

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:

Steinbock Development Corporation Ltd. (*as represented by Altus Group*),
COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

R. Fegan, PRESIDING OFFICER
T. Livermore, BOARD MEMBER
A. Wong, 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 2014 Assessment Roll as follows:

ROLL NUMBER:	067048504
LOCATION ADDRESS:	724 6 AV SW
FILE NUMBER:	74972
ASSESSMENT:	\$37,930,000

This complaint was heard on the 10th day of June, 2014 at the office of the Assessment Review Board located at Floor Number 4, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 6.

Appeared on behalf of the Complainant:

- S. Meiklejohn, (Altus Group)

Appeared on behalf of the Respondent:

- H. Neumann, (City of Calgary)

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

- [1] The Complainant requested and the Board agreed to cross reference the evidence and argument from exhibits C-2 and C-3 of hearing 75749 with the evidence from this hearing.
- [2] The Respondent requested and the Board agreed to cross reference the evidence from exhibit R-1 of hearing 75749 with the evidence presented at this hearing

Property Description:

- [3] The subject property is a free standing parkade located at 724 6 AV SW in Calgary. It was constructed in 1968 and has 497 parking stalls and a small retail area of 384 square feet occupied by Budget Rent A Car.

Issues:

- [4] The physical condition, characteristics and classification of the subject property are issues in this complainant.
- [5] The rental rate used to value the parking stalls is an issue.
- [6] The capitalization rate applied to the net income of the subject is an issue.
- [7] Assessment equity is an issue in this complainant.

Complainant's Requested Value: \$22,530,000.

Board's Decision: The complaint is allowed in part and the assessment is set at \$23,470,000.

Legislative Authority, Requirements and Considerations:

MGA 293(1) *"In preparing an 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."

Position of the Parties

Complainant's Position:

[9] It was the Complainant's position that the classification of the subject property was incorrect. The subject is assessed as a Class A2 structure and should be assessed as a Class B structure. In support of his opinion the Complainant provided a study showing all of the parkades in downtown Calgary and provided a ratio between the assessed income and the actual income that was being achieved. The Complainant drew the Board's attention to two parkades in particular. The James Short and the Centennial parkades are both assessed using the same income as the subject but both of these parkades have significantly higher incomes

NAME	ASSESSED INCOME	ACTUAL INCOME
James Short Parkade	\$5,700	\$7,242
Centennial Parkade	\$5,700	\$6,540
Budget Parkade	\$5,700	\$5,766

[10] In addition to the above comparison, the Complainant drew the Boards attention to two parkades which were achieving income similar to the subject property but were assessed at a lower rate.

NAME	ACTUAL INCOME	ASSESSED INCOME
McDougall Parkade	\$5,754	\$4,600
City Centre Parkade	\$5,771	\$4,700
Budget Parkade	\$5,766	\$5,700

[11] The Complainant argued that the subject property was not being assessed equitably when compared to similar competing properties and the income being achieved should be the test of whether or not the subject was correctly classified as an A2 structure.

[12] The Complainant further noted that the James Short and Centennial parkades have characteristics corresponding to their A2 classification such as Plus 15 connections, underground parking, and superior security. In contrast, the subject has none of these characteristics. It is a much older structure, with above ground parking and minimum security. This is an indication that the subject may be classified and assessed solely on its income while disregarding its physical characteristics.

[13] The Complainant provided a copy of the 2013 CARB decision on the subject property (CARB 72289P-2013). In that case the Board considered the evidence of location, age, condition, characteristics and revenues and made a decision to lower the classification of the subject property and to increase the capitalization from 4.5% to 5.0%. The Board found that the sale of the Bow Parkade was not an appropriate indicator of the capitalization rate for downtown parkades.

[14] The Complainant provided 5 other 2013 CARB decisions which dealt with the

capitalization rate for downtown parkades and whether or not the sale of the Bow Parkade was useful in determining that capitalization rate.

