



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:

Airstate Ltd.
(as represented by Altus Group Limited), COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

C. J. Griffin, PRESIDING OFFICER
D. Julien, BOARD MEMBER
G. Milne, BOARD MEMBER

This is a complaint to the Composite Assessment Review Board (CARB) 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(S):	100010313
LOCATION ADDRESS:	1209 – 59th Avenue SE
FILE NUMBER:	72949
ASSESSMENT:	\$10,250,000.

This complaint was heard on the 5th day of September, 2013 at the office of the Assessment Review Board located at Floor Number 4, 1212 – 31 Avenue NE, Calgary, Alberta, in Boardroom 4.

Appeared on behalf of the Complainant:

- D. Chabot

Appeared on behalf of the Respondent:

- M. Ryan

Board's Decision in Respect of Preliminary and/or Procedural Matters:

The Complainant indicated to the CARB that the issue of this complaint is the same as the ensuing two complaints (file # 72488 & 72517), also to be heard by this same CARB this week, and therefore suggested that all of the evidence and argument to be presented herein be carried forward and applied to those complaints where appropriate rather than repeating same. The Respondent agreed with this suggestion. Accordingly the CARB will carry forward any and all such evidence and argument deemed appropriate and apply same to those two ensuing complaints.

Property Description:

[1] According to the Property Assessment Detail Report (Exhibit C-1 pg. 20), the subject property is an 'C' Classified lowrise suburban office building containing a total assessed office area of 62,669 Sq. Ft. as well as 98 underground parking stalls. The building, which was constructed in 1980, is a modern, two storey structure located in the Burns Industrial area of southeast Calgary.

Issue(s):

[2] The Complainant introduced a single issue (Exhibit C-1 pg. 2) for the CARB's consideration and it is:

The assessed capitalization rate at 6.75% is too low and it should be raised to 7.25% to better reflect market value.

Current Assessment(s):

[3] \$ 10,250,000.

Complainant's Requested Value:

[4] \$ 9,530,000.

Board's Decision:

[5] The assessment is **confirmed** at:
\$ 10,250,000.

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

[6] In support of their contention that the assessed capitalization rate is too low, the Complainant provided (Exhibit C-1 pg. 26) a *2013 Suburban B Office Building CAP Rate Study* which summarizes four sales recorded between October 18, 2010 and November 15, 2011. Two of the properties are classified as being in the 'B-' category, one is a 'B' category and one is in the 'C' category. One of the 'B' category sales is a portfolio sale involving 4 buildings located in the Fisher Park light industrial district of southeast Calgary. The Complainant indicated that the aforementioned Capitalization (Cap) Rate Study utilizes all of the same in-puts as those employed by the Assessor and the Complainant has no argument with any of same. This study indicates a Median capitalization rate of 7.33% and a Mean (Average) capitalization rate of 7.72% which, the Complainant maintains is supportive of their requested 7.25% capitalization rate. The Complainant introduced a two part Appendix to their initial brief (Exhibit C-2 Part 1 & C-2 Part2) entitled '*A- & B Quality Suburban Office Cap Rate Study*'. In Exhibit C-2 Part 1 page 42 the Complainant provides a copy of the City of Calgary prepared *2013 Suburban Office Capitalization Rate Summary* which summarizes 11 sales of suburban office buildings classified as being 'A+', 'A-', 'B+', 'B-' and one 'C'. This study indicates an 'A' Median of 5.85%, an 'A' Mean of 5.63%, a 'B & C' Median of 6.01% and a 'B & C' Mean of 6.71% versus the 'A' assessed rate of 6.00% and a 'B & C' assessed rate of 6.75%. The Complainant reproduced this same study (Exhibit C-2 pg. 43) wherein the data set has been segregated into two separate groups, those being 'A+ & A-' buildings and 'B+, B- & C' buildings which shows that the Median for the 'A' category is 5.85% and the Mean is 5.63%. The indicated Median of the 'B & C' group is 6.01% and the Mean is 6.71%. The Complainant noted that upon further examination this segregation of the data set also shows that the two 'B+' classified buildings have sales price indicators that are closer to the 'A' classed buildings suggesting that including these two 'B+' buildings with the 'B- & C' class buildings skew the results producing a lower indicated capitalization rate than would be produced if the 'B+' buildings were included with the 'A' buildings.

[7] The Complainant introduced (Exhibit C-2 pgs. 57 – 59) a City of Calgary produced (pg. 57) outline of what is involved in establishing 'Quality Classification' of buildings together with (pgs.58 & 59) an excerpt from the Assessor's Valuation Guide – February 1999, an additional outline dealing with the same topic. Additionally the Complainant provided (Exhibit C-2 pg. 62) a further quotation from the Assessor's Valuation Guide which states, under the Heading 'Selection of a Capitalization Rate', "*Such things as age, state of repair and location the affect risk associated with the property and therefore the capitalization rate that should be applied. Generally speaking, superior and/or newer properties have lower capitalization rates*". This, the Complainant maintains supports their contention that the subject property, being older with a year of construction dating to 1980, warrants a higher capitalization rate.

