

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:

OPUS PROPERTIES CORPORATION
(as represented by Altus Group Ltd.), **COMPLAINANT**

and

The City Of Calgary, RESPONDENT

before:

Earl K. Williams, PRESIDING OFFICER
A. Huskinson, MEMBER
A. Maciag, 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: 201346772

LOCATION ADDRESS: 1333 32 AV NE

FILE NUMBER: 72824

ASSESSMENT: \$6,160,000

This complaint was heard on 12th day of August, 2013 at the office of the Assessment Review Board located at Floor Number 4, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 2.

Appeared on behalf of the Complainant:

- K. Fong Agent, Altus Group Ltd
- D. Main Agent, Altus Group Ltd

Appeared on behalf of the Respondent:

- E. D'Altorio Assessor, The City of Calgary
- N. Domenie Assessor, The City of Calgary
- T. Johnson Assessor, The City of Calgary (Observing)
- N. Sunderji Assessor, The City of Calgary (Observing)

Procedural or Jurisdictional Matters:

[1] The parties notified the Board that the issue of the assessed capitalization rate (cap rate) has been withdrawn in respect of the subject property (File # 72824).

[2] No additional Procedural or Jurisdictional Matters were raised by the parties.

Property Description:

[3] The subject property at 1333 32 Ave NE (Royal Bank) is a 14,939 square foot (sq. ft.) freestanding building on 1.99 acres of land with a 1990 year of construction (yoc) assigned a B quality rating in the community of South Airways with the Property Use: Commercial and Sub Property Use: CM0201 Retail – Freestanding.

[4] The assessment was prepared on the Income Approach Valuation with a capitalization rate (cap rate) of 7.00%; a market rental rate of \$32.00 per square foot (psf) for the Bank space.

Issues:

[5] Should the subject property be assessed on the Income Approach with the assessed rental rate for the Bank reduced from \$32.00 psf to \$30.00 psf?

Complainant's Requested Value: \$5,770,000

Board's Decision:

[6] Based on the evidence and arguments presented, the Board confirms the rental rate as \$32.00 psf.

[7] The assessment is confirmed as \$6,160,000.

Position of the Parties

[8] The Complainant and Respondent presented a wide range of evidence consisting of relevant and less relevant evidence. In the interests of brevity, the Board will restrict its comments to those items the Board found relevant to the matters at hand. Furthermore, the Board's findings and decision reflect on the evidence presented and examined by the parties before the Board at the time of the hearing.

[9] The Complainant's evidence package included a Summary of Testimonial Evidence, a map identifying the location of the property, photographs of the exterior of the subject property, the City of Calgary 2013 Property Assessment Summary Report, the City of Calgary Non-Residential Properties – Income Approach Valuation work sheet. In support of the Rental Rate the evidence included a number of studies of Bank lease rates prepared by the City of Calgary and the Altus Group. A number of Assessment Review Board decisions were included in support of their position.

[10] The Respondent's evidence package included a Summary of Testimonial Evidence, a map identifying the location of the property, the City of Calgary Non-Residential Properties – Income Approach Valuation work sheet and the Assessment Request for Information (ARFI). In support of the Rental Rate the evidence included a number of studies of Bank lease rates prepared by the City of Calgary and the Altus Group. A number of Assessment Review Board decisions were included in support of their position.

[11] As noted above, both parties placed a number of Assessment Review Board and Municipal Government Board decisions before this Board in support of their position. These decisions were made in respect of issues and evidence that may however be dissimilar to that before this Board.

Issue – Rental Rate

Complainant's Position:

[12] As background to the evidence and arguments to be presented the Complainant reviewed the City of Calgary's Physical & Economic Characteristics/Quality Classification system and the 2012 Retail Leasehold Improvement Allowance Analysis (Page 34 and 35 of the Exhibit C-1). The Complainant emphasized that the assignment of a quality rating and the leasehold improvement analysis is a subjective process which can lead to inequities.

[13] The Complainant reviewed with the Board the 2013 Altus Retail Bank Analysis (pages 24-27 Exhibit C-1) and the 2013 City of Calgary Bank Rate Study (pages 28-33 Exhibit C1). The City of Calgary stratifies Banks into 4 quality categories; A, B, C and Power Centres. The following table presents the Altus and City of Calgary lease rate expressed as dollars (\$) psf for each category excluding Power Centres.