CARB 70165-P2013	cap changed from 4.5% to 6.25% (rejected Bow Parkade sale)
CARB 70249-P2013	cap changed from 4.5% to 6.25% (rejected Bow Parkade sale)
CARB 70258-P2013	cap changed from 4.5% to 6.25% (rejected Bow Parkade sale)
CARB 72144-P2013	cap changed from 4.5% to 6.0% (calculation error in Bow Parkade sale)
CARB 72146-P2013	cap changed from 4.5% to 5% (rejected Bow Parkade sale)

[15] The Complainant argued that nothing had changed between the time of these decisions and the 2014 assessment. The Respondent was still relying solely on the sale of the Bow Parkade for the capitalization rate.

Respondent's Position:

[16] The Respondent argued that the rent being achieved was not the appropriate method for classification and the assessor must consider the characteristics and physical condition of the property when determining the classification of structures.

[17] The Respondent provided a capitalization rate study on page 47 of exhibit R-1. The Respondent had relied on one sale to establish the capitalization rate for all of the downtown parkades. The Respondent argued that this was a valid sale between unrelated parties and it was the only sale available in recent years and therefore was the best information available.

Board's Reasons for Decision:

[18] The Respondent provided a chart titled "2014 Parkade Summary" (R-1, page 71). This chart indicated that the James Short and the Centennial parkades were classified as A2 while the subject on this chart is coded as A-. This chart also indicates that a class "AA" was contemplated with an annual gross rental rate of \$6,100 however no parkades are assessed in this classification. The fact that the subject is an A- and James Short and Centennial are Class A2 may be the reason why these other two parkades have higher income than the subject. The income data indicates that there is a variance in the earning ability within the Class A parkades (A, A2, A-). The application of the same rental rate to all "A" parkades does not result in equitable assessments.

[19] The Board does not disagree with the Respondent that the physical characteristics should be considered in the classification process, however the Board agrees with the Complainant that the assessed income in relation to the actual income can provide a valuable check on the results of the classification. It can also be used as the basis for an equity comparison. Parkades are generally not encumbered by long term leases and parking rates tend to keep pace with market activity. The income being received is a reflection of the demand for parking in any given structure. The Board finds that a more equitable annual gross rental rate of \$4,700 should be applied to the subject.

[20] The Board finds that the sale of the Bow Parkade is not a reliable indicator of the capitalization rate for all downtown parkades for the following reasons:

(a) It is only one sale. The Board noted the statement on page 5 of exhibit R-1, "The purpose of property assessment is not reflect one sale price, but to assess all similar property at a similar value so that taxation is fairly and uniformly distributed among all taxable property".

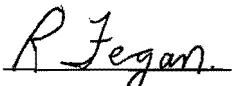
(b) The capitalization rate of 4.5% was derived from a single sale in which the adjoining land

owner was motivated to acquire the abutting parcel in order to own the entire city block and enhance their development opportunities for the half of the block that they already owned.

(c) The purchaser wanted the land for development purposes and did not purchase the property for the income being generated by the parking spaces. It is true that the structure is still being operated as a parkade pending development of the site but parking income was not the motivating factor in the sale.

[21] The Board considered the fact that the capitalization rate, that has been applied to Class "AA" and Class "A" office buildings which have a significant parking component is 5.75%. The Board finds that a 6% capitalization is appropriate for the subject property.

DATED AT THE CITY OF CALGARY THIS ^{5th} DAY OF *JULY* 2014.



R. Fegan

Presiding Officer

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

NO.	ITEM
1. C1	Complainant Disclosure
2. C2	Complainant Disclosure
3. C3	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.*

CARB Identifier Codes

Decision No.		Roll No.		
<u>Complaint Type</u>	<u>Property Type</u>	<u>Property Sub-Type</u>	<u>Issue</u>	<u>Sub-Issue</u>
CARB	Commercial	Parkade	Market Value	Equity

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