inequitable. Indeed, on the basis of the evidence and argument supplied by the Respondent, the Board concludes that the assessment is correct and equitable.

**Board's Decision:**

The Board Confirms the assessment at \$1,230,000.

DATED AT THE CITY OF CALGARY THIS 16<sup>th</sup> DAY OF November 2011.

  
K. D. Kelly  
Presiding Officer



**DOCUMENTS PRESENTED AT THE HEARING  
AND CONSIDERED BY THE BOARD:**

Appeal Type	Property Type	Property Sub-type	Issue	Sub-Issue
CARB	Retail and restaurant	Stand-alone	Equity only	Market zone Comparisons