



## **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:

***RESORTS OF THE CANADIAN ROCKIES INC., COMPLAINANT***

and

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

before:

***BOARD CHAIR: P. COLGATE***  
***BOARD MEMBER: P. PASK***  
***BOARD MEMBER: J. MASSEY***

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:** 081032898  
**LOCATION ADDRESS:** 1511 17 AVENUE SW  
**FILE NUMBER:** 71486  
**ASSESSMENT:** \$3,460,000.00

This complaint was heard on 24th day of July, 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:

- *Paul Bates, Resorts of the Canadian Rockies*

Appeared on behalf of the Respondent:

- *Erin Currie, City of Calgary*

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

[1] The Board derives its authority to make this decision under Part 11 of the Municipal Government Act (the "Act"). The parties had no objections to the panel representing the Board as constituted to hear the matter.

#### **Preliminary Matters:**

[2] No preliminary matters were brought forward.

#### **Property Description:**

[3] The subject property is improved with one-storey, 'B' quality office building, containing a net rentable area of 17,912 square feet, distributed as 13,292 square feet of office space and 4,620 square feet of storage space. (R1, Pg. 12) The assessment is based upon an income approach to value for \$3,460,000.00. Office space is assessed at a rental rate of \$15.00 per square foot and storage space at \$5.00 per square foot. The capitalization rate used is 5.25%.

#### **Issues:**

- [4] The Complainant raised four issues with respect to the current assessment –
- The rental rate for office space was incorrect and should be at a rate of \$11.37
  - The rental rate for storage space was incorrect and should be at a rate of \$2.88
  - The capitalization rate was incorrect and should be at a rate of 6.11%
  - The property is incorrectly assessed as being in the Beltline community when it is actually located in the community of Bankview.

**Complainant's Requested Value: \$2,200,000.00**

#### **Board's Decision:**

[5] The Board, upon review of the evidence submitted by the Complainant and the Respondent, and based upon the decisions of the Board under each issue, found insufficient evidence was provided to justify a change to the assessment of the property under complaint.

[6] The decision of the Board was to confirm the assessment at \$3,460,000.00

## Position of the Parties

### Issue 1. Incorrect office rental rate

#### Complainant's Position:

[7] The Complainant requested an office rate of \$11.37 per square foot in place of the current City of Calgary office rate of \$15.00 per square foot. It was the Complainant's argument that "since Bankview is a less desirable area for office space than Beltline, buildings should be compared with the lowest quartile buildings in Beltline and not the median". (C1, Letter of Disclosure)

[8] In support of the requested office rate the Complainant submitted a list of five (5) addresses with their office lease rates from the 2013 Beltline Office Rental Rate Summary - 'C' Class. The resulting average was \$11.37 per square foot. (C1, Tab 4, Pg1-2)

[9] The Complainant's analysis is shown:

Address	Office Rental Rate/Sq. Ft.
344 12 Ave SW	\$10.00
344 12 Ave SW	11.14
1111 3 St. SE	11.19
1711 4 St. SW	11.50
325 10 Ave SW	13.04
Average	11.37

[10] The Complainant submitted two properties – 601 10 Avenue SW and 1011 1 Street SW – which were in its opinion "by far superior buildings than the subject property" and assessed for \$15.00 per square foot for the office area. (Tabs 5 and 6)

[11] Supporting documents for the source of the office rental rates were provided.

#### Respondent's Position:

[12] The Respondent stated that "The Complainant is of the opinion that Bankview is a less desirable area for office space than the Beltline and should be compared to lower quality offices. However, the Complainant has not provided any evidence to support this claim other than his personal opinion". (R1, Pg 24)

[13] The Respondent submitted the 2013 Beltline Office Rates: B Class to show the analysis to establish the \$15.00 per square foot rate for the office space. (R1, Pg. 28-31) The analysis indicated :

2012 ONLY	Median	\$14.00
	Mean	\$15.03
	Weighted Average	\$14.91
Total 2011 & 2012	Median	\$14.00
	Mean	\$14.74

	Weighted Average	\$14.45
LAST 3 MONTHS OF ANALYSIS	Median	\$15.00
	Mean	\$15.60
	Weighted Average	\$15.19

[14] In response to the two reference properties - 601 10 Avenue SW and 1011 1 Street SW – the Respondent stated this was the Complainant's "personal opinion" and had not provided any market evidence. (R1, Pg. 25)

#### **Board's Reasons for Decision:**

[15] The Board found the Complainant had failed to provide sufficient market evidence to support its position.

