



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

Telsec Equities Inc.
(as represented by Altus Group), COMPLAINANT

and

The City Of Calgary, RESPONDENT

before

L. Yakimchuk, PRESIDING OFFICER
R. Cochrane, BOARD MEMBER
D. Morice, 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:

ROLL NUMBER: 200921013

LOCATION ADDRESS: 4540 104 Av SE

FILE NUMBER: 72480

ASSESSMENT: \$3,600,000

This complaint was heard July 15, 2013 at the office of the Assessment Review Board located at Floor Number 4, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 6.

Appeared on behalf of the Complainant:

- *D. Chabot, Altus Group*

Appeared on behalf of the Respondent:

- *M. Ryan, City of Calgary Assessor*
- *L. Dunbar-Proctor, City of Calgary Assessor*

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

[1] There were no jurisdictional or procedural matters.

Property Description:

[2] The subject property has been assessed as a 15,146 square foot (sf) "A+" class office/warehouse on 1.00 acres (A) located in East Shepard Industrial Park.

Issues:

[3] Is the assessed lease rate of this single-tenant office too high? Specifically, should the rate be lower to reflect the single-tenancy development?

Complainant's Requested Value: \$3,110,000.

Board's Decision:

[4] The Board confirms the assessment at \$3,600,000.

Legislative Authority, Requirements and Considerations:

The Composite Assessment Review Board (CARB) derives its authority from the Municipal Government Act (MGA) RSA 2000 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 (1)(a).

For the purposes of this hearing, the CARB will consider MGA Section 293(1)

In preparing an assessment, the assessor must, in a fair and equitable manner,

- (a) apply the valuation and other standards set out in the regulations, and
- (b) follow the procedures set out in the regulations.

Matters Relating to Assessment and Taxation Regulation (MRAT) is the regulation referred to in MGA Section 293(1)(b). The CARB decision will be guided by MRAT Section 2, which states that

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.

and MRAT Section 4(1), which states that

The valuation standard for a parcel of land is

- (a) market value, or
- (b) if the parcel is used for farming operations, agricultural use value.

Position of the Parties

Complainant's Position:

[5] The Complainant, D. Chabot of Altus Group, argued that the subject office rental rate was too high when compared with similar properties. The subject was assessed as an "A+" quality office/warehouse building with a market net rental rate of \$15.00/sf and a Capitalization (Cap) Rate of 6.00%. The Complainant submitted evidence that the rental rate for "A+" buildings is \$15.00/sf while the rental rate for "A2" and "A-" buildings is \$13.00/sf.

[6] The Complainant submitted a list of four "A" quality office/warehouse lease comparables which had an annual rent rate from \$17.95/sf to \$25.00/sf. The subject property, which had no new rentals, was being leased at \$18.00/sf (2008 lease).

[7] The Complainant stated that in previous years the rent rate for the subject property had been equal to the rent rate for these "A" class comparables. She also included photographs of the subject and the proposed comparable properties, to show that they were similar buildings. The proposed comparable properties were assessed at \$13.00/sf.

[8] D. Chabot requested that the subject property be considered in the same group as the proposed comparables, as it had been in previous years and that the rental rate be reduced to \$13.00/sf.

Respondent's Position:

[9] M. Ryan, City of Calgary Assessor, provided the Assessment Request for Information (ARFI) for the subject property, which demonstrated that the current lease was signed in 2008 for a ten year period, for \$18.00/sf.

[10] The Respondent argued that the proposed comparables were all "A2" or "A-" quality buildings. The Citywide assessed rental rate for Office Warehouses is \$15.00/sf for "A+" buildings and \$13.00/sf for "A2" and "A-" buildings.

[11] M. Ryan also included four sales of comparable properties in the NE and SE quadrants of Calgary. Three sales were of "A-" buildings built from 1992 to 2003. One was an "A+" building built in 2008. The "A+" quality office warehouse sold for about \$250/sf, while the remainder sold for \$195/sf to \$220/sf.

[12] The Respondent argued that if the comparable "A+" building had been assessed at the \$13.00/sf rate that the other buildings were assessed, the Assessment to Sales Ratio (ASR) would have been 0.84, outside the ideal 5% variation from 1.00, but when it was assessed at \$15.00/sf, the ASR was 0.97. The variation in sales values were used to justify the difference between rental rates for the "A+" and other "A" office/warehouses.

Board's Reasons for Decision:

[13] The Board considered the Complainant's evidence that the subject property had previously been included in the "A" quality group of valuations at a lower rate. The Board decided that the lack of sales evidence to justify varying rates between "A+" and other "A" office/warehouses resulted in the consistent rental rate among the levels.

[14] The Board did not see evidence that the subject was not an "A+" building, or evidence that the proposed comparables were similar to the subject and of the same class.

[15] The Board considered that there was only one "A+" office/warehouse sale, which was not enough to establish a trend. However, the sale supported the variation in rental rates between the classes of buildings.

[16] The Board considered the actual rent reported through the ARFI. This rent was \$18.00/sf which was above the assessed rent rate of \$15.00/sf.

[17] The Board decided that the subject building is an "A+" class building, and in the interest of equity, should be assessed at the same rates as other "A+" class office/warehouses in the City of Calgary. Therefore the Board confirmed the City of Calgary assessment.

DATED AT THE CITY OF CALGARY THIS 1 DAY OF August 2013.



Lana Yakimchuk

Presiding Officer

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

NO.	ITEM
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.*

Appeal Type	Property Type	Property Sub-type	Issue	Sub-Issue
CARB	Office /Warehouse	Low Rise	Income Approach	Lease Rate