

**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:

Crabtree & Co. Inc.(as represented by Altus Group Limited), COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

***Board Chair, J.Zezulka
Board Member, R. Deschaine
Board Member, P. Charuk***

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 2012 Assessment Roll as follows:

ROLL NUMBER: 067088229

LOCATION ADDRESS: 1232 - 11 Avenue S.W.

HEARING NUMBER: 72373

ASSESSMENT: 2,620,000.00

This complaint was heard on the 8day of August, 2013 at the office of the Assessment Review Board located at Floor Number Four, 1212 – 31 Avenue NE, Calgary, Alberta, BoardroomFour.

Appeared on behalf of the Complainant:

- *D. Chabot*

Appeared on behalf of the Respondent:

- *R. Ford*

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

- (1) There were no procedural or jurisdictional matters raised by either party.

Property Description:

(2) The subject is known as the Crabtree Building, which is a three storey office building located in the west portion of the Beltline district in south west Calgary. The building area has an assessed area of 11,038 s.f., of which 6,585 s.f. is office space, 2,395 s.f. is retail, and 2,058 s.f. is storage. The building is 34 ft. wide, by a depth of approximately 110 ft.. There are no windows on the building's west elevation. The improvement was built in 2002. The site size is 9,581 s.f.

Issues / Appeal Objectives

(3) The premises are currently assessed using the income approach. For assessment purposes, the building is classified by the City as a class "B" office building. The current assessment calculates to \$237.00 per s.f. of assessable area.

The Complainant does not dispute the valuation method. Following are the issues as presented.

1. The building does not meet the criteria of a class "B" building, and should be classified as a class "C" office building.
2. The office rent ought to be \$14.00 per s.f., rather than the \$15.00 rate adopted by the City.
3. The retail rent should be \$17.00 per s.f., rather than the \$22.00 rate adopted by the City.
4. A capitalization rate of 5.75 per cent is more appropriate than the 5.25 per cent rate being applied.
5. The assessment is not equitable with similar buildings
There is no issue with the \$3.00 per s.f. storage space rate.
There are no other issues.

Complainant's Requested Value: \$2,100,000

Board's Decision:

- (4) The assessment is reduced to \$2,120,000..

Legislative Authority, Requirements and Considerations:

(5) This Board derives its authority from section 460.1(2) of the Municipal Government Act, being Chapter M-26 of the revised statutes of Alberta.

(6) Section 2 of Alberta Regulation 220/2004, being the Matters Relating to Assessment and Taxation Regulation (MRAC), states as follows;

"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"

(7) Section 467(3) of the Municipal Government Act states;

"An assessment review board must not alter any assessment that is fair and equitable, taking into consideration

(c) the assessments of similar property or businesses in the same municipality."

(8) For purposes of this Complaint, there are no extraneous requirements or factors that require consideration.

Evidence

(9) This assessment was reduced by the Composite Assessment Review Board in 2012 from \$1,990,000 to \$1,370,000. The Board notes that the assessment has increased from the reduced level in 2012 to the current level of \$2,620,000 in 2013, an indicated increase of 91 per cent.

Issue a. Building Classification

(10) Correct classification of office buildings is fundamental to valuation for both assessment and appraisal purposes. Various appraisal and assessment manuals, as well as costing manuals, have set out classification criteria over the years.

(11) From a physical point of view, class "B" office buildings are generally located in the downtown core and "inner" City neighborhoods. These structures have either *"formed or precast concrete floor and roof structures. The exterior walls are generally masonry or reinforced concrete curtain walls, or wall panels of concrete, metal, glass, or stone. Interior partitions are often masonry, reinforced concrete or gypsum block, but many lightweight and movable partitions are used where structural walls are not needed"*.

(12) By comparison, class "C" buildings have *masonry or concrete exterior walls, and wood or steel roof and floor structures, except for concrete slab on grade. Class "D" buildings have wood frame floor or roof structure. They may have a concrete floor on grade and other substitute materials, but are considered combustible construction.* These structures can be found in the downtown core, but are mainly located in the more suburban locations. They are generally smaller than class "A" or "B" buildings, and have fewer amenities. Parking is often surface parking.

(13) The Complainant presented a table of ten buildings in the Beltline area that are classified as "B" buildings (C1, page 46). The median size of these buildings is 110,501 s.f. The median height is eleven stories. Exterior photographs of each building were presented. The photographs showed more elaborate architectural designs than the subject, landscaped site areas, and ample windows. Visually, at least, each of these appeared superior to the subject.

