

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. K. Beattie Holdings Ltd.
(as represented by MNP LLP), COMPLAINANT

and

The City Of Calgary, RESPONDENT

before

L. Yakimchuk, PRESIDING OFFICER
E. Reuther, BOARD MEMBER
A. Zindler, 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: 138152806
LOCATION ADDRESS: 3165 114 Av SE
FILE NUMBER: 70587
ASSESSMENT: \$5,360,000

This complaint was heard on October 2, 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:

- *W. Van Bruggen, MNP LLP*

Appeared on behalf of the Respondent:

- *L. Dunbar-Proctor, City of Calgary Assessor*
- *C. Neal, City of Calgary Assessor*

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

- [1] There were no procedural or jurisdictional matters.

Property Description:

- [2] The subject property has been assessed as a 2001, "A+" Quality, 19,832 square foot (sf) suburban office building in Shepard Industrial Community, SE Calgary.

Issues:

- [3] Is the Income for this property assessed correctly? Specifically, the Complainant is asking for changes in the following assessment parameters (changing the Class to "B+" Quality from "A+" Quality: Office Rental Rate (\$21.00 to \$16.00), Below Grade Rental Rate (\$11.00 to \$10.00), Vacancy Rate (4.00% to 8.00%) and Capitalization (Cap) Rate (6.00% to 6.75%).

Complainant's Requested Value: \$2,620,000

Board's Decision:

- [4] The Board confirms the assessment at \$5,360,000.

Legislative Authority, Requirements and Considerations:

The Composite Assessment Review Board (CARB) derives its authority from the Municipal Government Act (MGA) RSA 2000 Section 460.1:

- (2) Subject to section 460(11), a composite assessment review board has jurisdiction to hear complaints about any matter referred to in section 460(5) that is shown on an assessment notice for property other than property described in subsection (1)(a).

For the purposes of this hearing, the CARB will consider MGA Section 293(1)

In preparing an assessment, the assessor must, in a fair and equitable manner,

- (a) apply the valuation and other standards set out in the regulations, and
- (b) follow the procedures set out in the regulations.

Matters Relating to Assessment and Taxation Regulation (MRAT) is the regulation referred to in MGA Section 293(1)(b). The CARB decision will be guided by MRAT Section 2, which states that

An assessment of property based on market value

- (a) must be prepared using mass appraisal,
- (b) must be an estimate of the value of the fee simple estate in the property, and
- (c) must reflect typical market conditions for properties similar to that property.

and MRAT Section 4(1), which states that

The valuation standard for a parcel of land is

- (a) market value, or
- (b) if the parcel is used for farming operations, agricultural use value.

Position of the Parties

Complainant's Position:

[5] W. Van Bruggen (MNP) argued that, using the Physical and Economic Characteristics/Quality Classification (C1p26) that the City of Calgary Assessors use, the subject building is more similar to "A-" and "B+" buildings than it is to "A+" buildings.

[6] The Complainant presented two tables of comparables (C1p27), showing the similarity between the subject and "A-" buildings and the subject and "B+" and "B" buildings. The tables showed office buildings built between 1971 and 2007, with most built between 1998 and 2005. Their rentable areas varied from from 4,637 sf to 105,682 sf for "A-" offices and 6,073 sf to 183,676 sf for "B+" and "B" offices.

[7] The Land Use designation for "A-" offices in the table was generally IB or IG, with one DC designation. The Land Use for "B" Suburban Offices varied from IB, IC, and IG to C-Cor 2 and 3 and C-Office. On questioning, the Complainant confirmed that some of the addresses represented groups of two or three buildings. The subject is one 19,832 sf office building designated I-B.

[8] W. Van Bruggen also presented photographs of the buildings used as comparables to show their physical condition (C1p59). He provided maps showing the locations of the various buildings used as comparables, suggesting that "A+" office buildings were not generally located in Industrial areas, and many of the office buildings had superior locations to the subject. (C1 p53-58)

[9] The Complainant presented a table of Sales comparables to show that the median market value for suburban offices (one "A+", three "A", one "B+") that have sold in the valuation period is \$211/sf. ((C1p39). He also provided supporting documentation for the Sales (C1p78-112) and Assessment information for all of the properties listed in the disclosure.

