



## **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:**

**Highstreet House GP Inc., (as represented by Linnell Taylor Assessment Strategies),  
COMPLAINANT**

**and**

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

**before:**

***R. Fegan, PRESIDING OFFICER  
H. Ang, BOARD MEMBER  
P. Charuk, BOARD 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 2013 Assessment Roll as follows:

<b>ROLL NUMBER:</b>	<b>080134000</b>
<b>LOCATION ADDRESS:</b>	<b>933 17 AV SW</b>
<b>FILE NUMBER:</b>	<b>70286</b>
<b>ASSESSMENT:</b>	<b>\$18,690,000</b>

This complaint was heard on the 17<sup>th</sup> day of July, 2013 at the office of the Assessment Review Board located at Floor Number 3, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 11.

Appeared on behalf of the Complainant:

- J. Mayer, (Linnell Taylor Assessment Strategies)

Appeared on behalf of the Respondent:

- C. Fox, (City of Calgary)

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

[1] The Complainant raised the issue of late disclosure. The Complainant did not receive the Respondent's evidence disclosure in accordance with the regulations. The Respondent acknowledged that the disclosure had been sent on July 2, 2013 to an incorrect e-mail address and was not sent to the correct address until the following day, July 03, 2013.

[2] After reviewing AR310/2009, 9 (1) "*A composite assessment review board must not hear any evidence that has not been disclosed in accordance with section 8*", the Board did not hear any evidence from the Respondent's late disclosure.

**Property Description:**

[3] The subject property is an eight storey office building with a total area of 49,038 square feet, located in the community of Beltline. The subject was constructed in 1979 and has been classified by the City as a "B" class building.

**Issues:**

[4] The ground floor of the subject was undergoing renovations and expansion during 2012 and these circumstances were not reflected in the assessed value.

[5] The capitalization rate of 5.25% applied to the subject is too low.

**Requested Value: \$12,555,000.**

**Board's Decision:**

**The complainant is allowed in part and the assessment is set at \$ 15,700,000.**

**Position of the Parties****Complainant's Position:**

[6] The Complainant argued that the first floor of the building was undergoing renovations and expansion for eight months during 2012. These renovations caused the subject property to suffer a loss in revenue particularly from a tenant named Chrome Hair Design. The landlord took back 605 square feet from Chrome in order to complete the necessary work.

[7] The Complainant provided a letter dated May 02, 2012, from the landlord to the tenant (Chrome) indicating that the landlord wished to complete a renovation and expansion of the premises and that the duration of the project was estimated to be seven months. The landlord would provide rent abatement to the tenant (Chrome Hair Design) for a period of seven months. This abatement term was later extended by one month.

[8] The Complainant provided a capitalization rate analysis using five sales of Class B high rise office buildings built between 1974 and 1980. These sales were all located in the Beltline. The analysis produced an average capitalization rate of 7.4%.

[9] The Complainant used the same sales that had been used in the capitalization rate study to draw a comparison between the sale price per square foot of these buildings and the assessment per square foot of the subject. The assessment per square foot of the subject property is \$381.14. The average sale price per square foot of the comparable buildings is \$245.32.

[10] The Complainant pointed out the similarities between the properties used in both analyses and the subject property. All properties had been classified by the City as "B" class buildings. All properties had underground parking. The year of construction of the comparables ranged from 1974 to 1980 compared to the subject's 1979 year of construction. The five properties were in a similar size range as the subject property.

**Respondent's Position:**

[11] Through questions to the Complainant, the Respondent ascertained that the Complainant had used the NOI from the 2013 Assessment Explanation Supplement for the 2011 sales used in the calculation of his capitalization rates.

[12] Through questions to the Complainant, the Respondent ascertained that the sale of 525 11 AV SW., in the Complainant's capitalization rate analysis was 85% occupied at the time of sale but that the purchaser intended to complete extensive renovations and engage in a releasing program. The Respondent argued that this was not a typical situation and should not be used in a capitalization rate analysis.

[13] Through questions to the Complainant, the Respondent ascertained that the sale of 1111 11 AV. SW., in the Complainant's analysis also involved a second transaction of a separate property at the same time whereby the purchaser sold a property to the vendor on the day that they purchased 1111 11 AV SW. The Respondent argued that this was not a typical transaction and should not be used in a capitalization rate analysis.

**Board's Reasons for Decision:**

[14] Although there was no specific evidence as to the exact condition of the subject property on December 31, 2012, the Board was satisfied based on the estimated construction time and

the rent abatement dates, that by December 31 2012, the renovations and expansion of the subject was complete and if anything these improvements would enhance the value of the subject property. No adjustment to the assessment for the loss in rent during the renovations was deemed necessary by the Board.

[15] The Board took note of the issues raised by the Respondent with respect to the sales of 1111 11 AV SW., and 525 11 AV SW. The Board found that the capitalization rates of the three remaining sales were 6.29%, 7.69% and 4.83% yielding an indication of a cap rate at 6.27%. The Board finds that a capitalization rate of 6.25% is appropriate for the subject property.

DATED AT THE CITY OF CALGARY THIS 20<sup>th</sup> DAY OF August 2013.



R. Fegan

Presiding Officer

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

<b>NO.</b>	<b>ITEM</b>
1. C1	Complainant Disclosure

*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.*

## CARB Identifier Codes

<b>Decision No.</b> CARB 70208P-2013		<b>Roll No.</b> 079017703		
<b><u>Complaint Type</u></b>	<b><u>Property Type</u></b>	<b><u>Property Sub-Type</u></b>	<b><u>Issue</u></b>	<b><u>Sub-Issue</u></b>
CARB	Commercial	Retail	Market Value	Approach to Value