(14) The subject building is located in the west Beltline, well removed from the downtown core. There is no "plus 15" connection to nearby buildings. Parking is surface parking. The building is of wood frame construction with stucco exterior. There are no windows on the buildings west elevation. The main floor is occupied by a single retail tenant. The lobby for the office tenants consists of an unpretentious entry leading to a single elevator. The building's long narrow shape necessitates a long hallway on each of the upper floors.

(15) The Complainant presented four class "C" office buildings, in which the office space was assessed at a rental rate of \$14.00 per s.f.. Also presented was a Beltline Office Rental Rate Summary for class "C" buildings. There are 21 examples in the sampling. The overall median for 2011 and 2012 is \$14.06 per s.f.

(16) The Respondent presented the Assessment Request for Information sheets (ARFI) for the subject. The rents shown were \$31.00 per s.f. escalating to \$33.00 per s.f. in November, 2018. This lease is for main floor retail space. Another of the leases is at \$28.00 per s.f., but is month to month, with no lease contract. No other market evidence was presented by the Respondent.

(17) The Complainant submitted the 2013 Beltline zone 1-5 CRU Rental Analysis for class "C" buildings. There are 36 leases in the sampling. The median rent was \$17.00 per s.f.

(18) Except for the ARFI, no retail rent evidence was presented by the Respondent.

(19) The four assessment comparables submitted by the Complainant showed a capitalization rate of 5.75 per cent for class "B" buildings. These comparables submitted by the Complainant are the only evidence regarding capitalization rates that was submitted by either party.

(20) The Respondent submitted no evidence relative to capitalization rates.

(21) The Respondent submitted the assessment calculations for two buildings that were reported sold. One is the Inspiring Grounds Building at 1301 - 10 Avenue SW. This office building is classed as a class "B" building, and was assessed at \$1,860,000, or \$238.82 per s.f. The property was reported sold in December, 2012, for \$2,500,000, or \$306 per s.f. The transaction took place after the effective date of valuation. The Respondent maintains that this is the best comparable for the subject.

(22) The second transaction is the Cooper Block at 809 - 10 Avenue SW. This property sold as part of a portfolio transaction involving four properties, totalling \$53.56 million, and 136,209 s.f. The transaction reflects a selling price of \$12,060,000, or \$336.94 per s.f.

Board's Decision

(23) The Respondent appears to tie the building classification to rental performance. However, an office building's classification is typically contingent on the building's

physical characteristics, including some structural components. Since these do not customarily change, the building class should accordingly remain constant over the economic life of the structure. If the classification were tied to the income performance, the building class could conceivably be in a constant state of fluctuation. And that does not appear to be the intention of the classification system.

(24) As the result of an assessment complaint in 2012, the CARB changed the classification of this property to a class "C" office in 2012. Although the evidence presented in the current hearing might vary slightly from the previous year, there is not sufficient evidence to prompt the Board to arrive at a different conclusion.

(25) Based on the evidence presented, it is the Board's opinion that the subject has more in common with a class "C" or "D" building, than with a class "B" office. Accordingly, rents are reduced to resemble the rates typically applied to class "C" buildings. For the office space, a rate of \$14.00 per s.f. is applied. The retail rent is reduced to \$17.00 per s.f. and a capitalization rate of 5.75 per cent is applied.

(26) With those inputs, the revised assessment calculates to \$2,127,339, truncated to \$2,120,000.

DATED AT THE CITY OF CALGARY THIS 11th DAY OF October, 2013.


Jerry Zezulka
Presiding Officer

APPENDIX "A"

DOCUMENTS PRESENTED AT THE HEARING AND CONSIDERED BY THE BOARD:

C1 Complainant Submission of Evidence,

2. C2 Complainant, Non-Residential Properties – Income Approach Valuation
3. C3 Complainant 2011 Capitalization Rate – Rebuttal Submission
4. R1 City of Calgary Assessment Brief

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.*
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Decision No. 72373P/2013Roll No. 067088229				
<u>Subject</u>	<u>Type</u>	<u>Issue</u>	<u>Detail</u>	<u>Issue</u>
CARB	3. Office	Classification	Income approach	Lease Rates, capitalization rate