[16] While the Complainant had provided a number of properties with lower office rental rates it failed to show a similarity between the comparable properties and the subject property to support an adjustment. To merely select properties with lower rental rates, without showing the similarity, and thus comparability, fails the test to show a reduction is warranted.

[17] The Board did note there were no leases from the Beltline 5 sub-market zone.

[18] The Board confirmed the office rental rate

#### **Issue 2. Incorrect storage rental rate.**

##### **Complainant's Position:**

[19] The Complainant requested a storage rental rate of \$2.88 based upon the average of its analysis of seven (7) storage spaces. (Tab 3) The Complainant's analysis follows:

Roll Number	Storage Rental Rate/Sq. Ft.
081012809	\$2.00
081046708	\$2.00
081011108	\$2.00
066080102	\$5.00
066080201	\$5.00
066080409	\$5.00
201406782	\$2.00
Average	\$2.88

[20] Supporting documents for the source of the storage rental rates was provided.

[21] The Complainant submitted photographs of commercial properties in Bankview to support its claim that properties were inferior to the Beltline area. (C2)

##### **Respondent's Position:**

[22] The Respondent argued "the Complainant had provided only retail storage space

comparables, which could not be used as comparables for determining office storage space". (R1, Pg. 23) The Respondent referenced the Complainant's submission with copies of the Non-Residential Properties – Income Approach to Valuation forms for each of the noted properties.

[23] The Respondent argued the lack of comparability and the stated assessments were from different model analysis did not support the requested change.

### **Board's Reasons for Decision:**

[24] The Board, on reviewing the evidence submitted, found six of the seven comparables provided by the Complainant were for retail properties.

[25] The Board found the Complainant had provided only one comparable property – 066080102 at 1438 17 Avenue SW – which was classified as an office building. The office storage space was assigned a storage rental space rate of \$5.00 per square foot, the same storage rate as the subject property.

[26] The Board found the Complainant failed to show how the photographs in its rebuttal document related to its own building. The Board found a number of the photographs were for properties of a lower quality, a different use and located outside the Beltline market area.

[27] The Board found there was insufficient evidence provided to support a change to the storage rental rate.

[28] The Board confirms the storage rental rate at \$5.00 per square foot.

### **Issue 3. Incorrect capitalization rate.**

#### **Complainant's Position:**

[29] The Complainant requested a capitalization rate of 6.11% "based on the average capitalization rates for properties in the RCR Data Base". (C1, Letter of Disclosure)

[30] The Complainant's analysis listed fourteen (14) properties and their individual capitalization rates, with a resulting average was 6.11%. (Tab3) The analysis is shown:

Roll Number	Capitalization Rate %
066080300	5.75
066080003	5.75
081006496	5.50
081061202	7.00
201059359	5.75
081012809	7.00
081046708	7.00
081011108	7.00
066080102	5.75
066080201	5.75
066080409	5.75
0661129495	5.25

06187006	5.25
201406782	7.00
Average	6.11

(Tab 3)

[31] The Complainant submitted copies of the City of Calgary Non-Residential Properties – Income Approach Valuation reports to show the source of the individual capitalization rates.

[32] The Complainant submitted in its rebuttal document photographs of the properties used to establish the capitalization rate. The Complainant argued the properties were superior to its property and the resulting capitalization rate should not be applied to the subject property. (C2)

#### **Respondent's Position:**

[33] The Respondent noted that with the exception of two roll numbers – 066129495 and 066187006 – all the comparables were in fact retail properties and therefore not comparable to the subject property. The Respondent noted the retail properties were analysed in a different market model to determine rental rates and capitalization rates. (R1, Pg. 23)

[34] The two office comparables were assessed with a capitalization rate of 5.25%, which supported the rate applied to the subject property.

