



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:

PBA Land Development Ltd. (*as represented by MNP LLP*), COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

M. Axworthy, PRESIDING OFFICER

P. Pask, BOARD MEMBER

I. Fraser, 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: See Appendix A

LOCATION ADDRESS: See Appendix A

FILE NUMBER: See Appendix A

ASSESSMENT: See Appendix A

These complaints were consolidated and heard together on the 11th day of July, 2013 at the office of the Assessment Review Board located at Floor Number 4, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 6, with File 70853 as the Lead File.

Appeared on behalf of the Complainant:

- *G. Worsley (MNP LLP)*
- *Y. Lau (MNP LLP)*

Appeared on behalf of the Respondent:

- *L. Wong (City of Calgary)*

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

[1] No procedural or jurisdictional matters were raised.

Property Description:

[2]

Address	Lot size square feet (sq. ft.)	Current use	Zoning
523 5 ST SW	6,486	Surface parking lot	DC66Z87 (similar to CM-2)
525 5 ST SW	6,486	Surface parking lot	DC66Z87
527 5 ST SW	3,243	Surface parking lot	DC66Z87

Issues:

[3] What is the correct market assessment for the subject properties?

[4] Other matters and issues were raised in the complaint forms filed with the Assessment Review Board (ARB), on March 1, 2013; however, the only issue that the parties sought to have the Board address at the July 11, 2013 hearing is the one referenced above.

Complainant's Requested Value: See Appendix A

Board's Decision:

[5] The correct land rate for the subject properties is \$318 per (sq. ft.) and the assessments are reduced to the amounts noted in Appendix B.

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

- [6] The Downtown market was very active prior to 2008; however, between 2008 and 2011, any sales were mainly the result of foreclosures. There are no recorded sales in the DT1 land rate zone during the assessment period. The subject property is located on the western edge of the DT1 land rate zone.
- [7] The vacant land rate for the DT1 portion of the Downtown (\$355 per sq. ft.) is too high and should be \$285 per sq. ft. as per the calculation on p.9, C-1.
- [8] In support of its position the Complainant provided the following market transactions for improved properties and applied influence adjustments to make them more comparable to the unimproved subjects. Index C3 was adjusted for corner lot influence and Index C1 and C2 were increased 10% for their DT2E location relative to the subjects' location in DT1. The *post facto* sale of Index C3 was included for trending purposes.

Index	Address	Date sold	Price	Influence adjust.	Adjusted price	Lot size (sq. ft.)	Adj. price /sq. ft.	Zoning
C1	617 8 AV SW	15-Nov-11	\$1,675,000	10%	\$1,842,500	6,172	\$271.39	CM-2
C2	718 8 AV SW	24-Jan-12	\$2,000,000	10%	\$2,200,000	6,506	\$307.41	CM-2
C3	604 8 AV SW	18-Sep-12	\$2,000,000	5%	\$2,100,000	6,504	\$261.38	CM-2

- [9] There are very few sales of vacant land in the Downtown that can be used as comparables to assist in establishing market value for the subject properties. The Complainant asserted that the value of the improvements on properties indexed C1-C3 should be discounted to establish residual land values as improvements are purchased for their cash flow. As evidence of this, the Complainant noted that the buildings on sites indexed R1 to R4 are still standing.
- [10] The Complainant stated Index R1 was purchased by Heritage Property Corp. as part of a land assembly with the intent to restore the heritage buildings with The City of Calgary and R3 was purchased by Encana for the Bow project. Therefore, very little weight should be given to these sales.
- [11] Evidence package C-1 includes three approaches to discounting the values of improvements. At the hearing, the Complainant asked that the Board disregard the demolition cost approach. The two remaining approaches are the extraction method to value and the land residual method to value. The Complainant's preferred approach is the extraction method [see Extraction-Applicability, p.45, C-1] as described in the Appraisal Institute of Canada's, Appraisal of Real Estate, Second Canadian Edition and as employed by The City of Calgary in the assessment of Beltline properties in the 2012 assessment cycle.

- [12] The Complainant stated that The City of Calgary used this extraction method in the 2012 assessment cycle [p.94, C-2] and the Complainant has mirrored this approach.
- [13] The Respondent has not provided any support for the assessed value of \$355 sq.ft. by way of recent sales or an explanation of the methodology used to convert historical land sales to the 2013 land rate assessment and has not adjusted its list of comparables for land assembly, size, influence etc. and \$355 per sq.ft. seems arbitrary.

