



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:

Real Equity GP I Inc. (as represented by Altus Group Ltd.), COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

K. Thompson, Presiding Officer

I. Fraser, Board Member

H. Ang, 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: 045122496

LOCATION ADDRESS: 2004 14 St NW

FILE NUMBER: 72864

ASSESSMENT: \$4,810,000

This complaint was heard on the 20th day of August, 2013 at the office of the Assessment Review Board located at Floor # 4, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 2.

Appeared on behalf of the Complainant:

- D. Chabot Agent, Altus Group Ltd.

Appeared on behalf of the Respondent:

- C. Neal Assessor, City Of Calgary

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

[1] No procedural or jurisdictional matters were raised. The Board proceeded to hear the merits of the complaint.

Property Description:

[2] The subject property is a Class B medical/dental office building constructed in 1981 known as Countryman Square. The building is assessed as having 21,390 square feet (sf) of medical/dental office space. This property is sited on a parcel size of 51,401 sf located in the community of Capital Hill. The subject property is assessed based on the Income Approach to Value with a capitalization rate of 6.75%, rental rate of \$18.00 per square foot (psf) for the office space, 8.00% vacancy rate and has an assessed value of \$4,810,000.

Issues:

[3] The Complainant contends that a vacancy rate of 16.00% better represents the long term vacancy experienced by this property, instead of the 8.00% typical vacancy rate used by the City of Calgary to determine the value of this property.

Complainant's Requested Value: \$3,980,000

Board's Decision:

[4] The Assessment is confirmed at \$4,810,000.

Legislative Authority, Requirements and Considerations:

[5] The *Municipal Government Act*, 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 460 (1)(a).

Position of the Parties**Complainant's Position:**

[6] The Complainant stated that The City of Calgary has not recognized the long term chronic vacancy experienced by this property. The Complainant presented the vacancy for this property over a five year period.

	Jun 2008	Jun 2009	Jun 2010	Jun 2011	Jun 2012
Office (vacant space)	3,323	3,332	3,332	4,264	2,906
Office vacancy	15.57%	15.61%	15.61%	19.98%	13.62%

Average of the last three years – 16.40% Average during valuation year – 16.80% Average since July 2008 – 16.08%

[7] A number of years of the City's Northwest Suburban Office Vacancy Analyses and Subject Property rent rolls were submitted showing the subject space as having higher than typical vacancy rates over a number of years.

[8] The Complainant also submitted a number of CARB Decisions to support the granting of additional vacancy allowance for long term and chronic vacancy.

[9] The Complainant stated that the Respondent's comparison of the assessed value to the list price of the subject property was only valid if all the assessed values were correct, and contends that the residential property included in the listing would be worth far more than its current assessment when traded in the commercial market.

Respondent's Position:

[10] The Respondent submits that allowance for Vacancy and Bad Debt is calculated in a manner similar to that of typical market rent. In order to arrive at the fee simple interest required by *Matter Relating to Assessment and Taxation Regulation* 220/2004, Section (2) (b) property specific "actual" vacancy rates are not considered.

[11] The Respondent presented the 2013 North Medical/Dental Office Vacancy study showing properties similar to the subject property and competing for the same type of tenants. The study contains 15 properties including the subject to arrive at a total vacancy of 7.51% and an assessed typical vacancy rate of 8.00%. The Respondent noted that the subject property was well within the range of vacancies shown in the study, the range being 0.00% to 28.24% and the subject at 13.62%. Positive adjustments are not made for properties with zero percent vacancies nor should they be made for those with 13.62% vacancies. The typical vacancy rates comes from those range of vacancies within the population of similar properties.

[12] The Respondent also provided a December 2012 listing of the subject property. Recognizing that this is only a list price and that it does occur after the valuation date, the Respondent states it shows the upper end of value a few months after the valuation date. Two additional buildings were included in the listing and those assessed values were added to the subject to allow for comparison. The December 2012 list price of \$6,900,000 was compared to the July 1, 2012 assessed value of the subject at \$4,810,000 plus additional building values of 1,505,500 for a total of \$6,315,500 assessed value. The Respondent indicated that the values are very close and that the end result of Market Value is achieved.

Board's Reasons for Decision:

[13] The Board reviewed all the evidence presented along with the CARB Decisions produced by the Complainant. It should be noted that while the Board gives heed to previous Board Decisions it is not bound by their decisions and conclusions. Each case before the Board must be decided based on the evidence before it.

[14] Review of the City's 2013 North Vacancy Study (see below) shows that the subject property is included in the analysis. The fact that the subject vacancy rate is not outside the range of vacancies in this analysis, in fact is well within the range, reflects that the subject vacancy has been considered by the City and the typical vacancy rate contains an element of the subject vacancy. The Respondent gave evidence that actual vacancy rates of 0.00% were not adjusted to produce a higher value, as again they were part of the study that created the typical vacancy rate. The Board noted that of the 15 properties in the study, five were over the 13.00% vacancy. Removing these from the study and considering them abnormal would significantly change the typical value used for a vacancy rate for the 2013 assessments of this property type.

North CS0401 (Medical/Dental Office)

Roll Number	Address	Submarket Area	2013 Assessed Office Area	Vacant Office Area	Percentage Vacant
200322378	8555 SCURFIELD DR NW	WN2	16,145	0	0.00%
201695277	1402 8 AV NW	WN4	79,757	10,496	13.16%
023120306	5440 4 ST NW	WN3	12,560	1,932	15.38%
005126206	126 MARTINDALE DR NE	EN3	5,629	493	8.76%
200322360	8541 SCURFIELD DR NW	WN2	4,413	0	0.00%
038001905	4600 CROWCHILD TR NW	WN3	50,716	4,630	9.13%
060150307	1620 29 ST NW	WN4	57,730	779	1.35%
200355790	4935 40 AV NW	WN4	102,503	0	0.00%
056069206	803 1 AV NE	EN1	24,266	0	0.00%
042100198	4411 16 AV NW	MG1	38,368	8,525	22.22%
044120707	1926 20 AV NW	WN3	3,392	0	0.00%
045122496	2004 14 ST NW *	WN3	21,342	2,906	13.62% *
038165304	4616 VALIANT DR NW	WN4	27,494	0	0.00%
036051605	1140 NORTHMOUNT DR NW	WN3	2,964	70	2.36%
044183507	1640 16 AV NW	SX1	18,117	5,116	28.24%

*Subject property

Totals	465,396	34,947	7.51%
Assessed			8.00%

[15] The Board also noted that no reasons were given in the evidence as to a possible cause of the vacancy in this property. No leasing information was provided to show there was an active attempt to attract tenants. The rent rolls show that the current rents are in the typical

range. There is an active market for this type of space as a number of properties in the vacancy study experience a zero percent vacancy rate.

[16] The Board found that the value produced for the 2013 assessment was a reasonable estimate of Market Value and that the typical vacancy rates provided by the Respondent included the subject property's vacancy and were well founded and consistently applied. The assessment is confirmed.

DATED AT THE CITY OF CALGARY THIS 20th DAY OF September 2013.



K. Thompson

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.*

Property Type	Property Sub-Type	Issue	Sub issue
(3) Office	Low Rise	Income Approach	Vacancy rate