

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:

***William-Arnold Holdings Ltd., (as represented by Assessment Advisory Group Inc.),
COMPLAINANT***

and

The City Of Calgary, RESPONDENT

before:

***Board Chair, T. Hudson PRESIDING OFFICER
BOARD MEMBER, B. Bickford
BOARD MEMBER, P. Loh***

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: 067187500

LOCATION ADDRESS: 802 16 AV SW

FILE NUMBER: 74808

ASSESSMENT: \$5,000,000

This complaint was heard on the 11th day of June, 2014 at the office of the Assessment Review Board located at Floor Number 3, 1212 – 31 Avenue NE, Calgary, Alberta, Board room 10.

Appeared on behalf of the Complainant:

- *Mr. S. Cobb, Agent, Assessment Advisory Group Inc.*

Appeared on behalf of the Respondent:

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

Property Description:

[2] The subject property is a 0.15 acre parcel of commercial land located at 802 16 AV SW in the BL6 area of the Beltline community. The land is improved with a two storey mixed use retail/office building, including 14,237 square feet (sf.), of net rentable area.

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

[4] Details of the assessment include 4257 sf. of "A2" class quality main floor retail space at \$41.00 per square foot (psf.), 5,500 sf. of below grade retail space at \$14.00 psf., and 4,480 sf. of "C" quality 2nd floor office space at \$15.00 psf. There are also four surface parking stalls assessed at \$1,980 per stall. Typical vacancy allowances are 17% for the office space, and 8% for the retail space, resulting in vacant space shortfall expense allowance of \$16,983. A \$2,950 non-recoverable expense allowance is also provided.

[5] The resulting Net Operating Income (NOI) of \$275,019 is capitalized at a rate of 5.50 %, yielding a total assessed value of \$5,000,345 rounded to \$5,000,000.

Issues:

Quality Class

[6] The Complainant pointed to the Property Assessment Detail Report published on the City of Calgary website, which indicates that the subject property is classified as "C" quality, (Exhibit C1 page 3). However, the main floor retail space has been assessed as "A2" quality, which results in an inequitable assessment for the subject in relation to competing neighbourhood properties.

Assessed Rental Rate

[7] The Complainant contends that the main floor "A2" quality retail space rental rate of \$41.00 psf., should be reduced to the "B" class quality rate of \$35.00, and that the below grade retail space rate of \$14.00 psf. should be reduced to \$10.00.

Vacancy

[8] The Complainant contends that the vacancy allowance should be increased to 25% for both the main floor retail and office spaces.

Complainant Requested Value: \$3,640,000(rounded).

Board's Decision:

[9] The assessment of the subject property is confirmed at **\$5,000,000(rounded).**

Legislative Authority, Requirements and Considerations:

[10] 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).

[11] 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.*

[12] 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

Quality Class and Assessed Rental Rate

[13] The Complainant submitted that the subject property assessment is inequitable when compared with similar commercial properties in the area. Seven assessment equity comparable properties were submitted in support of the request to reduce the assessed rent rate for the main floor retail to \$35.00 psf., which is the typical rate for "B" quality main floor retail space.

[14] The rental rate for this same space was \$32.00 psf., for the 2013 assessment.

[15] The Complainant also requested a reduction in the assessed rental rate for lower floor retail space to \$10.00 psf., from the current and 2013 rate, of \$14.00.

Vacancy

[16] The Complainant submitted the Assessment Request for Information (ARFI), Reports filed by the subject property owner for the 2009 to 2014 assessment years. The Complainant suggests that the reports support the request to increase the vacancy allowance to 25% from 17% for the second floor office space, and to 25% from 8%, for the main floor retail space. The ARFI's show a range of vacancy experienced from a low of 20% in 2009, to a high of 59% in 2013. (Exhibit C1 pages 18-43).

Respondent

Quality Class and Assessed Rental Rate

[17] The Respondent clarified that the classification of a mixed use property such as the subject as "C" quality, is determined by the above grade use with the largest amount of space, which in this case is the office use. However, the predominant use in a mixed use property is determined by the use with the largest amount of overall space. Therefore the predominant use in the subject property is retail, with the main floor classified as "A2" quality.

[18] The website report included by the Complainant also provides the following in an effort to explain. **"Note: This report does not display multiple Assessment Years of Construction and/or multiple Qualities within a building due to additions and/or differing assessment stratifications. These factors are reflected in the assessed value of the property. If you have questions or need further information, contact Assessment at 403-268-2888"**.

[19] The Respondent advised that a significant contributing factor in determining retail stratification and quality classification is achievable rent.

[20] The 2013 ARFI shows that a retail tenant on the main floor of the subject property renewed their lease of 1,349 sf. in April of 2013, for a further five years at \$42.50 psf.

[21] In addition, the 2014 ARFI shows a new main floor lease of 2,908 sf., signed in September 2013 at \$42.50 psf. for a five year term.

[22] Only one of the seven properties submitted by the Complainant as assessment equity comparables is achieving rent rates similar to the subject. The same comparable property also had lower level retail space assessed at \$14.00 psf., the same as the subject.

Vacancy

[23] The Respondent noted that the 2014 Beltline "C" Office Vacancy Analysis included the subject property with no vacancy reported. (Exhibit R1 pages 36 and 37).

[24] The Respondent also advised that the 2014 Beltline Retail Vacancy Analysis included the subject property, and reported 8,408 sf. vacant, of the 9,757 sf. available. (Exhibit R1 pages 38-42).

[25] However, the 2013 ARFI indicates that 5,500 of the 8,408 sf. reported vacant is lower level retail space, for which no vacancy adjustment is requested by the Complainant.

Board's Reasons for Decision:

[26] The Complainant did not provide any market rent comparables to support the request for a reduction to the assessed rent rate for the main floor and lower level retail space in the subject property.

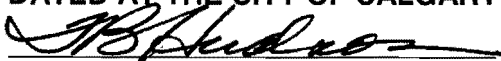
[27] However, the most recent leasing activity reported for the subject support the main floor retail assessed rate of \$41.00 psf.

[28] The lower level retail assessed at \$14.00 psf. is typical in the Beltline. The only comparable property with lower level retail space available is assessed the same.

[29] The Complainant's request to increase the assessed vacancy rate to 25% for both the office space and main floor retail space is not supported with sufficient evidence to justify the adjustment. The office space has no reported vacancy and the majority of the reported vacant retail space is on the lower level.

[30] In summary, there is not sufficient market evidence to prove that the current assessed value of the subject property is incorrect, and/or inequitable.

DATED AT THE CITY OF CALGARY THIS 16th 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. 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. 74808P-2014</i>			<i>Roll No 067187500</i>	
<u>Subject</u>	<u>Type</u>	<u>Sub-Type</u>	<u>Issue</u>	<u>Sub-Issue</u>
CARB	Retail/Office	Stand Alone	Market Value and Equity	Class, Rent, Vacancy