



## **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:**

***Palliser Square Properties Ltd.***  
***(as represented by Altus Group Ltd.), COMPLAINANT***

**and**

***The City of Calgary, RESPONDENT***

**before:**

***J. Dawson, PRESIDING OFFICER***  
***A. Huskinson, BOARD MEMBER***  
***P. McKenna, BOARD MEMBER***

This is a complaint to the Calgary Composite Assessment Review Board [*CARB*] 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>201072287</b>
<b>LOCATION ADDRESS:</b>	<b>140 10 AV SE</b>
<b>LEGAL DESCRIPTION:</b>	<b>Plan 0711539; Block 52, Lot 1</b>
<b>FILE NUMBER:</b>	<b>72144</b>
<b>ASSESSMENT:</b>	<b>\$ 136,880,000</b>

This complaint was heard on the 11th and 12th days of July, 2013 at the office of the Assessment Review Board [ARB] located at Floor Number 4, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 4

Appeared on behalf of the Complainant:

- *S. Meiklejohn*                      *Agent, Altus Group Ltd.*
- *M. Cameron*                      *Agent, Altus Group Ltd.*

Appeared on behalf of the Respondent:

- *M. Byrne*                      *Assessor, City of Calgary*

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

- [1] There are no preliminary, procedural, or jurisdictional issues.

#### **Property Description:**

- [2] The subject property is comprised of two structures;
- I. Half of a freestanding parking structure located between 1<sup>st</sup> Street SE and 1<sup>st</sup> Street SW along 10<sup>th</sup> Avenue. There are two assessments which make up the entire parking structure and this hearing deals with 626 assessed parking stalls. Graded at a B- quality, the parking structure was constructed some 43 years ago in 1970 and is considered for stratification purposes to be located in the downtown Non-Residential Zone [NRZ] of DT1, and
  - II. A freestanding office building located at the corner of 1<sup>st</sup> Street SE and 10<sup>th</sup> Avenue adjacent to the parking structure above. The office building was constructed in 2010 and is assessed with 300,558 square feet of double A (AA) graded office space. For stratification purposes, the office building is considered to be located in the Beltline NRZ of BL2.

- [3] The Respondent utilised the Income Approach to value to arrive at the assessment:

	Parking Structure:	Office Building:
Non-Residential Zone:	Downtown-DT1	Beltline-BL2
Parking stall B- rental rate:	\$375 per month	-
Office AA rental rate:	-	\$23 per square foot
Capitalisation rate:	4.50%	6.00%
Assessment:	\$37,560,000	\$99,320,000

#### **Issues:**

[4] Numerous issues have been raised by the Complainant during the complaint process. At the time of hearing three issues have been identified.

1. Physical location of parking structure,
2. Assessed rental rate for parking spaces, and
3. The capitalisation rate.

**Complainant's Requested Value: \$122,610,000**

**Board's Decision:**

[5] The Board found the physical location of both structures to be in Beltline NRZ BL2. The correct assessment of the subject is \$127,490,000 using the following factors; 626 assessed parking stalls, \$4,500 income per parking stall with 40% expense ratio, \$23 per square foot office rental rate on the 300,558 square feet of office space, and a capitalisation rate of 6.00%.

**Legislative Authority, Requirements, and Considerations:**

**The Municipal Government Act [the Act]**

Chapter M-26, Section 460, Revised Statutes of Alberta 2000

**Interpretation**

**1(1)** In this Act,

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

**Interpretation provisions for Parts 9 to 12**

**284(1)** In this Part and Parts 10, 11 and 12,

- (r) "property" means
- (i) a parcel of land,
  - (ii) an improvement, or
  - (iii) a parcel of land and the improvements to it;

**Position of the Parties**

**Complainant's Position:**

[6] The Complainant presented the '2013 Beltline Office Parking Rate Summary – AA Class' study as calculated by the Respondent (C1 p. 52). The subject property is classified as an AA Beltline office building; however, the report conducted by the Respondent does not include the subject because the Respondent deems the parking portion of this assessment to be in the downtown. The Study indicates a Median of \$375 per square foot and a Mean of \$351 per square foot. Included in the study are seven leasing rates; one each from three buildings with four leases from a fourth building. The Respondent did not indicate how many parking spaces are at each rate reported. The Complainant indicates that the fourth building (Keynote Building) is incorrectly analysed, which is artificially driving up the study results.