Quality	Altus Study			City of Calgary		
	Mean	Median	Sample	Mean	Median	Sample
A	\$37.13	\$38.00	21	\$41.27	\$42.50	14
B	\$31.23	\$30.00	15	\$32.34	\$32.25	16
C	\$27.67	\$27.00	3	\$26.22	\$27.00	9

It is the Complainant's position that the difference in the rental rates for the A and B quality banks between the two studies is attributable to the subjectivity of the classification process.

[14] The Complainant presented that a comparison of the classification of a property where a bank is located as reported in the PASR and the classification assigned to the individual bank space for the purposes of the rental rate may differ significantly. The Complainant reviewed on pages 38 and 50 of Exhibit C1 an analysis of the A and B Quality Retail Banks which compared the quality ratings of the property 'Reported Quality' and the quality assigned to the individual bank space within each property. The analysis included quality classification, location, and a profile of the property as well as lease particulars. Supporting documentation was provided for each analysis. In respect of quality classification the analysis demonstrated that of the 21 'A' quality properties all of the bank spaces had been assigned a different quality rating than the property it was a part of. The B study had a sample size of 15 properties of which 10 bank spaces had been assigned a different quality than the property it was within.

[15] As the issue before the Board is the rental rate for the B category of Banks the Board will focus on the B category analysis

[16] The Complainant's analysis of the leased rate for 15 bank properties classified as B quality (page 50 Exhibit C1), as reported on the City of Calgary website, determined a mean rental rate of \$31.23 psf and a median rental rate of \$30.00 psf.

[17] It was argued by the Complainant that the lease rate must reflect the quality classification as reported on the City of Calgary website and not a secondary classification assigned only to the bank space. Based on the PASR classification the rental rate of \$30.00 psf for the subject property is supported.

[18] In summary the Complainant argued the classification for banks as A, B and C is subjective which creates inequities. The banks should be classified the same as the property as reported on the City of Calgary website and that be the basis of determining the typical rental rates. On that basis, the rental rate for the subject property should be reduced to \$30.00 psf as noted in the analysis on page 50 of Exhibit C1.

[19] The Complainant argued that the approach utilized to assign the quality rating to a Bank creates inequities which are then reflected in the rental rate assigned to the property.

Respondent's Position:

[20] The Respondent argued that the Complainant's analysis in support of the requested rental rate of \$30.00 psf is achieved by selecting a sample which included 6 comparables which were C Quality Banks rather than B classification. This sampling is not supported by the larger sample and consistent application of the classification system.

[21] The Respondent reviewed the ARFI for the subject property dated August 17, 2012. The lease particulars for the subject report a lease commencement date of 1990 for a term of 32 years and an annual rental rate of \$34.50 psf.

[22] In summary the Respondent argued that the ARFI and the market studies support the assessed rental rate of \$32.00 psf as the basis to determine the assessed value.

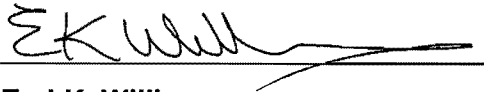
Board's Reasons for Decision:

[23] Following a review of the evidence and argument presented, the Board determined:

- 1) The quality classification of the subject property reported on the PASR is a B which is consistent with the quality assigned to the bank space.
- 2) The quality classification is based on a number of characteristics as identified on page 34 and 35 of Exhibit C1 and was reported by the Respondent to be applied consistently.
- 3) The ARFI for the subject property reports an annual rental rate of \$34.50 psf.

[26] Based on the evidence and arguments presented, the rental rate for the subject property is confirmed.

DATED AT THE CITY OF CALGARY THIS 4th DAY OF November 2013.

A handwritten signature in black ink, appearing to read 'EK Williams', is written over a horizontal line.

Earl K. Williams
Presiding Officer

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

NO.	ITEM
1. C1	Complainant Disclosure
	Subject Property Disclosure
2. C2	Complainant Disclosure - Rebuttal
3. 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.*

FOR ADMINISTRATIVE USE

Appeal Type	Property Type	Property Sub-Type	Issue	Sub-Issue
CARB	RETAIL	Freestanding	Income Approach	Lease Rate