



## **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:

***Canadian Linen and Uniform Service Co.***  
***(as represented by Altus Group Limited), COMPLAINANT***

and

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

before:

***C. J. Griffin, PRESIDING OFFICER***  
***D. Julien, BOARD MEMBER***  
***G. Milne, BOARD MEMBER***

This is a complaint to the 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(S):</b>	<b>090088808</b>
<b>LOCATION ADDRESS:</b>	<b>4525 Manilla Road SE</b>
<b>FILE NUMBER:</b>	<b>72488</b>
<b>ASSESSMENT:</b>	<b>\$8,960,000.</b>

This complaint was heard on the 5<sup>th</sup> day of September, 2013 at the office of the Assessment Review Board located at Floor Number 4, 1212 – 31 Avenue NE, Calgary, Alberta, in Boardroom 4.

Appeared on behalf of the Complainant:

- D. Chabot

Appeared on behalf of the Respondent:

- M. Ryan

**Board's Decision in Respect of Preliminary and/or Procedural Matters:**

It was agreed by both parties that components of the previous Hearing (#72949) related to the issue of capitalization rates be carried forward and applied to this Hearing as the issue is identical and so is the evidence.

**Property Description:**

[1] According to the Property Assessment Detail Report (Exhibit C-1 pg. 20), the subject property is a 'B' Classified low-rise suburban office building containing a total assessed office area of 44,580 Sq. Ft. The building, which was constructed in 1980, is a modern, two storey structure located in the Manchester Industrial area of southeast Calgary.

**Issue(s):**

[2] The Complainant introduced two issues (Exhibit C-1 pg. 8) for the CARB's consideration and they are:

A) The assessed capitalization rate at 6.75% is too low and it should be raised to 7.25% to better reflect market value and

B) The CARB is requested to re-allocate 11,180 Sq. Ft. of what the Assessor refers to as main floor office space to correctly reflect its use as manufacturing space.

**Current Assessment(s):**

[3] \$ 8,960,000.

**Complainant's Requested Value:**

[4] \$ 7,640,000.

**Board's Decision:**

[5] The assessment is **reduced** to:

\$ 8,200,000.

## **Position of the Parties**

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

[6] As indicated under the heading Preliminary & Procedural Matters, the reader is referred to CARB Decision 72949/P-2013 for an understanding of the position of the Complainant as it pertains to Issue 1 (capitalization rate).

[7] Insofar as the issue regarding the space allocation, the Complainant explained that the subject property is owner occupied and the main floor of the building is utilized for manufacturing purposes. All reception and office areas are found on the second floor of the building. The Complainant advised that this very same issue was the subject of a recent Local Assessment Review Board (LARB) Hearing dealing with the Business Tax Assessment for the property. A copy of the decision rendered, in favour of the Complainant, is provided (Exhibit C-1 pgs. 25 – 29). The Complainant also provided (Exhibit C-1 pgs 34 – 63) photographs of the building clearly showing the main floor being utilized for manufacturing purposes.

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

[8] As indicated under the heading Preliminary & Procedural Matters, the reader is referred to CARB Decision 72949/P-2013 for an understanding of the position of the Respondent as it pertains to the issue of capitalization rates.

[9] Insofar as the issue regarding the space allocation, the Respondent suggested to the CARB that the space in question is actually office space that happens to be being used for manufacturing purposes but that is simply a management decision made by the owner. The Assessor maintains that the assessed value of the property is contingent upon what typical rent the space in question might achieve in the market place.

### **Complainant's Rebuttal**

[10] As indicated under the heading Preliminary & Procedural Matters, the reader is referred to CARB Decision 72949/P-2013 for an understanding of the Complainant's Rebuttal as it pertains to the capitalization rate issue.

### **Board's Decision Reasons:**

[11] The Quality Classification of a property is primarily a subjective matter over which the CARB has no jurisdiction. For either party to a complaint before the CARB to go on at length with evidence of one type or another to support their position as to what is the appropriate Quality Classification for a property is of little value to the CARB. The real issue the CARB has to deal with is to determine if the property in question has been assessed fairly, equitably and correctly. In the case of a property that has been assessed on the basis of the Income Approach this then relates to the various in-puts utilized by one party or the other in application of that valuation approach. In the matter before us the issue boils down to what capitalization rate should be applied to the subject property to derive an accurate assessed value. Suggesting to the CARB that a capitalization rate study should be refined in terms of what Quality Classifications should or should not be included is of little relevance because such an argument

can really never be completely satisfied. For example one might suggest that the study should exclude 'A+' buildings or that it should include 'A' buildings, etc.

[12] The Respondent has utilized a capitalization rate of 6.75% to derive the assessed value of the subject property but the Complainant suggests that a capitalization rate of 7.25% would be more appropriate. The basis for the Complainant's argument is the segregation of the Respondent's Capitalization Rate Summary into different Quality Classifications. While there may be some merit to this suggestion, the CARB is of the judgment that same would only be of use if the universe of sales was sufficiently large to allow for each and every Quality Classification to be listed separately so that there would be a clear delineation between say, 'A+' buildings and 'A-' buildings. The Respondent has provided a capitalization rate study that incorporates a variety of suburban office buildings with various Quality Classifications which support the applied capitalization rates to all of same for assessment purposes which is a reasonable approach. Refining the list by Quality Classification is, in this case, somewhat akin to 'splitting hairs'.

[13] The issue related to the allocation of space, in the judgment of the CARB, relates to the Condition Date (Dec 31/12) and what was or was not in the space at that time. The CARB found the photographic evidence of the Complainant to be convincing, especially in light of the fact that the Respondent acknowledged, under questioning, that he had not inspected the property. Accordingly the CARB has reduced the assessed rental rate applicable to ½ of the main floor space.

DATED AT THE CITY OF CALGARY THIS 4<sup>th</sup> DAY OF October 2013.

  
C. J. Griffin  
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. C2	Complainant Capitalization Rate Study (submitted in 2 parts)
3. C3	Complainant Rebuttal (Capitalization Rate)
4. C4	Complainant Rebuttal (Space Allocation) (not presented at the Hearing)
5. R1	Respondent Disclosure Part 1
6. R2	Respondent Disclosure Part 2

*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 MGB Administrative Use Only**

Municipality: Calgary	Decision No. 72488/P-2013	Roll No: 090088808
<b><u>Property Type</u></b>	<b><u>Property Sub-Type</u></b>	<b><u>Issue</u></b> <b><u>Sub-Issue</u></b>
Office	Suburban Office	M.V.      Capitalization Rate Space Allocation