



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:

Healthcare Properties Holdings Ltd. (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:	201695277
LOCATION ADDRESS:	1402 8 Av NW
FILE NUMBER:	72909
ASSESSMENT:	\$16,460,000

This complaint was heard on the 19th 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] Preliminary Issue – Disclosure

- 1) Complainant requested that the Respondent remove all additional leases provided in their evidence package along with all supporting documentations. This request was based on the grounds that this evidence was not disclosed to them under Section 299/300 of the *Municipal Government Act*, R.S.A.2000. [pg. 51, R-1] and the subsequent supporting documentation found on pages 69 to 74, R-1]. The Complainant provided evidence of the Property Information Request and Request for Additional Information made for the subject property and the subsequent documents that they received from the Respondent.
- 2) It was the Board's decision to allow the information into evidence as the evidence in question was merely additional information, added by the Respondent to support the rental rates for A- medical/dental office space. The leases in question were not used in the analysis that determined the typical rates used to prepare this assessed value. Nor was this information used to alter the analysis of typical rental rates that was disclosed to the Complainant. The additional leases were not part of "how" the subject property assessment was formed and were no more than comparable leases to backup a conclusion. Further, there was nothing new or different about these leases that would alter the rental rates used in the calculation of the assessment of this property. The evidence was allowed.

[2] Preliminary Issue – Exempt portion of the property

- 1) The Complainant indicated that there was an issue with the amount of the exempt portion on this property and requested that it be increased thereby reducing the taxable amount. The Board indicated that it could not hear this matter as the exempt portion of this property was not under complaint and therefore not a matter before this board.

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

Property Description:

[4] The subject property, the former Grace Hospital site, is a class A- medical/dental office building. There are two buildings on this site, the first has been assessed as having 68,728 square feet and the second 3,898 square feet, both constructed in 1910. This property is sited on a parcel size of 4.23 acres located in the community of Hillhurst.

[5] The subject property is assessed based on the Income Approach to Value with a capitalization rate of 6.00%, rental rate of \$23.00 per square foot (psf) for 52,842 square feet (sf) of medical/dental office space, \$20.00 psf for 12,882 sf of office space and \$3.00 psf for 6,902 sf of storage space. This property has an assessed value of \$16,460,000.

Issues:

[6] The Complainant contends that \$22.00 psf is a more appropriate rental rate for the medical/dental office space of this property, instead of the \$23.00 psf used by the City of Calgary to determine the value of this property. A revised request was made based on a recommendation made by the Respondent [C-3].

Complainant's Requested Value: \$14,110,000 (revised at the hearing, see C-3)

Board's Decision:

[7] After hearing all the evidence, the Board accepted the recommendation by the Respondent to reduce the value to \$14,750,000 [R-2] based on a revised taxable portion.

Legislative Authority, Requirements and Considerations:

[8] 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), and *Municipal Government Act*, Section 299/300.

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

[9] The Complainant stated that The City of Calgary has analysed nine leases of class A medical/dental office buildings in North West Calgary to determine the typical rental rate that will be applied to this class of properties (the median being \$22.00 psf and the weighted mean \$22.51 psf. The assessed rate was round up to \$23.00 psf.

[10] The Complainant contends that the City should not be using one of these leases in the analysis and has missed eight other valid leases in the North West for this type of property. The Complainant stated that the \$24.00 psf lease at 1402 8 Av NW for 672 sf should be removed from the analysis because it is the pharmacy and therefore a retail space. The Complainant did not use one of their additional leases in their analysis, at 1620 29 St NW as this lease is a one year extension for a one year term. The Complainant stated it was not a typical lease condition.

[11] The Complainant provided a chart including their additional eight leases and excluding the Respondent's one lease [pg. 30, C-1] the median value is \$22.00 psf and the weighted mean is \$22.07 psf. Therefore the typical rent should be at \$22.00 psf. Property Assessment Detail reports were provided for the additional lease properties.

[12] The Complainant provided an email from the property manager regarding lease terms for four of the leases. This email states there are allowances given as part of the lease agreement for three of the leases in the study (only one of these leases was in the original City analysis for A class typical rents). The Complainant contends that the rent shown on the rent roll is not a true value; the inducements need to be removed before it can be used in an analysis to determine typical rental rates. The Complainant presented the recalculated net effective rent taking into account the effect of those inducements. The typical rental rate resulted in the median of \$21.82 psf and weighted mean of \$20.77 psf [pg. 47, C-1]. This supports the request of \$22.00 psf for the medical/dental office space for this property. The 2012 rent rolls were provided for all additional leases the Complainant entered into evidence. The Complainant also stated that the Respondent's 6,000 sf lease skews the City's weighted mean and if it were removed, the rate of \$22.00 psf would be further validated. CARB Decision 2056/2010-P was produced in support of the affect of a one large number on the weighted mean.

[13] It was noted by the Board that one of the leases at 1620 29 St, 1,156 sf at a \$23.00 rent, provided by the Complainant was missed on the chart [pg. 47, C-1] in the final analysis; the Complainant stated that this was an error.

[14] The Complainant introduced two equity comparable properties at 5000 333 96 Av NE with a rental rate of \$22.00 psf and 3613 33 St NW with a rental rate of \$20.00 psf.

[15] A revised request was submitted by the Complainant based on the Respondent's recommendation for this property[C-3].

Respondent's Position:

[16] The Respondent submitted a revised calculation for the subject property and a recommendation to reduce the value from \$16,460,000 to \$14,750,000. This reduction was based on amendments made to the values of the two exempt portions of this property, thereby reducing the overall taxable portion before the Board in this hearing.

