

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:

Newvest Realty Corporation (as represented by MNP LLP), COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

B. Horrocks, PRESIDING OFFICER

J. Massey, BOARD MEMBER

R. Kodak, 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:	091002303
LOCATION ADDRESS:	807 42 AV SE
FILE NUMBER:	71122
ASSESSMENT:	\$20,330,000

This complaint was heard on the 19th day of September, 2013 at the office of the Assessment Review Board located at Floor Number 4, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 8

Appeared on behalf of the Complainant:

- W. VanBruggen (MNP LLP)
- G. Worsley (MNP LLP)

Appeared on behalf of the Respondent:

- D. Gioia (City of Calgary)
- M. Byrne (City of Calgary)

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

- [1] There were no concerns with the board as constituted.
- [2] The Complainant has visited the site, while the Respondent has not.
- [3] The parties have discussed the file.
- [4] There were no preliminary matters. The merit hearing proceeded.

Property Description:

[5] The subject property is a 4.11 acre parcel located in the Highfield community in SE Calgary. The site is improved with 3 lowrise suburban office buildings and a storage garage. The buildings were constructed in 2000 and are classified as "A-" quality. The buildings contain 33,485 square feet (sf), 10,540 sf and 33,915 sf of office space, respectively. There is surface parking on site.

[6] The 2013 assessment was prepared using the Income Approach to Value, with a typical office space rental rate of \$17.00 per square foot (psf). Vacancy at a rate of 4% and non-recoverable expense allowances were deducted. The resulting net operating income was capitalized at the rate of 6.00% to arrive at an estimate of market value, for assessment purposes.

Issues:

[7] An "assessment amount" was identified on the Assessment Review Board Complaint Form as the matters that apply to the complaint. At the outset of the hearing, the Complainant advised that there was one outstanding issue, namely: "the classification of the subject is unfair, inequitable and incorrect. The subject, assessed using the parameters of an A- Quality suburban office, should be assessed using the parameters for a "B" Quality suburban office."

Complainant's Requested Value: \$15,500,000 (Complaint Form)
\$15,670,000 (Hearing)

Board's Decision:

[8] The 2013 assessment is reduced to \$15,670,000.

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).

MGA requires that:

- 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) requires that:

- 2 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.
- 4(1) 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.

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

Issue: What is the Quality classification of the subject property, for assessment purposes?

Complainant's Position:

[9] The Complainant's Disclosure is labelled C-1.

[10] The Complainant, at pages 12 through 23, provided pictures of the exterior and interior of the subject buildings, noting the typical flooring, dropped ceiling and open concept in the interior, and typical B class construction on the exterior.

[11] The Complainant, at page 30, provided a City of Calgary table titled, Physical & Economic Characteristics/ Quality Classification. The Complainant, in comparing the subject to the Characteristics, noted that: the subject is located in an industrial area, the subject buildings are average industrial office buildings with brick walls, the subject site is an irregular shape, the subject buildings are not sprinklered and there is no fire alarm monitoring, the rentable area is spread out over 3 buildings, the floor plate is L shaped in two of the buildings, there are no building amenities and there is only surface parking.

[12] The Complainant, at page 32, identified 3 comparable properties in the SE, noting none of them are located on major thoroughfares.

[13] The Complainant, at pages 33 through 35, provided pictures of the comparables, noting that they are all one storey with typical brick exteriors.

[14] The Complainant, at page 36, provided a table titled, Comparing YOC, Area and Zoning. The Complainant noted that 5980 CENTRE ST SE and 111 58 AV SW were both classified as A Quality in 2012 and are now classified as B Quality. The Complainant noted the comparables are similar in YOC, similar in use and similar in area when the number of buildings in each property are taken into consideration.

[15] The Complainant, at page 46, provided a table titled, Recent Leasing Activity. The table includes 3 leases in the subject, with gross lease rates of \$15.00, \$16.25 and \$18.00 psf which equate to net lease rates of \$12.50, \$13.75 and \$15.50 psf when operating costs of \$2.50 psf are taken into consideration. The Complainant submitted that, the market rent rate of the subject is below the \$16.00 psf rate requested, if the subject is reclassified as B Quality. The Complainant acknowledged that the \$18.00 lease was post facto.

[16] The Complainant, at page 55, provided a table titled, Comparable Sales, noting the two comparables sold for \$204.52 psf and \$211.38 psf respectively, while the subject is assessed at the rate of \$260 psf. The Complainant noted the best comparable is the property located at 11500 29 ST SE, which sold for \$204.52 psf, compared to the requested assessment of \$201 psf for the subject.

[17] The Complainant requested the subject be classified as B Quality, and assessed using the parameters of \$16.00 psf for Rental Rate, 8.00% Vacancy Rate, \$12.50 psf Operating Cost, 1.00% Non Recoverable and Capitalization (Cap)Rate of 6.75% in the Income Approach to value.

Respondent's Position:

[18] The Respondent's Disclosure is labelled R-1.

[19] The Respondent, at page 118, provided the Tenant Rent Roll as of April 30, for the subject, noting the leases are dated.

[20] The Respondent, at page 32, provided a table titled, 2013 Suburban Office Rental Analysis: A2 and A- Quality SE. The table contains information on 13 leases with start dates from July 1, 2011 to July 1, 2012. The lease rates range from \$10.00 to \$20.00 psf. The median lease rate is \$17.28 psf and the weighted mean of the lease rates is \$16.38 psf, which support the assessed lease rate of \$17.00 psf.

[21] The Respondent, at page 34, provided a table titled, Southeast CS0302 (Suburban Office) 'A' Quality. The table contains vacancy information from 48 properties. The average vacancy rate is 3.36% while the assessed vacancy allowance is 4.00%.

[22] The Respondent, at page 37, provided a table titled, 2013 Suburban Office Capitalization Rate Summary. The table contains information on 11 sales. The Cap Rates range from 4.85 to 9.52%. The Respondent noted the median Cap Rate for A Quality is 5.85% and the average Cap Rate for A Quality is 5.63% which supports the assessed Cap Rate for A Quality of 6.00%.

[23] The Respondent, at page 39, provided one equity comparable located across the street from the subject, noting it is assessed utilizing a rental rate of \$17.00 psf, the same rate as the subject.

[24] The Respondent, at page 43, provided a table titled Complainant's comparables, noting they are all significantly smaller than the subject and one of the comparables is distant from the subject.

Complainant's Rebuttal Position:

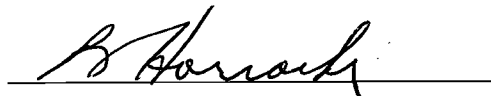
[25] The Complainant's Rebuttal Disclosure is labelled C-2.

[26] The Complainant, at page 6, provided a table titled, City of Calgary's "A-" Lease Analysis. The Complainant changed the lease rate of the subject property to recognize it was a gross lease. The Complainant noted the leasing activity, for 2012 only, produced a median lease rate of \$16.05 psf and the weighted average of the 2012 lease rates was \$15.37psf, which supports the requested lease rate of \$16.00 psf, if the subject is reclassified as a B Quality.

Board's Reasons for Decision:

[27] The Board finds the subject exhibits the Physical and Economic Characteristics of comparable properties that are classified "B" Quality. As a result, the subject should be assessed using all of the parameters of "B" Quality classified buildings, in the Income Approach to value.

DATED AT THE CITY OF CALGARY THIS 21 DAY OF October 2013.



B. Horrocks

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.*

For Administrative Use Only

Property Type	Property Sub-Type	Issue	Sub-Issue
Office	Low Rise	Income Approach	Quality Classification