



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:

1445122 Alberta Ltd., (as represented by Altus Group Limited), COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

***Board Chair, T. Hudson PRESIDING OFFICER
BOARD MEMBER, J. Pratt
BOARD MEMBER, E. Reuther***

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: 048046007

LOCATION ADDRESS: 1935 32 AV NE

FILE NUMBER: 74517

ASSESSMENT: \$8,450,000

This complaint was heard on the 24th day of June, 2014 at the office of the Assessment Review Board located at Floor Number 4, 1212 – 31 Avenue NE, Calgary, Alberta, Board room 5.

Appeared on behalf of the Complainant:

- *Mr. M. Cameron, Agent, Altus Group Limited*

Appeared on behalf of the Respondent:

- *Ms. C. MacMillan, Assessor City of Calgary*
- *Mr. M. Ryan, Assessor City of Calgary*

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

[1] There were no procedural or jurisdictional matters in dispute between the Parties.

[2] The Parties requested, and the Board agreed, to reference the evidence and argument submitted with respect to our complaint file #75570, and #75689 in considering a decision on this file, (i.e. #74517).

Property Description:

[3] The subject property is a 2.09 acre parcel of commercial land located in the South Airways community at 1935 32 AV NE. The property was improved in 1979 with one "B-" quality class suburban office incorporating 65,773 square feet (sf.) of net rentable office space, and 37 enclosed parking stalls.

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

[5] Details of the assessment include the office rental rate of \$14.00 per square foot (psf.), parking assessed at \$1,080 per stall, vacancy rate of 14% for office and 2% for parking, \$13.50 psf. operating costs, a 1% non-recoverable expense allowance, and a capitalization (cap) rate of 7.00%.

[6] The total assessed value is \$9,977,800, including \$1,525,500 of tax exempt value. The assessment under complaint is therefore \$8,450,000 (rounded).

Issue: Vacancy Allowance in South Airways

[7] The Complainant contends that the assessed vacancy allowance should be increased to 21% from 14%, for "B" quality class suburban office buildings in the South Airways community.

Complainant Requested Value: \$6,940,000 (rounded).

Board's Decision:

[8] The taxable assessment of the subject property is confirmed at **\$8,450,000 (rounded).**

Legislative Authority, Requirements and Considerations:

[9] The Composite Assessment Review Board (CARB) derives its authority from Part 11 of the Municipal Government Act (MGA) RSA 2000:

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)

[10] For purposes of the hearing, the CARB will consider MGA 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.*

[11] The Matters Relating to Assessment and Taxation Regulation (MRAT) is the regulation referred to in MGA 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

[12] The Complainant argued that the "B" and "C" class quality NE suburban office typical assessed vacancy rate of 14%, was determined by including buildings that are not similar or do not compete with the subject property, because they are owner occupied.

[13] The Complainant submitted a revised analysis eliminating five owner occupied buildings with no vacancy which resulted in a typical vacancy rate of 16.76% for NE "B" quality class suburban office buildings, (Exhibit C1, page 28).

[14] The Complainant acknowledged the errors in their vacancy analysis noted by Respondent, but the revised calculation only reduced the vacancy to 16.43%, (Exhibit C2, page 13).

[15] The Complainant then proposed an additional stratum by segregating only buildings in the South Airways community for analysis, because of their greater than typical vacancy issues, including an actual rate of 10.00% for the subject.

[16] The result was a typical vacancy rate of 21.05%, for South Airways, (Exhibit C1, page 29).

[17] The Complainant submitted several previous CARB decisions regarding the calculation of vacancy rates, with CARB 1408/2010-P making direct reference to the inclusion of owner occupied space in a vacancy study, (Exhibit C1, pages 39-44).

Respondent

[18] The Respondent advised that the typical 2014 assessed vacancy rate of 14% for both "B" and "C" quality class suburban office properties in the NE quadrant of the city was derived from Assessment Request for Information (ARFI) reports including that of the subject property which shows 10.00% actual vacancy. (Exhibit R1, page 96 and 97).

[19] The Respondent noted that the "B" quality class suburban office vacancy analysis prepared by the Complainant includes some errors. Three of the buildings listed are "C" quality class, and one building has less vacancy than reported, (Exhibit R1, page 41).

[20] The Respondent argued that excluding owner occupied properties assessed on the capitalized income approach from the typical vacancy rate analysis as requested by the Complainant is not reasonable. By occupying their own premises, the owner avoids occupying space and paying rent elsewhere.

[21] In support, the Respondent submitted the opinion of the CARB 71072P-2013 in a decision on the same vacancy issue, and including that *"all the offices in the NE compete in a similar market, and therefore the City study was given more weight as it contained more comparables to develop a typical rate"*, (Exhibit R1, pages 135-139).

[22] The Respondent submitted the sale of a "B" quality class suburban office building located at 2905 12 ST NE in South Airways, in order to demonstrate the impact of increasing the typical vacancy rate from 14% to 21% on the assessment to sale price ratio, (ASR).

[23] The property sold in August of 2012 for \$3,490,000. Using the typical 14% vacancy allowance the assessment is \$3,875,000 with an ASR of 1.11; using the proposed 21% as typical in South Airways, the resulting assessment is \$3,094,000 with an ASR of 0.89, (Exhibit R1, page 74).

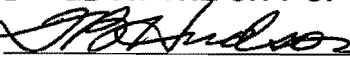
Board's Reasons for Decision:

[24] The Board was not convinced by the Complainant, that their assessment request reflects the 2014 market value of the subject property.

[25] The Board concurs with the rationale in CARB 71072P-2013, that the typical assessed vacancy rate should be determined by including all available space in the analysis, including owner occupied space.

[26] The Board is of the opinion that acceptance of the the request to segregate the "B" quality buildings in South Airways in order to analyze vacancy, would result in both assessment values below market value, and assessment inequity with other similar buildings in the NE quadrant.

DATED AT THE CITY OF CALGARY THIS 28th DAY OF July 2014.



T. B. Hudson

Presiding Officer

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

NO.	ITEM
1. C1	Complainant Disclosure
2. C2	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. 74517P-2014</i>			<i>Roll No 048046007</i>	
<u>Subject</u>	<u>Type</u>	<u>Sub-Type</u>	<u>Issue</u>	<u>Sub-Issue</u>
CARB	Office	Low Rise	Market Value and Equity	Vacancy Rate