Respondent's Position:

- [14] In support of its position, the Respondent provided the following market sales from 2007 and 2008 as there had been no sales in the DT1 land rate zone during the assessment period. The Respondent indicated that the 2013 assessed rate in DT1 is \$355, sq ft. and that because of the lack of recent sales, The City had used historic sales and applied a time adjustment factor to arrive at this rate. Despite the lack of recent sales, The City had to arrive at an assessment and \$355 per sq. ft. is a better assessed land rate than the \$285 per sq. ft. requested by the Complainant.

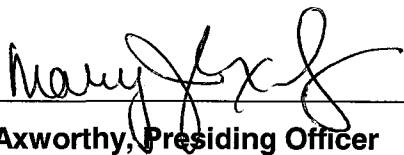
Index	Address	Date sold	Influence Adjust.	Sale price	Lot size (sq. ft.)	Adj. Price/ sq. ft.	Zoning
R1	526-530 4 AV SW	05/17/2007	5%	\$14,500,000	28,011	\$543.54	CM-2
R2	149 5 AV SW	05/18/2007	5%	\$4,190,000	7,253	\$606.58	CM-2
R3	115 7 AV SW	03/31/2008	15%	\$2,300,000	3,253	\$813.10	CM-2
R4	123-129 7 AV SW	11/18/2008	15%	\$11,000,000	19,494	\$648.92	CM-2

- [15] The Respondent disagreed with the Complainant's assertion that the value of improvements should be discounted to establish residual land value. The Respondent indicated that prospective buyers would not pay for something that they were going to demolish and noted that while the building at 718 8 AV was renovated, it was taken down to the studs.
- [16] The Respondent stated that the extraction method to value used by The City was not supported in 2012 CARB hearings.
- [17] The Respondent objected to the inclusion of Index C3 as it is a *post facto* sale dated September 18, 2012.
- [18] The Respondent indicated that that the 10% adjustment factor applied to index C1-C3 was not enough to account for the subject sites' location in DT1 vs. DT2E.
- [19] The Complainant's requested land value of \$285 per sq. ft, is lower than the DT2E assessed land rate of \$310.
- [20] The Respondent stated that the Index R1 was the best indicator of value for the subject as it is just one block away and sold for \$518 per sq. ft. in 2007.

Board's Reasons for Decision:

- [21] The Board agrees with the Respondent that Index C3 should be excluded because it is a *post facto* sale and notes that it could be a consideration in the next assessment year.
- [22] The Board notes that the Respondent provided no explanation of the methodology used to convert the 2007-2008 DT1 land sales (index R1-R4) to 2013 land rate assessment values and agrees with the Complainant that the historic sales included as index R1-R4 are not sufficient to establish market value.
- [23] The Board accepts the sales at 617 and 718 8 AV SW and the 10% adjustment rate applied by the Complainant [p.13, C-1] to adjust for their location in DT2E as opposed to DT1.
- [24] The Board notes that the parties do not agree on whether improvements for the comparable properties should be discounted to arrive at a residual land value. The Board could find no evidence to support the Complainant's position that improvements should be discounted to arrive at residual land value and relied on the sale prices with no discount for improvements to establish market value.
- [25] On this basis, the Board finds the average (mean) value of these two agreed transactions is \$318 per sq. ft.

DATED AT THE CITY OF CALGARY THIS 1 DAY OF August 2013.



M. Axworthy, Presiding Officer

APPENDIX "A"**Property particulars and Complainant's requested value:**

Roll Number	Address	File #	Assessment	Requested value on complaint form	Revised requested value
067051508	523 5 AV SW	70853	\$2,300,000	\$1,620,000	\$1,850,000
067051409	525 5 AV SW	70854	\$2,300,000	\$1,620,000	\$1,850,000
067051300	527 5 AV SW	70856	\$1,150,000	\$810,000	\$924,000

APPENDIX "B"**Board's decision:**

Address	File #	Assessment	Board's decision	Revised Assessment
523 5 AV SW	70853	\$2,300,000	Reduced	\$1,990,000
525 5 AV SW	70854	\$2,300,000	Reduced	\$1,990,000
527 5 AV SW	70856	\$1,150,000	Reduced	\$1,030,000

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

NO.	ITEM
1. C1 and C2	Complainant Disclosure
2. C3	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.*