[7] The Complainant further explained their own calculation using Assessment Request for Information [ARFI] in their possession and information reported by the Respondent (C1 pp. 57-60). The results indicate a Median of \$310.68 and a Mean of \$290.62 when appropriate weight is assigned to each lease from the one property reporting four different rates. The Complainant argues the Keynote Building at 1100 1 ST SE has 198 monthly parking stalls with 141 stalls at \$320 per month, 2 stalls at \$475 per month, 52 stalls at \$280 per month and 3 stalls at \$295 per month. The Complainant showed that 1100 1 ST SE effectively has a parking rate of \$310.68 per stall per month. Correcting this error within the Respondent study, and adding in missing information about the subject parking structure, results in a lower assessment figure of \$310 per stall versus the Respondent's findings at \$375 per stall.

[8] The Complainant presented their capitalisation rate study indicating that the parking structure associated with this assessment has had a capitalisation rate similar to or the same as the office building in previous years (C3 p. 2).

[9] The Complainant argued the primary reason the capitalisation rate is much lower this year is because of a sale reported in April 2012 of the Bow (Bay) Parkade with a capitalisation rate of 4.29%. The Respondent used this sale and determined the capitalisation rate for all downtown parking structures is 4.50% (C3 p. 4). The Complainant argued that this sale is not a market value sale as described within *the Act*, s. 1(1)(n).

[10] Furthermore, through questioning of the Respondent's Disclosure Document, the Complainant established that a calculation error has occurred using the reported data (R1 pp. 252-253). The data when calculated in a consistent manner produces an actual capitalisation rate of the Bow (Bay) Parkade of 5.82%.

[11] The Complainant asked for equitable treatment as typically parking associated with office buildings is assessed using the same capitalisation rate as the building, which in this case is 6.00%.

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

[12] The Respondent reviewed the assessment calculation parameters for the subject indicating a 6.00% capitalisation rate, a \$23 per square foot office rental rate, and \$2,700 parking rate with 40% vacancy calculating a total assessment of \$136,886,404 (R1 pp. 14-15).

[13] The Respondent testified that a study was conducted on downtown parking structures and the results indicate that the subject is a downtown B- parking structure. It is equitably assessed with other downtown B- parking structures. This comparable and the subject are assessed with \$4,500 revenue per stall, 40% expense ratio, and 4.50% capitalisation rate (R1 p. 252).

[14] When asked, the Respondent could not answer basic questions regarding the assessment. The Respondent could not explain the downtown parking study, and could not explain the discrepancy between the assessment parameters reported on pages 14 and 15 and the parameters reported on page 252 of their disclosure. The Respondent could not explain why the comparable at 340 10 AV SE had a lower overall assessed parking value per stall using the identical assessment parameters. The Respondent did not know why the parking portion of the assessment before the Board is in downtown and the office portion is in the Beltline, and admitted that the calculation performed by the Complainant for the Bow (Bay) Parkade did result in a 5.82% capitalisation rate using data reported by the Respondent.

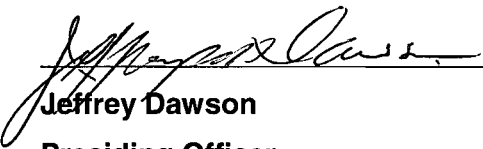
**Board's Reasons for Decision:**

[15] The Board finds no reason to assess parking and office building at different capitalisation rates when an assessment includes both an office building and a parking structure on the same assessment. The Board heard the office portion is correctly assessed with a capitalisation rate of 6.00% and finds the parking structure on this same assessment shall be assessed with a 6.00% capitalisation rate as well. In addition, the evidence in the parking study, when calculated in a consistent manner, indicates a 5.82% capitalisation rate for the Bow (Bay) Parkade.

[16] The Board found the evidence regarding parking income inconclusive and did not alter the parking rental rates at \$4,500 per stall less 40% vacancy to arrive at a net rental rate of \$2,700 per stall.

[17] The Board has policies and procedures so as to manage the Board's time and resources. The Board expects that a party supporting an assessment to be in a position to answer simple factual questions. The Board expects parties to assist by having some basic knowledge of the assessed property and by having inspected the property. A pre-hearing meeting between the parties can resolve issues, such as where the assessed property is located. Minor issues of this nature waste valuable Board time.

DATED AT THE CITY OF CALGARY THIS 14 DAY OF August 2013.

  
Jeffrey Dawson  
Presiding Officer

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

NO.	ITEM
1. C1	Complainant Disclosure – General
2. C2	Complainant Disclosure – Downtown Parking
3. C3	Complainant Disclosure – Capitalisation Rate
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.*

Municipal Government Board use only: Decision Identifier Codes				
Appeal Type	Property Type	Property Sub-Type	Issue	Sub-Issue
CARB	Other Property Types	Parking	Income Approach	Market Rent
				Capitalisation Rate
				Equity