



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:

Ribtor Manufacturing and Distributing Co. Ltd. (as represented by Altus group Ltd.)
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 2013 Assessment Roll as follows:

ROLL NUMBER: 068117209

LOCATION ADDRESS: 318- 11 Avenue SE

FILE NUMBER: 72758

ASSESSMENT: \$13,400,000

This complaint was heard on 8 day of August, 2013 at the office of the Assessment Review Board located at Floor Number 4, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 4.

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 property consists of a 58,098 s.f., four storey loft that has been converted to an office building. The property is located in the Beltline area in southeast Calgary. The building was originally built in 1914.

Issues / Appeal Objectives

- (3) The subject is currently being assessed using the income approach. The City classifies the building as a "Class A" office structure. The Complainant does not dispute the valuation method. However, the Complainant is requesting a change in the City's classification of the building, which would result in a reduction in the rent used in the valuation calculations, as well as an increase in the capitalization rate, to more closely correspond with the rates being applied to buildings that the Complainant feels are more similar to the subject. To accomplish the objective, the complainant requests that the building be reclassified to a class "B" office.

- (4) The current assessment is based on an office rent of \$19.00 per s.f., and a capitalization rate of 6.00 per cent. The Complainant asserts that the appropriate rent should be \$15.00 per s.f., and the capitalization rate should be 7.00 per cent. These are the inputs used by the City in the assessment of class "B" offices.

- (5) None of the other inputs used in the assessment calculation were disputed by the Complainant.

Complainant's Requested Value:

- (6) \$9,100,000

Board's Decision:

- (7) The assessment is reduced to \$10,610,000

Legislative Authority, Requirements and Considerations:

- (8) 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.

- (9) 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"

- (10) 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."

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

Position/Evidence of the Parties**Evidence**

- (12) The Board notes that the assessment has increased from \$7,070,000 in 2012, to \$13,400,000 in 2013, an increase of 90 per cent.

- (13) The Complainant pointed to the subject's inefficiencies, when compared to other class "A" office structures. Some of these inefficiencies include'

1. 1914 construction date
2. Outdated design with side access and irregular shape
3. Wood frame construction material
4. Single elevator
5. Window to floor area ratio
6. Absence of contemporary amenities
7. Shortage of on-site parking

- (14) The Complainant also pointed to 10 Beltline class "B" office buildings (C1, page 36) to illustrate that the subject is clearly not a typical class "A" building, and is perhaps only a marginal class "B" building. All of these were built between 1974 and 1982, compared to the subject in 1914. All of the buildings are significantly larger than the subject, and the majority are over twice as large. All are seven storeys or higher. And photographs show that all of the

comparison properties have greater fenestration than the subject, banks of two or more elevators, more spacious lobbies than the subject, and no exposed wiring or plumbing pipes.

(15) The Respondent conceded that the subject was "different" but also pointed to the fact that the rents being achieved in the subject are higher than typical rents for buildings in the class "B" category.

(16) The Respondent also submitted two building that the Board considers somewhat similar to the subject. One was the Pilkington Building at 402 - 11 Avenue SE. However, the information submitted is a leasing brochure that provided no information regarding the assessment of the property, or even asking rents.

(17) The second comparable is the Keg Building at 605 - 11 Avenue SW. The property was reported sold in August, 2011 for \$14,175,000. This property, referred to as the Roberts Block, was assessed for \$8,110,000, or \$158.48 per s.f.

(18) The Respondent submitted various other properties for comparison to the subject. None, in the board's opinion, had sufficient commonality with the subject to warrant serious consideration.

(19) The Assessment Request for Information (ARFI) form submitted by the Respondent revealed rents of \$12.00 to \$22.00 per s.f. The majority of the leases are between \$19.00 and \$22.00 per s.f.

Board's Reasons for Decision:

(201) The Complainant's \$15.00 per s.f. requested rent finds some traction in the data used in the Complainant's capitalization rate study (C-2 of the exhibits). However, it is not supported by the actual rents being achieved in the subject.

(21) Having said that, the Board agrees that the subject is not a typical class "A" office building. There are, as mentioned, physical deficiencies that renders the subject physically inferior to the more contemporary class "A" offices. On the other hand, the rents being achieved are higher than the typical rents being used for class "B" buildings. Overall, the subject can be classified as atypical, and not fitting into any existing category being used by the City.

(22) The question that this Board faces is how to recognize the subject's dissimilarities with other office buildings on the one hand, and the higher than typical rents on the other. In the Board's opinion, the clearest solution is the adoption of the typical class "B" office rents, and the application of the class "A" capitalization rate. For lack of a more specific categorization for buildings of the subject' nature, this methodology recognizes both the deficiencies in the subject, as well as its apparent attractiveness to a certain category of tenancy that is willing to pay higher rents for the character of the building.

(23) The Board is also persuaded by the fact that the building adjacent east of the subject is assessed at a lower rate per s.f. than the subject. That building is a four storey office building classified by the City as a class "A" structure. The building contains 49,847 s.f. , and was built in

2008. Similar the subject, the property was assessed using the income approach. According to the City's Assessment summary report, the current assessment calculates to \$186.47 per s.f., compared to the subject at \$230.64 per s.f. This Board cannot rationalize the variation, or the fact that a similar sized building, in the same location, but 96 years newer, has an assessment that is almost 24 per cent lower.

(24) The revised income calculations adopted by this Board produce an assessment of \$10,619,600, or \$182.78 per s.f. of assessable building area. That result appears more acceptable when compared to the \$186.47 per s.f. assessment of the building adjacent east of the subject.

(25) The revised assessment is truncated to \$10,610,000.

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



Jerry Zezulka
Presiding Officer

**DOCUMENTS PRESENTED AT THE HEARING
AND CONSIDERED BY THE BOARD:**

Decision No. CARB 72993P/2013			Roll No. 200206910	
<u>Subject</u>	<u>Type</u>	<u>Issue</u>	<u>Detail</u>	<u>Issue</u>
CARB	Office	Market Value	Income Approach	Rental Rate & cap. rate