



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:

CANTOS MUSIC FOUNDATION, (as represented by Altus Group Limited),

COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

***PRESIDING OFFICER, T. Hudson
BOARD MEMBER, D. Julien
BOARD MEMBER, P. Pask***

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 2014 Assessment Roll as follows:

ROLL NUMBER: 068114800

LOCATION ADDRESS: 132 11 AV SE

FILE NUMBER: 74048

ASSESSMENT: \$18,890,000

This complaint was heard on the 11th day of August, 2014 at the office of the Assessment Review Board located at Floor Number 4, 1212 – 31 Avenue NE, Calgary, Alberta, Board room 3.

Appeared on behalf of the Complainant:

- *Ms. D. Chabot, Agent, Altus Group Limited*

Appeared on behalf of the Respondent:

- *Mr. C. Fox, Assessor, City of Calgary*

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

[1] The Respondent raised a preliminary objection to page 129 of the Rebuttal disclosure document C2 (b) of the Complainant. Once the content was clarified by the Complainant, the Respondent withdrew the objection, and no ruling was required from the Board.

Property Description:

[2] The subject property is a 0.60 acre parcel of commercial land located in the BL2 submarket of the Beltline community at 132 11 AV SE. The property was improved in 1913 with a warehouse building known as "Customs House" incorporating 84,981 square feet (sf.) of assessable area. The building was renovated in 2006 and donated to the current owners in 2011. The building is now classified as an "A2" quality low rise office building.

[3] The property is currently assessed based on capitalized income.

[4] Details of the assessment include:

(i) 74,706 sf. of office area assessed at a rate of \$24.00 per square foot (psf.), with vacancy rate at 11%, and an allowance of \$13.00 psf. for operating costs.

(ii) 10,275 sf. of office storage area assessed at a rate of \$5.50 psf., with an 8.00% vacancy rate, and an allowance of \$10.00 psf. for operating costs.

(iii) 20 surface parking stalls assessed at \$1,980 per stall per annum, with a 2% vacancy allowance.

(iv) 1% non-recoverable expense allowance, and a 5.50% capitalization (cap), rate.

[5] The total assessed value is \$28,265,545, which includes \$9,370,000 of tax exempt value, for a total taxable assessment of \$18,890,000 (rounded).

Issue: Quality Class

[6] The Complainant requests that the assessed quality class of the subject property be revised to "B" from "A2". This request includes a change to the assessed office rental rate to \$15.00 from \$24.00 psf., the assessed office vacancy rate to 8.00% from 11.00%, and the assessed cap rate to 6.00% from 5.50%.

Complainant Requested Value: \$11,400,000 (rounded).

Board's Decision:

[7] The assessed quality class is revised to "B" and the taxable assessment of the subject property is reduced to **\$11,400,000**.

Legislative Authority, Requirements and Considerations:

[8] The Composite Assessment Review Board (CARB) derives its authority from Part 11 of the 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 (1)(a).

[9] For purposes of the hearing, the CARB will consider the Act 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.*

[10] The Matters Relating to Assessment and Taxation Regulation (MRAT) is the regulation referred to in the Act 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, and,*
- (c) must reflect typical market conditions for properties similar to that property.*

Position of the Parties

Complainant

[11] The Complainant noted that the subject is a converted warehouse, and the year over year increase in the assessment of the subject property is 67%, based on the decision of the CARB 72332P-2013.

[12] The noted decision recognized that the subject property was atypical of an "A" quality class property, *"when compared to the other properties in its own classification in the Beltline area. The subject property was considerably older, had less finish and amenities than most other properties in this class."* (Exhibit C1 (b) page 119).

[13] As a result, CARB 72332P-2013 reduced the assessed office rental rate to the "B" quality class rate of \$15.00 psf. from "A2" quality class rate of \$19.00 psf., and the taxable assessment to \$11,320,000, from \$14,350,000.

[14] In 2014, the Respondent has again included the subject property with typical "A" quality properties assessed at \$24.00 psf. for office space. The Complainant argued that the subject property remains atypical of "A" quality class office properties in the Beltline due to its age, and lack of finish and amenities, such as underground parking and multiple elevators.

[15] The Complainant acknowledged that the subject property has been renovated from a warehouse to an office building, but illustrated through both interior and exterior photographs that it does not compare favourably with most "A" quality class office buildings in the Beltline, (Exhibit C1 (a), pages 47-61).

[16] By way of contrast, the Complainant submitted a list of eight properties assessed as "B" class quality office properties in the Beltline where the subject property compares more favourably based on age, number of storey's, parking stalls, and elevators, (Exhibit C1 (a), pages 94 -114).

[17] In rebuttal, the Complainant noted that the 2012 and 2013 assessments of the best comparable properties submitted by the Respondent and located at 318 11 AV SE, and 402 11 AV SE were reduced on complaint by CARB 1508/2012-P, and CARB 72758P-2013, CARB 2356/2012-P, and CARB 72458P-2013, because they were not considered to be typical "A" class quality properties, (Exhibit C2 (a), pages 38-87).

[18] The submission of the Respondent does not reflect these CARB decisions, and assessed these properties again in 2014 using typical "A" quality capitalized income parameters.

Respondent

[19] The Respondent submitted the 2013 Assessment Request for Information (ARFI) report on the subject property, which reports a dated lease of 39,216 sf., signed in 2006 for a fifteen year term, at \$16.25 psf., stepped up to \$18.75 psf. in 2009 where it remains to date, (Exhibit R1, pages 86-94).

[20] The Respondent submitted historical rent rolls that show the current owners who were tenants until 2011, paid higher than typical rent. (Exhibit R1, pages 40-43).

[21] The Respondent submitted Appraisal letters and the Real Net report on the non-arms-length sale of the subject as a donation in kind, which indicate the value of the leased fee interest to be between \$17,000,000 and \$18,200,000. The Real Net report indicates the sale price was \$17,600,000 on May 10, 2011. (Exhibit R1, pages 44-60).

[22] The CARB 1131/2012-P confirmed the assessment and "A" class quality classification of the subject property, (Exhibit R1, pages 61-64).

[23] The Respondent suggested the best comparables to the subject property are located at 402 11 AV SE, and 318 11 AV SE. They are both four storey warehouse buildings constructed in 1913 and 1914, extensively renovated for office use, and assessed as "A2" quality the same as the subject, (Exhibit R1, page 126).

Board's Reasons for Decision:

[24] The Board finds that although not bound by previous CARB decisions, the evidence and argument on the issue of the quality classification of older Beltline warehouses converted to offices such as the subject property, has been and is reasonably consistent.

[25] The Board finds that the subject property is atypical when compared to other "A" class quality buildings in the Beltline. The subject is inferior in most respects including age, four storey height, shortage of elevator service, available parking, lack of amenities, location and rental income.

[26] The Board finds that the subject property has more in common with "B" quality class buildings in the Beltline, and in particular those eight properties listed in Exhibit C1 (a), page 94).

DATED AT THE CITY OF CALGARY THIS 4th DAY OF September 2014.



T. B. Hudson

Presiding Officer

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

NO.	ITEM
1. C1 (a), and (b)	Complainant Disclosure
2. C2 (a), and (b)	Complainant 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 MGB Administrative Use Only

<i>Decision No. 74048P-2014</i>			<i>Roll No. 068114800</i>	
<u>Subject</u>	<u>Type</u>	<u>Sub-Type</u>	<u>Issue</u>	<u>Sub-Issue</u>
CARB	Office	Low Rise	Quality Classification	Rent Rate, Vacancy and Cap Rate