[17] Along with the 2013 Suburban Medical/Dental Office Rental Analysis [pg 50, R-1] the Respondent also provided a chart with the original leases in the City of Calgary's analysis plus the nine leases provided by the Complainant and an additional eight leases for this type of space. The overall increase in weighted mean when including the Complainant's leases in the analysis is one cent.

[18] The Respondent argued that the information submitted by the Complainant regarding lease inducements on three of the leases was not disclosed to the City under *MGA*, Section 294/295 prior to the City developing their typical rental rates for the 2013 assessment, and should not be allowed into evidence nor could they comment on its effect on the leases. The Board did allow the evidence but was clear that they would place appropriate weight on it. Comment was made by the Respondent that the email and subsequent calculations were only an opinion of the affect on value as the Complainant did not produce the leases and there was no indication what the allowances were intended.

[19] The Respondent also stated that when the lease analysis was done that no adjustments were made for step up leases and this would likely counteract any effect a possible allowance

might have. The weighted mean was calculated without the one lease with a large square footage and there was not the large difference seen in the presented CARB decision.

[20] Evidence was provided by the Respondent to show both comparables provided by the Complainant were suburban offices with no medical/dental tenants, therefore not comparable.

Board's Reasons for Decision:

[21] With regard to the issue of the most appropriate typical rental rate of the medical/dental office space the Board considered the lease evidence provided by both the Complainant and the Respondent the Board referred to the Chart [pg. 51, R-1] shown below:

Class	Address				Space Area (square feet)	Lease Commencement Date	Lease Term (Years)	Lease Rate (per square foot)	Party Note:** wasn't used by Altus in their analysis
A2	4600	Crowchild	TR	NW	1,148	14-May-12	2	\$19.55	City of Calgary's 2013 Lease Analysis for Medical/dental office Space typical rents.
A-	1402	8	AV	NW	6,219	01-Feb-12	5	\$24.00	
A-	1402	8	AV	NW	1,997	01-Jul-12	9	\$18.00	
A-	1402**	8	AV	NW	672	01-May-12	5	\$24.00	
A-	5440	4	ST	NW	1,121	01-Oct-11	5	\$26.00	Mean \$22.06 Wtd. Mean \$22.51
A2	4935	40	AV	NW	1,324	01-Aug-11	7	\$23.00	
A2	4935	40	AV	NW	706	01-Sep-11	3	\$22.00	
A2	4935	40	AV	NW	579	01-Jan-12	5	\$20.00	
A2	4935	40	AV	NW	1,338	01-Aug-11	2	\$22.00	Rents added by Altus
A2	4600	Crowchild	TR	NW	3,052	01-Mar-12	10	\$20.00	
A2	4600	Crowchild	TR	NW	1,226	01-Mar-12	5	\$21.00	
A2	1620	29	ST	NW	2,465	01-Aug-11	5	\$22.00	
A2	1620	29	ST	NW	7,879	01-Oct-11	7	\$22.00	Mean \$22.08 Wtd. Mean \$22.32
A2	1620	29	ST	NW	1,490	01-Nov-11	2	\$22.00	
A2	1620	29	ST	NW	1,192	01-Jan-12	5	\$24.00	
A2	1620	29	ST	NW	1,228	01-Jan-12	5	\$23.00	
A2	1620	29	ST	NW	916	01-Jul-12	10	\$22.00	Rents added by City of Calgary
A2	1620	29	ST	NW	1,156	01-Jan-12	5	\$22.00	
A2	1620**	29	ST	NW	11,120	01-Mar-12	1	\$23.00	
A2	4935	40	AV	NW	1,397	01-Aug-11	3	\$25.00	
A2	4935	40	AV	NW	2,725	01-Aug-11	3	\$25.00	Mean \$22.39 Wtd. Mean \$22.52
A2	4935	40	AV	NW	744	01-Aug-11	3	\$25.00	
A2	4935	40	AV	NW	1,626	01-Apr-12	5	\$23.00	
A2	4935	40	AV	NW	1,011	01-Jul-12	6	\$20.00	
A2	4935	40	AV	NW	926	01-Aug-11	3	\$21.00	
A2	4935	40	AV	NW	1,095	01-Dec-11	2	\$26.00	
A2	4935	40	AV	NW	1,234	01-Sep-11	5	\$20.00	

[22] The Board noted that all the above properties are assessed using the same parameters including the \$23.00 typical rental rate for medical/dental office space in the North West area of the City.


[23] In review of the leases in the original 2013 Rental Rate Analysis the Board saw a range of \$18.00 psf to \$26.00 psf. The Board notes that all subsequent leases provided in both evidence packages fall within that range. In addition, review of the exempt leases in the subject building support a higher rental rate and the highest lease provided is from the subject building which more than substantiated the \$23.00 psf rental rate.

[24] Little weight was given to the email regarding tenant inducements as the Board does not know how these would affect the value. This, along with the Respondent's statement about no adjustments for the step up leases leave the Board with no clear evidence as to whether it should round up or down on these typical rents, for that is what this comes down to. Nor does the Board know what effect this will have on the other components that make up the final value, as they are all interrelated.

[25] Little weight was placed on the equity comparable properties produced by the Complainant as they were both classed in a different category of properties and therefore might be different. The Board was not provided with the analysis for this group of properties.

[26] The Board finds that the value produced for the 2013 assessment was a reasonable estimate of Market Value and the rates provided by the Respondent to be well founded and consistently applied. The recommended revised assessment of \$14,750,000 was accepted based on the change to the taxable portion of this property.

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. C2a & C2b	Complainant Rebuttal
3. C3	Complainant Revised Request
4. R1	Respondent Disclosure
5. R2	Respondent Revised Calculation

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	Net Market Rent/Lease rates