



## **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:**

***W. Chan Investments LTD. (as represented by MNP), COMPLAINANT***

**and**

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

**before:**

***T. Golden Board Chair, PRESIDING OFFICER***

***A Huskinson, BOARD MEMBER***

***T Usselman, 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:

**ROLL NUMBER: 080100803**

**LOCATION ADDRESS: 501 18 AV SW**

**FILE NUMBER: 70436**

**ASSESSMENT: \$14,530,000**

This complaint was heard on 16 day of July, 2013 at the office of the Assessment Review Board located at Floor Number 3, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 8.

Appeared on behalf of the Complainant:

- *G. Worsley*

Appeared on behalf of the Respondent:

- *R. Urban*

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

- [1] There were no procedural issue in this case.

**Property Description:**

The subject property is a class C office building constructed in 1964. Located in the Beltline District, the building contains 45,652 square feet (sq ft) of mostly office and retail on the street level. The retail portion of the property assessment is not in dispute. The assessment was prepared using an income approach and certain parameters are disputed.

**Issues:**

- [2] Issue 1 Is the cap rate of 5.25% the appropriate rate to be used in the preparation of the assessment?
- [3] Issue 2 Is the vacancy rate of 8% the correct typical market vacancy to be used in the income calculation?

**Complainant's Requested Value: \$9,030,000**

**Board's Decision:**

- [4] The Board confirms the assessment at \$14,530,000

**Board's Decision on Issue 1**

**Position of the Parties**

- [5] **Issue 1** The cap rate of 5.25% is the appropriate rate to be used in the preparation of

the assessment.

**Complainant's Position:**

[6] The Complainant stated that the Respondent should not apply the 5.25% cap rate to the subject which is a C class building as the cap rate study was based on B class office buildings and then arbitrarily applied to all C class buildings. Rather the Board should consider two sales of two C class office buildings namely buildings at 123 12 AV SE and 1410 1 ST SW. The building at 1410 1 ST SW is assessed as B class however only achieves C class rents and should be considered as a C class. Using the net income from these sales a more appropriate cap rate of 8.75% is developed. ASR rates were also submitted to the Board to support the general argument regarding over assessment.

**Respondent's Position:**

[7] The Respondent questioned the nature of the sales in the Complainant's presentation. In the case of 123 12 AV SE the property was not purchased for rental income as evidenced by the City Sale Questionnaire. The property at 1410 1 ST SW was not included in the analysis as the sale represented a vendor/purchaser connection and the building was not purchased for rent income purposes.

[8] B class buildings were included in the cap rate study conducted by the Respondent because of the lack of sales.

**Board's Reasons for Decision:**

[9] The Board found the Complainant's evidence was insufficient to compel the Board to change the cap rate applied by the Respondent. The sales presented by the Complainant were successfully challenged by the Respondent and the Board agrees that sufficient questions surround the sale as to limit the value of using them in the cap rate analysis. The Board also notes the sales are not similar to the subject further weakening the argument.

**Board's Decision on Issue 2**

**Issue 2** The vacancy rate of 8% is the correct typical market rent to be used in the income calculation

**Complainant's Position:**

[10] The Complainant stated that the Respondent's vacancy study combined many different classes of office buildings and distorted the C class office vacancy rates. The Board was presented with 19 vacancy comparables for C class buildings representing a 23.42 % vacancy.

**Respondent's Position:**

The Respondent presented the 2013 Beltline Office Vacancy Study which demonstrates a

typical vacancy rate to be 8.17%. Since the Respondent was of the opinion that all offices in the Beltline area compete for clients it was reasonable to combine all classes in the study.

**Board's Reasons for Decision:**

[11] The Board found that the Complainant's list of vacancy comparables to be less complete than the Respondent's and therefore more weight was placed on the evidence from the Respondent. When the Complainant's argument of using only C class vacancies was reviewed by the Board the Complainants 20% request was not supported.

DATED AT THE CITY OF CALGARY THIS 29<sup>th</sup> DAY OF August 2013.



Tom Golden

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. C2	Complainant Rebuttal
3. R1	Respondent 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.*

<b>Roll</b>	<b>Address</b>	<b>Subject</b>	<b>Issue</b>	<b>Detail</b>	<b>Sub Detail</b>
080100803	501 18 AV SW	Office	income	Vacancy, cap rate	