



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:

ROYAL BANK OF CANADA
(as represented by Altus Group Limited), COMPLAINANT

And

THE CITY OF CALGARY, RESPONDENT

Before:

M. Chilibeck, PRESIDING OFFICER
D. Julien, BOARD MEMBER
E. Bruton, 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: 101036705
LOCATION ADDRESS: 411 – 58 AV SE
FILE NUMBER: 72759
ASSESSMENT: \$4,320,000. Taxable

This complaint was heard on 21th day of October, 2013 at the office of the Assessment Review Board in Boardroom 2 on Floor Number 4, located at 1212 – 31 Avenue NE, Calgary, Alberta.

Appeared on behalf of the Complainant:

- *D. Main*

Appeared on behalf of the Respondent:

- *A. Hendrata*
- *C. Yee*

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

- [1] Neither party raised any objections to any member of the Board hearing the subject complaint.
- [2] Neither party raised any procedural or jurisdictional matters.

Preliminary Matter:

- [3] There were no preliminary matters.

Property Description:

- [4] The subject is a developed parcel of commercial land with 70,721 sq. ft. improved with one storey commercial building constructed in 1974 with 10,646 sq. ft. The subject property is occupied by the Royal Bank of Canada.
- [5] The subject is located at the south east corner of 3 ST and 58 AV in the community of Manchester Industrial located in the south east quadrant of the City of Calgary.

Issues:

- [6] The Complainant identified two matters on the complaint form and attached a schedule listing several reasons (grounds) for the complaint. At the outset of the hearing the Complainant advised that only the matter of the assessment amount is under complaint and identified the following issue:

- 1) The subject assessment is in excess of its market value and the issue is:
 - i) The subject property should be assessed \$30 per sq. ft. rather than \$32 per sq. ft. as supported by the 2013 "B Quality" Retail Bank Analysis.

Complainant's Requested Value: Per disclosure, \$3,770,000.
Amended at hearing, \$4,040,000.

Board's Decision: Confirm the assessment at \$4,320,000.

Legislative Authority, Requirements and Considerations:

[7] The Composite Assessment Review Board (CARB) derives its authority from Part 11 of 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).

[8] For purposes of the hearing, the CARB will consider MGA Section 293(1):

In preparing the 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

[9] The Matters Relating to Assessment and Taxation Regulation (MRAT) is the regulation referred to in MGA section 293(1)(b). The CARB consideration will be guided by MRAT Part 1 Standards of Assessment, Mass Appraisal section 2:

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

(c) must reflect typical market conditions for properties similar to that property

Assessment Background:

[10] The subject property is assessed by using the capitalized net income method. The subject building is categorized as Quality B and valued at a net market rental rate of \$32 per sq. ft. of assessable building area.

Complainant's Position:

[11] The Complainant provided a city wide retail bank lease rate analysis of 15 banks with rates ranging from \$20 to \$43 per sq. ft. and argued the median rate of \$30 per sq. ft. should be applied to the subject property (C-1, P-24).

[12] The Complainant agreed with the Respondent that Bank lease rates should be analysed on a city-wide basis because of the dearth of rates on a quadrant basis.

[13] However, the Complainant disputed the Respondent's bank rate analysis arguing that, when a bank is in a multi-building development, such as a power centre, strip shopping centre, community shopping centre or neighbourhood shopping centre, banks should be assessed at the rate respective of the quality class of the development it is in rather than the rate respective of the of the actual quality class of the bank.

[14] The Complainant determined the predominant quality rating of the multi-building development by using the Respondent's Property Assessment Summary Report (PASR) and asserted the predominant quality class should be assigned to the bank and analysed accordingly.

[15] The Complainant, in their analysis, accepted seven of the Respondent's Quality B lease rates and included six lease rates which were included in the Respondent's Quality C analysis and included two lease rates which were included in the Quality A analysis (C-1, P-24).

[16] The Complainant made reference to the Respondent's *'Physical & Economic Characteristics/Quality Classification'* which identifies eight characteristics used in assigning a quality class for retail property.

Respondent's Position:

[17] The Respondent advised that their rental rate analysis is done by property type; such as banks, restaurants, grocery stores, supermarket stores, CRU's, etc. and each type within a development is assigned a quality rating according to the criteria set out in *'Physical & Economic Characteristics/Quality Classification'*.

[18] However, because of the lack of sufficient lease rates for banks on a quadrant basis for a meaningful analysis, bank lease rates are analysed on a city wide basis whereas for the other property types the lease rates are analysed on a quadrant basis.

[19] The Respondent argued that their analysis of sixteen Quality B bank lease rates shows a median rate of \$32.25. The rates range from \$27 per sq. ft. to \$38 per sq ft.

[20] The Respondent argued that when the Quality A and C bank lease rates are removed from the Complainant's analysis, the median of the seven Quality B rates is \$32.50, which supports the assessed rate of \$32 per sq. ft.

[21] The median of the Quality A lease rates is \$42 per sq ft. and of the Quality C lease rates is \$27 per sq. ft. which support the assessed rates of \$42 and \$27 per sq. ft. respectively.

[22] The Respondent asserted that the quality rating for each property type in a multi building development is shown on the Assessment Explanation Supplement (AES) and a link to the AES is shown on the PASR in the upper right hand corner.

[23] The quality rating shown on the PASR for a multi tenant or multi building property may not be indicative of the quality rating for a property type therefore, the AES should be referenced to find the actual quality rating for a property type.

[24] The Respondent disagreed with the Complainant's argument that a predominant quality class of a property governs the assessed rate for a bank.

Board's Reasons for Decision:

[25] The Board is not convinced by the Complainant's argument that banks should be analysed according to the predominant quality class of the development in which it is located and valued accordingly irrespective of its actual quality classification.

[26] The Board is of the opinion that the Complainant's analysis is not reasonable; it does not make sense to determine a quality classification with a related rental rate for a property wherein one of the considerations is the rental rate achieved but apply a rental rate to that property which relates to the quality class which is predominant for the development within which it is located.

[27] The Board reviewed the Complainant's Quality B bank lease rate analysis, the Respondent's Quality B bank lease rate analysis and the Respondent's analysis in response to the Complainant and finds the assessed rate of \$32 is supported.

[28] The Board finds that of the Complainant's seven quality B lease rates of the fifteen lease rates, where the quality rating is not disputed, support the assessed rental rate of \$32 per sq. ft.

[29] The Board finds that those lease rates categorized as Quality C by the Respondent, ranging in rate from \$20 to \$30 per sq. ft. (median at \$27), and included by the Complainant in their Quality B analysis are supportive of the Quality C bank assessed rate of \$27 per sq. ft. And the lease rates of \$43 and \$41 categorized by the Respondent as Quality A support the assessed rate of \$42 per sq. ft.

[30] For the reasons noted above the assessed value of the subject property is **CONFIRMED** at \$4,320,000.

DATED AT THE CITY OF CALGARY THIS 22 DAY OF NOVEMBER 2013.



M. Chilibeck

Presiding Officer

APPENDIX “A”

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

NO.	ITEM
1. C1	Complainant's Disclosure
2. R1	Respondent's 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.

CARB Identifier Codes

Decision No. 72759P-2013			Roll No. 101036705	
<u>Complaint Type</u>	<u>Property Type</u>	<u>Property Sub-Type</u>	<u>Issue</u>	<u>Sub-Issue</u>
CARB	Commercial	Single Tenant	Income Approach	Rent Rate

FOR MGB ADMINISTRATIVE USE ONLY