



## **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:

***Sanga Enterprises Ltd. (as represented by Altus Group Ltd.), COMPLAINANT***

and

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

before:

***K. Thompson, Presiding Officer***

***I. Fraser, Board Member***

***H. Ang, 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:

|                          |                     |
|--------------------------|---------------------|
| <b>ROLL NUMBER:</b>      | <b>023120306</b>    |
| <b>LOCATION ADDRESS:</b> | <b>5440 4 St NW</b> |
| <b>FILE NUMBER:</b>      | <b>71667</b>        |
| <b>ASSESSMENT:</b>       | <b>\$4,320,000</b>  |

This complaint was heard on the 20th day of August, 2013 at the office of the Assessment Review Board located at Floor # 3, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 2.

Appeared on behalf of the Complainant:

- D. Chabot Agent, Altus Group Ltd.

Appeared on behalf of the Respondent:

- C. Neal Assessor, City Of Calgary

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

[1] Preliminary issue – The Complainant and Respondent asked to have all evidence, argument and summations carried over from file #72909 and #72442 with the exception of the MGA, Section 299/300 objection and argument. The Board accepts these requests. The Board proceeded to hear the merits of the complaint.

**Property Description:**

[2] The subject property, the Thorncliff Professional Building, is Class A- medical/dental office building. The property has been assessed as having 12,560 square feet (sf) of medical/dental office space and 12 enclosed parking stalls and constructed in 2005. This property is sited on a parcel size of 0.44 acres and located in the community of Thorncliff.

[3] The subject property is assessed based on the Income Approach to Value with a capitalization rate of 6.00%, rental rate of \$23.00 per square foot (psf) for medical/dental office space and \$960 for each parking space. This property has an assessed value of \$4,320,000.

**Issues:**

[4] The Complainant contends that \$22.00 psf is a more appropriate rental rate for the medical/dental office space of this property, instead of the \$23.00 psf used by the City of Calgary to determine the value of this property.

**Complainant's Requested Value:** \$4,120,000

**Board's Decision:**

[5] The Assessment is confirmed at \$4,320,000

**Legislative Authority, Requirements and Considerations:**

[6] The *Municipal Government Act*, 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 460 (1)(a).

### **Position of the Parties**

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

[7] The Complainant stated that The City of Calgary has analysed nine leases of class A medical/dental office buildings in North West Calgary to determine the typical rental rate that will be applied to this class of properties (the median being \$22.00 psf and the weighted mean \$22.51 psf. The assessed rate was round up to \$23.00 psf.

[8] The Complainant contends that the City should not be using one of these leases in the analysis and has missed eight other valid leases in the North West for this type of property. The Complainant stated that the \$24.00 psf lease at 1402 8 Av NW for 672 sf should be removed from the analysis because it is the pharmacy and therefore a retail space. The Complainant did not use one of their additional leases in their analysis, at 1620 29 St NW as this lease is a one year extension for a one year term. The Complainant stated this was not a typical lease condition.

[9] The Complainant provided a chart including their additional eight leases and excluding the Respondent's one lease [pg. 25, C-1] the median value is \$22.00 psf and the weighted mean is \$22.07 psf. Therefore the typical rent should be at \$22.00 psf. Property Assessment Detail reports were provided for the additional lease properties.

[10] The Complainant provided an email from the property manager regarding lease terms for four of the leases. This email states there are allowances given as part of the lease agreement for three of the leases in the study (only one of these leases was in the original City analysis for A class typical rents). The Complainant contends that the rent shown on the rent roll is not a true value; the inducements need to be removed before it can be used in an analysis to determine typical rental rates. The Complainant presented the recalculated net effective rent taking into account the effect of those inducements. The typical rental rate resulted in the median of \$21.82 psf and weighted mean of \$20.77 psf [pg.42, C-1]. This supports the request of \$22.00 psf for the medical/dental office space for this property. The 2012 rent rolls were provided for all additional leases the Complainant entered into evidence. The Complainant also stated that the Respondent's 6,000 sf lease skews the City's weighted mean and if it were removed, the rate of \$22.00 psf would be further validated. CARB Decision 2056/2010-P was produced in support of the affect of a one large number on the weighted mean.