[35] The Respondent submitted the 2013 Beltline Office Capitalization Rates analysis which shown how the rate of 5.25% was determined, based on five (5) sales in 2011 and 2012. (R1, Pg. 33) Supporting documents for the sales was submitted. (R1, Pg. 34-134)

#### **Board's Reasons for Decision:**

[36] The Board found the Complainant's analysis of the capitalization rate was based on flawed data. The use of retail capitalization rates, based upon a different market model, gives an incorrect value. The capitalization rates on office buildings supports the rate applied to the subject property.

[37] Lacking evidence to the contrary the Board confirms the capitalization rate at 5.25%.

#### **Issue 4. Property incorrectly assessed with the Beltline community businesses.**

##### **Complainant's Position:**

[38] The Complainant raised the issue that the property was incorrectly classified as being in the Beltline, but rather located in Bankview. The Complainant argued the Beltline was a "more desirous and prosperous area for commercial purposes. It stands to reason that market rental rates and capitalization rates differ between the Beltline and Bankview and will result in a lower valuation for the subject property". (C1, Letter of Disclosure)

[39] The Complainant suggested a more reasonable boundary for the Beltline 5 market area would be along 14 Street SW.

##### **Respondent's Position:**

[40] The Respondent provided a map to show the boundaries of the Beltline market area and the location of the subject property on the fringe of the area. (R1, Pg. 17) The Respondent provided the definition of a market area, "the defined geographic area in which the subject

property competes for the attention of market participants; the term broadly defines an area containing diverse land uses". (R1, Pg. 145)

[41] The Respondent argued the subject property was one of many located on the fringe of market zones and was correctly classified as being in the Beltline Market area. Further, the Respondent noted the Complainant had provided no B class market evidence to show there were differences in the typical rents between the properties located in the community of Beltline and those in the community of Bankview, but classified in the Beltline economic area.

**Board's Reasons for Decision:**

[42] The Board found there was no evidence that the subject property was incorrectly classified in the Beltline market area.

[43] The Board found there is an existence of confusion when speaking of the communities of Beltline and Bankview versus the area defined as the Beltline market area. The subject property is located in the community of Bankview, but for the establishment of market value it falls into the Beltline 5 market area.

DATED AT THE CITY OF CALGARY THIS 4<sup>th</sup> DAY OF September 2013.



**PHILIP COLGATE**  
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.*

**FOR ADMINISTRATIVE USE**

Subject	Property Type	Property Sub-Type	Issue	Sub-Issue
CARB	Office	Low Rise	Income Approach	-Rental Rates -Capitalization Rate -Market Zone



**LEGISLATIVE REQUIREMENTS****MUNICIPAL GOVERNMENT ACT****Chapter M-26**

1(1)(n) "market value" means the amount that a property, as defined in section 284(1)(r), might be expected to realize if it is sold on the open market by a willing seller to a willing buyer;

**Division 1****Preparation of Assessments****Preparing annual assessments**

**285** Each municipality must prepare annually an assessment for each property in the municipality, except linear property and the property listed in section 298. RSA 2000 cM-26 s285;2002 c19 s2

**289(2)** Each assessment must reflect (a) the characteristics and physical condition of the property on December 31 of the year prior to the year in which a tax is imposed under Part 10 in respect of the property,

**ALBERTA REGULATION 220/2004****Municipal Government Act****MATTERS RELATING TO ASSESSMENT AND TAXATION REGULATION**

1(f) "assessment year" means the year prior to the taxation year;

**Part 1****Standards of Assessment****Mass appraisal**

**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.

**Valuation date**

**3** Any assessment prepared in accordance with the Act must be an estimate of the value of a property on July 1 of the assessment year.