



## **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:**

**CALGARY REAL ESTATE BOARD CO-OPERATIVE LIMITED**

**Complainant**

**and**

**THE CITY OF CALGARY**

**Respondent**

**before:**

**T. Shandro, PRESIDING OFFICER  
I. Fraser, BOARD MEMBER  
M. E. Bruton, 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>055511141</b>
<b>LOCATION ADDRESS:</b>	<b>233 Mayland Place NE, Calgary, Alberta</b>
<b>FILE NUMBER:</b>	<b>72015</b>
<b>ASSESSMENT:</b>	<b>\$5,050,000</b>

This complaint was heard on the 17th day of July, 2013, at the office of the Assessment Review Board located at Floor Number 3, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 10.

Appeared on behalf of the Complainant:

- D. Bowman, Agent, Assessment Advisory Group Inc.

Appeared on behalf of the Respondent:

- C. MacMillan, Assessor, The City of Calgary
- C. Neal, Assessor, The City of Calgary

### **Procedural or Jurisdictional Matters**

[1] There were no procedural or jurisdictional matters to be decided.

### **Property Description**

[2] The subject property is a suburban office building located at 233 Mayland Place NE in the community of Mayland. The building was constructed in 1990. It consists of 22,358 square feet ("SF") of leasable area sited on a parcel size of 64,887 SF of land. There is one tenant, Comtech (Communication Technologies) Ltd., which occupies the entire building.

[3] The quality of the building is classified by the City for assessment purposes as "A2".

### **Issues**

[4] There was some confusion regarding what the issues of the hearing would be.

[5] In Section 4 of the Assessment Review Board Complaint form, filed March 4, 2013 (the "Complaint Form"), the following were marked:

- 1) Box 3, "an assessment amount"; and
- 2) Box 5, "an assessment subclass".

[6] At the hearing the Complainant advised that the latter was marked incorrectly and that this was not an issue for the Board to consider and withdrew any matter related to Box 5.

[7] The Complainant, in Exhibit C-1, argued that the quality of the building should be determined to be "A-", not "A2", and therefore that the market rental rate used in the Income Approach be adjusted for the subject property. However, the market rental rates for "A2" and "A minus" in this area of the City for suburban office buildings are stated to be the same.

[8] At the hearing, the Complainant advised that it was seeking an assessment based on the Complainant's current lease rate of \$8.00/SF.

[9] For these reasons, we refine the issue before the Board as the following:

1. Should the subject property be assessed using the current rental rate of \$8.00/SF?

**Complainant's Requested Value**

[10] In the Complaint Form the Complainant requested a reduced assessment of \$4,500,000. At the hearing the Complainant amended the requested value to \$2,920,000, and during the hearing amended the requested value again to \$2,480,000.

**Position of the Complainant**

[11] The Complainant, in Exhibit C-1, took the position that the quality of the subject property was incorrectly assessed as "A2". The written submissions do not provide support for what the Complainant believes is the correct quality of the subject property, but instead presents assertions that the surrounding structures are assessed as "C" and "C-".

[12] The Complainant provided the response to the Respondent's Assessment Request for Information, which identified one tenant of the subject property, occupying the whole building. The rental rate is stated to be \$8.00/SF for a ten-year term commencing in 2010.

[13] The Complainant also provided the first two pages of the lease between the Complainant and the sole tenant: the title page and clauses 1.1(a) to (g) of Article 1, Basic Terms [pp. 23 and 24, Exhibit C-1]. No other documentation was provided and the Complainant was unable to provide further details of the lease at the hearing.

[14] The Complainant provided what is titled "Comparable A2 Property Income Valuation Chart" [p. 25, Exhibit C-1]. All but one are in the Northeast quadrant of the City. Most are "A2" quality, except for three which are "A-" quality. The properties have assessed values of \$5,260,000 to \$40,360,00. The chart contains no information about the rental rates for any of the properties.

[15] The Complainant's evidence package [pp. 26 to 63, Exhibit C-1], provided further information regarding four of the properties listed in the chart [p. 25, Exhibit C-1]: two properties assessed as "A-" quality, constructed in 1998 and 2000; and two properties assessed as "A2" quality constructed in 2000.

[16] This further information for these four properties includes the following:

- 1) A Property Assessment Summary Report, printed from the Respondent's website;
- 2) A photograph and/or brochure of the comparable property and/or printout from RealNet; and
- 3) A calculation of the assessment of each property using a rental rate of \$16.00.

[17] There was no information about the rental rates for any of the comparable properties.

[18] At the hearing, the Complainant was asked by the Board to confirm that the Complainant was not asking for an A- classification of the quality of the subject property. The Complainant advised that it estimated the quality of the building to be either a "B" or "C" quality.

[19] The Complainant in Exhibit C-1 did not provide a calculation for the Complainant's requested assessment. The Board asked the Complainant to provide that calculation at the hearing. The Complainant provided a calculation using a rent rate of \$8.00, a vacancy rate of 8.00% and a capitalization rate of 6%. This resulted in a calculation by the Complainant that the

revised value of the subject property should be \$2,480,000, and the Complainant amended the Complainant's request accordingly.

### **Position of the Respondent**

[20] The Respondent was not prepared for an argument that the rent rate should be based on the current rent rate. The Respondent understood from the Complainant's evidence package that the issue at the hearing would be regarding the quality of the subject building.

[21] Addressing the information provided by the Complainant at the hearing, the Respondent argued that the subject lease was dated and the fact only one page of the lease was provided was a concern. The Respondent advised that it required further supporting information to confirm the validity of the subject lease.

[22] Upon questioning, the Complainant asked the Respondent why the parties had not been interviewed by the Respondent to assess the validity of the lease information. The Respondent replied that parties are interviewed only to assess whether rental information should be included in rental analysis. Because the subject lease was dated in the view of the Respondent, it would in any event not have been used to verify the rental information.

[23] The Respondent further provided a rent analysis of suburban office buildings in the Northeast of "A2" and "A-" quality. Five properties were provided with a range of \$14.00/SF to \$19.00/SF, a mean of \$16.40 and a median of \$16.00.

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

[24] The Board is mindful of the Complainant's concern regarding the assessed values, particularly in view of the long-term lease of the premises at \$8.00/SF.

[25] The difficulty is that the Complainant provided only one page of the subject lease, with a summary of the basic terms. The Complainant also could not provide any further information or answer any questions regarding the subject lease at the hearing. The Board cannot determine if the one page [p. 24, Exhibit C-1] is exhaustive of all of the basic terms, i.e., did clause 1.1 continue beyond subclause (g)? The Board's ability to assess the validity of the lease was limited, and therefore limited deference can be given to the lease as evidence of market rent rates for the purpose of assessment.

[26] The second problem regarding the Complainant's position is that there was no information provided to distinguish the subject property from the comparables it presented. The comparables provided by the Complainant have assessed values with a rental rate of \$16.00/SF. If anything, the comparables provided by the Complainant provide further support to confirm the assessment.

[27] From this information and the rental analysis provided by the Respondent, the Board finds that the assessed value of the subject property is fair and equitable, and the Board confirms the assessment at \$5,050,000.

DATED AT THE CITY OF CALGARY THIS 16<sup>th</sup> DAY OF August, 2013.

  
**T. Shandro**

**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. 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 Purposes Only

Property Type	Property Sub-Type	Issue	Sub-Issue
Office	Lowrise	Income approach	Rental rate