[11] It was noted by the Board that one of the leases at 1620 29 St, 1,156 sf at a \$23.00 rent, provided by the Complainant was missed on the chart [pg. 42, C-1] in the final analysis; the Complainant stated that this was an error.

[12] The Complainant introduced a leasing document for the subject building with annual rents listed as \$22.00.

[13] The Complainant introduced two equity comparable properties at 5000 333 96 Av NE with a rental rate of \$22.00 psf and 3613 33 St NW with a rental rate of \$20.00 psf.

**Respondent's Position:**

[14] Along with the 2013 Suburban Medical/Dental Office Rental Analysis [pg 23, R-1] the Respondent also provided a chart with the original leases in the City of Calgary's analysis plus the nine leases provided by the Complainant and an additional eight leases for this type of space [pg. 24, R-1]. The overall increase in weighted mean, when including the Complainant's leases in the analysis, is one cent.

[15] The Respondent argued that the information submitted by the Complainant regarding lease inducements on three of the leases was not disclosed to the City under MGA Section 294/295 prior to the City developing their typical rental rates for the 2013 assessment, and should not be allowed into evidence nor could they comment on its effect on the leases. The Board did allow the evidence but was clear that they would place appropriate weight on it. Comment was made by the Respondent that the email and subsequent calculations were only an opinion of the affect on value as the Complainant did not produce the leases and there was no indication what the allowances were intended.

[16] The Respondent also stated that when the lease analysis was done that no adjustments were made for step up leases and this would likely counteract any effect a possible allowance might have. The weighted mean was calculated without the one lease with a large square footage and there was not the large difference seen in the presented CARB decision.

[17] The Respondent noted that the subject property has the highest lease of \$26.00 psf which supports the typical \$23.00 rental rate for this property.

[18] The Respondent commented on the lease document provided by the Complainant. It noted that there was no date on the document and that the op. Costs were at \$9.00 on the lease document and are \$15.00 for the assessment value. It was also noted that the lease information stated there were 23 enclosed parking stalls while the assessment record only has 12. There was no confirmation as to which number was correct.

[19] Evidence was provided by the Respondent to show both comparables provided by the Complainant were suburban offices with no medical/dental tenants, therefore not comparable.

**Board's Reasons for Decision:**

[20] With regard to the issue of the most appropriate typical rental rate of the medical/dental office space the Board considered the lease evidence provided by both the Complainant and the Respondent the Board referred to the Chart [pg. 24, R-1] shown below:

| Class | Address |           |    |    | Space Area<br>(square feet) | Lease<br>Commencement<br>Date | Lease<br>Term<br>(Years) | Lease Rate<br>(per square<br>foot) | Party<br>Note:** wasn't used by<br>Altus in their analysis   |
|-------|---------|-----------|----|----|-----------------------------|-------------------------------|--------------------------|------------------------------------|--|
| A2    | 4600    | Crowchild | TR | NW | 1,148                       | 14-May-12                     | 2                        | \$19.55                            | City of Calgary's<br><br>2013 Lease Analysis for<br>Medical/dental office<br>Space typical rents.<br><br>Mean \$22.06<br>Wtd. Mean \$22.51 |
| A-    | 1402    | 8         | AV | NW | 6,219                       | 01-Feb-12                     | 5                        | \$24.00                            |  |
| A-    | 1402    | 8         | AV | NW | 1,997                       | 01-Jul-12                     | 9                        | \$18.00                            |  |
| A-    | 1402**  | 8         | AV | NW | 672                         | 01-May-12                     | 5                        | \$24.00                            |  |
| A-    | 5440    | 4         | ST | NW | 1,121                       | 01-Oct-11                     | 5                        | \$26.00                            |  |
| A2    | 4935    | 40        | AV | NW | 1,324                       | 01-Aug-11                     | 7                        | \$23.00                            |  |
| A2    | 4935    | 40        | AV | NW | 706                         | 01-Sep-11                     | 3                        | \$22.00                            |  |
| A2    | 4935    | 40        | AV | NW | 579                         | 01-Jan-12                     | 5                        | \$20.00                            |  |
| A2    | 4935    | 40        | AV | NW | 1,338                       | 01-Aug-11                     | 2                        | \$22.00                            |  |
| A2    | 4600    | Crowchild | TR | NW | 3,052                       | 01-Mar-12                     | 10                       | \$20.00                            |  |
| A2    | 4600    | Crowchild | TR | NW | 1,226                       | 01-Mar-12                     | 5                        | \$21.00                            | Rents added by Altus<br><br>Mean \$22.08<br>Wtd. Mean \$22.32  |
| A2    | 1620    | 29        | ST | NW | 2,465                       | 01-Aug-11                     | 5                        | \$22.00                            |  |
| A2    | 1620    | 29        | ST | NW | 7,879                       | 01-Oct-11                     | 7                        | \$22.00                            |  |
| A2    | 1620    | 29        | ST | NW | 1,490                       | 01-Nov-11                     | 2                        | \$22.00                            |  |
| A2    | 1620    | 29        | ST | NW | 1,192                       | 01-Jan-12                     | 5                        | \$24.00                            |  |
| A2    | 1620    | 29        | ST | NW | 1,228                       | 01-Jan-12                     | 5                        | \$23.00                            |  |
| A2    | 1620    | 29        | ST | NW | 916                         | 01-Jul-12                     | 10                       | \$22.00                            |  |
| A2    | 1620    | 29        | ST | NW | 1,156                       | 01-Jan-12                     | 5                        | \$22.00                            |  |
| A2    | 1620**  | 29        | ST | NW | 11,120                      | 01-Mar-12                     | 1                        | \$23.00                            |  |
| A2    | 4935    | 40        | AV | NW | 1,397                       | 01-Aug-11                     | 3                        | \$25.00                            | Rents added by<br>City of Calgary<br><br>Mean \$22.39<br>Wtd. Mean \$22.52   |
| A2    | 4935    | 40        | AV | NW | 2,725                       | 01-Aug-11                     | 3                        | \$25.00                            |  |
| A2    | 4935    | 40        | AV | NW | 744                         | 01-Aug-11                     | 3                        | \$25.00                            |  |
| A2    | 4935    | 40        | AV | NW | 1,626                       | 01-Apr-12                     | 5                        | \$23.00                            |  |
| A2    | 4935    | 40        | AV | NW | 1,011                       | 01-Jul-12                     | 6                        | \$20.00                            |  |
| A2    | 4935    | 40        | AV | NW | 926                         | 01-Aug-11                     | 3                        | \$21.00                            |  |
| A2    | 4935    | 40        | AV | NW | 1,095                       | 01-Dec-11                     | 2                        | \$26.00                            |  |
| A2    | 4935    | 40        | AV | NW | 1,234                       | 01-Sep-11                     | 5                        | \$20.00                            |  |

[21] The Board noted that all the above properties are assessed using the same parameters including the \$23.00 typical rental rate for medical/dental office space in the North West area of the City.

[22] In review of the leases in the original 2013 Rental Rate Analysis the Board saw a range of \$18.00 psf to \$26.00 psf. The Board notes that all subsequent leases provided in both

evidence packages fall within that range. In addition, review of the exempt lease in the subject building supports the \$23.00 psf rental rate. It was also noted that the subject building had the highest lease in the study which more than supports the typical \$23.00 rental rate.

[23] Little weight was given to the email regarding tenant inducements as the Board does not know how these would affect the value. This, along with the Respondent's statement about no adjustments for the step up leases leave the Board with no clear evidence as to whether it should round up or down on these typical rents, for that is what this comes down to. Nor does the Board know what effect this will have on the other components that make up the final value, as they are all interrelated.

[24] Little weight was placed on the comparable properties produced by the Complainant as they were both classed in a different category of properties and therefore might be different. The Board was not provided with the analysis for this group of properties.

[25] The Board finds the value produced for the 2013 assessment was a reasonable estimate of Market Value and the rates provided by the Respondent to be well founded and consistently applied. The assessment is confirmed at \$4,320,000.

DATED AT THE CITY OF CALGARY THIS 20<sup>th</sup> DAY OF September, 2013.



K. Thompson

Presiding Officer

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

| <b>NO.</b> | <b>ITEM</b>            |
|------------|------------------------|
| 1. C1      | Complainant Disclosure |
| 4. 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.*

| Property Type | Property Sub-Type | Issue           | Sub issue                   |
|---------------|-------------------|-----------------|-----------------------------|
| (3) Office    | Low Rise          | Income Approach | Net Market Rent/Lease rates |