Respondent's Position:

[10] C. Neal and L. Dunbar-Proctor, City of Calgary Assessors, provided the Board with the Assessment Request for Information (ARFI) for the subject property, showing that it earned \$16.55/sf for 19,967 sf of office space (R1p17-20). According to the Non-Residential Properties – Income Approach Valuation, the property is assessed for 13,072 sf of office space at \$21/sf and for 6,760 sf off below grade space at \$11.00/sf for a Potential Net Income of \$348,872. (R1p10,11)

[11] The Respondent provided an undated lease advertisement for the subject property showing the exterior and interior of the building, its layout, its proximity to 114 Av SE, and its available parking.

[12] The Respondent presented the City of Calgary Revised 2013 Suburban Office Lease Analysis: "A+" Quality in the SE. The median lease rate was \$21.00/sf and the weighted mean was \$20.53/sf. (R1p31)

[13] The Respondent provided the 2013 Suburban Office Capitalization Rate Summary that showed a 6.00% Cap rate for "A" buildings and 6.75% for "B" and "C" buildings. (R1p41) The Respondent also provided support to show that the assessment for below grade office space in "B" buildings was \$11.00/sf, not \$10.00/sf as indicated by the Complainant. The Respondent provided a corrected calculation based on the Complainant's request for "B" classification for the subject, which resulted in a value of \$3,530,000 (R1p33).

[14] The Respondent corrected the Complainant's comparisons between "A" properties and "B" properties (C1p27), using the areas of the individual buildings on multi-building properties and the Year of Completion for each building. The corrected Average and Median on "A" buildings was 24,164 sf and 26,401 sf for buildings in the median 2003 year; the corrected Average and Median on "B" buildings was 30,298 sf and 20,036 sf for buildings built in 1993 (average) to 1999 (median). (R1p43)

[15] The Respondent also provided supporting documentation for the comparables used.

Board's Reasons for Decision:

[16] The Board considered the arguments and evidence presented by both parties. The Complainant had made significant errors in calculations in the disclosure, but had provided supporting evidence for each of the variables which affected the input into property classification.

[17] The Board considered the Respondent's corrections and clarifications of the Complainant's evidence, and the City studies to support the classification and assessment. The Board also considered the ARFI for the subject property which produced a net income of \$330,453.85, more comparable to the assessed net income of \$348,872 than the Complainant's requested income of \$276,752.

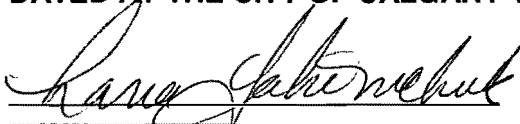
[18] The Board considered the Sales evidence. The property has been assessed using the Income Approach, but the calculated values should be supported by Sales. There was one "A+" office building on the list, which sold on August 5, 2011 for \$246/sf. The \$246/sf value was not

time adjusted and is much closer to the assessed value of the subject than it is to the requested value. The median of all the "A" and "B" sales was \$211/sf and the average was \$223/sf (C1p39).

[19] The Board found the evidence provided by the Respondent to be more accurate and more compelling than the evidence provided by the Complainant. The evidence provided by the Complainant was sometimes inaccurate and did not demonstrate any clear reasons to move the subject property from the "A" class parameters to the "B" class parameters. The ARFI supported the current assessment rates and confirmed the classification is fair. The Sales values supported a Market Value Assessment closer to the current assessment than to the requested assessment.

[20] The Board confirms the 2013 Assessment.

DATED AT THE CITY OF CALGARY THIS 25th DAY OF October 2013.



Lana Yakimchuk

Presiding Officer

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

NO.	ITEM
1. C1	Complainant Disclosure
2. R1	Respondent Disclosure
3. C2	Complainant Rebuttal

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.*

Appeal Type	Property Type	Property Sub-type	Issue	Sub-Issue
CARB	Office	Low Rise	Income Approach	Class