Respondent's Position:

[8] The Respondent introduced (Exhibit R-1 pg. 23) their *2013 Suburban Office Capitalization Rate Summary* which summarizes eleven (11) sales of buildings with an 'A+', 'A-', 'B+', 'B-' or 'C' quality classification. Three of the buildings are classified as either 'B+' or 'B-', one building is classified as being of 'C' quality and the balance (7) are classified as being either 'A+' or 'A-'. The Summary indicates a Median for the 'A' classified buildings of 5.85% and a Mean of 5.63% and a Median of 6.01% for the 'B & C' classed buildings and a Mean for same of

6.71%. The Respondent suggested that this study is supportive of the Assessor using a 6.75% capitalization rate for the 'B & C' classified buildings. The Respondent then provided (Exhibit R-1 pg. 64) an analysis of the Complainant's sales utilized for their capitalization rate study showing the Assessment to Sales Ratio (ASR) for same using the assessed capitalization rates which indicated a Median of 1.01 and a Mean of 1.04. The same sales were then analyzed using the capitalization rate requested by the Complainant which indicated a Median of 0.88 and a Mean of 0.90, neither of which are within acceptable tolerances.

[9] The Respondent also provided (Exhibit R-2) a series of recent (2013) CARB decisions which deal with the same issue as that being argued herein and all of these decisions favour the position of the Respondent. The Respondent acknowledged that the CARB is not bound by such decisions but suggested, in terms of continuity, that the CARB give them consideration.

Complainant's Rebuttal

[10] The Complainant pointed out to the CARB that the Respondent erred in their ASR analysis (Exhibit R-1 pg. 64) in that they applied a 7.75% capitalization rate as being the Complainant's request; however, the actual request is 7.25% and this alters the ASR results (Exhibit C-3 pg. 28) to indicate a Median of 0.97 and a Mean of 1.01 both of which are within the acceptable tolerances. In further support of their argument the Complainant introduced (Exhibit C-3 pgs. 30 – 36) data pertaining to a sale at 480 – 36th Ave. SE; however, the Respondent objected to the inclusion of this sale as same is new evidence not previously disclosed. The CARB agreed with the Respondent on this matter and this sale will not be considered in our deliberations.

Board's Decision Reasons:

[11] The Quality Classification of a property is primarily a subjective matter over which the CARB has no jurisdiction. For either party to a Complaint before the CARB to go on at length with evidence of one type or another to support their position as to what is the appropriate Quality Classification for a property is of little value to the CARB. The real issue the CARB has to deal with is to determine if the property in question has been assessed fairly, equitably and correctly. In the case of a property that has been assessed on the basis of the Income Approach this then relates to the various in-puts utilized by one party or the other in application of that valuation approach. In the matter before us the issue boils down to what capitalization rate should be applied to the subject property to derive an accurate assessed value. Suggesting to the CARB that a capitalization rate study should be refined in terms of what Quality Classifications should or should not be included is of little relevance because such an argument can really never be completely satisfied. For example one might suggest that the study should exclude 'A+' buildings or that it should include 'A' buildings, etc.

[12] The Respondent has utilized a capitalization rate of 6.75% to derive the assessed value of the subject property but the Complainant suggests that a capitalization rate of 7.25% would be more appropriate. The basis for the Complainant's argument is the segregation of the Respondent's Capitalization Rate Summary into different Quality Classifications. While there may be some merit to this suggestion, the CARB is of the judgment that same would only be of use if the universe of sales was sufficiently large to allow for each and every Quality

Classification to be listed separately so that there would be a clear delineation between say, 'A+' building and 'A-' buildings. The Respondent has provided a capitalization rate study that incorporates a variety of suburban office buildings with various Quality Classifications which support the applied capitalization rates for assessment purposes which is a reasonable approach. Refining the list by Quality Classification is, in this case, somewhat akin to 'splitting hairs'. In the final analysis the CARB is more convinced by the evidence of the Respondent and, accordingly the assessed value is **confirmed**.

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


C. J. Griffin

Presiding Officer

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

NO.	ITEM
1. C1	Complainant Disclosure
2. C2	Complainant Capitalization Rate Study (submitted in 2 parts)
3. C3	Complainant Rebuttal
4. R1	Respondent Disclosure Part 1
5. R2	Respondent Disclosure Part 2

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 MGB Administrative Use Only

Municipality: Calgary	Decision No. 72949/P-2013	Roll No: 100010313	
<u>Property Type</u>	<u>Property Sub-Type</u>	<u>Issue</u>	<u>Sub-Issue</u>
Office	Suburban Office	M.V.	Capitalization Rate