



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:

***Cominar AB Real Estate Holdings Inc.
(represented by Altus Group), COMPLAINANT***

and

The City Of Calgary, RESPONDENT

before:

***Ms. V. Higham, PRESIDING OFFICER
Mr. J. Kerrison, BOARD MEMBER
Mr. J. Massey, BOARD MEMBER***

This is a complaint to the Calgary Assessment Review Board (the Board) in respect of a property assessment prepared by the Assessor of The City of Calgary (the City) and entered in the 2014 Assessment Roll as follows:

ROLL NUMBER:	091005603
LOCATION ADDRESS:	4124 9 Street SE Calgary, Alberta
FILE NUMBER:	75365
ASSESSMENT:	\$9,920,000

This complaint was heard on August 13, 2014 at the office of the Calgary Assessment Review Board located at 1212 – 31 Avenue NE, Calgary, Alberta, 4th Floor, Boardroom 5.

Appeared on behalf of the Complainant:

- **Mr. B. Neeson** **Agent, Altus Group**

Appeared on behalf of the Respondent:

- **Mr. M. Ryan** **Assessor, City of Calgary**
- **Mr. R. Tharakan** **Assessor, City of Calgary**

Procedural or Jurisdictional Matters:

- [1] Neither party objected to the composition of the Board as introduced at the hearing.
- [2] The Board notes an executed Agent Authorization Form present in the file.
- [3] All disclosure materials were received in a timely fashion.
- [4] No preliminary issues were raised by either party.

Property Description:

[5] The subject is assessed as an A- quality, low rise suburban office warehouse property (CS1835), located at 4124 9 Street SE on 2.76 acres of land. The owner-occupied parcel is improved by one building constructed in 1961 (renovated circa 2001), comprising an area of 46,976 square feet (sf) of space. The subject was originally assessed as an industrial warehouse, but was later reclassified to office warehouse subsequent to the property's renovation. It is currently assessed on the income approach to value, with an applied office rental rate of \$13 per square foot (psf), and a capitalization (cap) rate of 6%.

Issues:

[6] The Complainant identified one matter on the Complaint Form as under complaint, being the assessment amount. At the hearing, the Complainant confirmed his requested assessment amount to be the same as originally noted on the Complaint Form (\$7,850,000), and raised the following sole issue for the Board's consideration:

- 1) What are the appropriate market value parameters to apply to the subject property based on its income generating capacity: the assessed A- quality parameters (\$13 psf rental rate, 6% cap rate), or the requested B quality parameters (\$12 psf rental rate, 7% cap rate)?

Complainant's Requested Value: \$7,850,000

Board's Decision: The Board varies the subject assessment from \$9,920,000 down to a truncated value of **\$7,850,000**.

Legislative Authority, Requirements and Considerations:

[7] A Composite Assessment Review Board (CARB) derives its authority from the Act, section 460.1, which reads as follows:

- (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).

Section 293 of the Act requires that:

- (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.

Sections 2 and 4 of the *Matters Relating to Assessment and Taxation Regulations* (the MRAT) state:

- (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.
- 4(1) The valuation standard for a parcel of land is
 - (a) market value, or
 - (b) if the parcel is used for farming operations, agricultural use value.

Position of the Parties

Issue: What are the appropriate market value parameters to apply to the subject property based on its income generating capacity: the assessed A- quality parameters (\$13 psf rental rate, 6% cap rate), or the requested B quality parameters (\$12 psf rental rate, 7% cap rate)?

Complainant's Position:

[8] The Complainant submitted a rent roll for the owner-occupied building noting one lease in place, executed on September 1, 2011 for \$12 psf over five years, renewable.

[9] The Complainant also submitted three market lease comparables (two B quality and one C quality), with evidence that the two B quality properties also executed 5 year leases on September 1, 2011 for rates of \$12 and \$12.50 psf respectively (1930 Maynard Road SE and 4015 1 Street SE). No evidence of actual rental rates was submitted for the third comparable (comp) at 7317 12 Street SE, but this C quality property is assessed at rental rate of \$10 psf.

[10] The Complainant argued that the Respondent's three lease comps (A2, A-, and A- quality properties) are less comparable to the subject property than his three, owing to a variety of factors, including:

- 1) 5735 7 Street NE (A2) is a three storey building with superior external finish/glazing located in a north east business park with higher income generating capacity;
- 2) 3220 118 Avenue SE (A-) is a two storey property with superior external finish/glazing; and
- 3) 808 55 Avenue NE (A-) is a two storey property with 69 underground parking stalls located in virtually the same north east business park as the first comp.

[11] The Complainant made reference to the City's list of "Physical & Economic Characteristics" that factor in to the classification of properties, including: location, physical condition, year of construction (AYOC), number of stories, and on-site parking capacity. This document also identifies a final step in the "property stratification process" to be the review of a property's income generating capacity by examining its rents and expenses, since *"property values for income-producing investment real estate are predicated on the income generating capability of the property."* (R1, pp.22-23)

[12] In summary, the Complainant argued that the City's comps are less comparable than his, with greater income producing capacity than the subject, evidenced by the fact that all three achieve higher lease rates than the subject.

Respondent's Position:

[13] The Respondent submitted the City's 2014 suburban office warehouse rental study for A2/A- quality properties, analysing three leases executed in 2012, showing median, mean, weighted mean rates of \$13.90, \$14.77, and \$13.85 psf respectively.

[14] The Respondent argued that despite the subject's AYOC 1961, it was renovated circa 2001 to a high level of finish in the City's estimation, after which its classification was changed from industrial warehouse to office warehouse A- quality.

[15] The Respondent submitted an *Altus InSite* "Property Search Summary" advertising the subject property as an A quality building, and argued that the subject's one lease executed on September 1, 2011 does not create a typical market for the entire category of office warehouse.

BOARD'S FINDINGS AND REASONS:

[16] The Board finds that the appropriate market value parameters to apply to the subject property based on its income generating capacity are the requested B quality parameters of \$12 psf rental rate and 7% cap rate.

[17] The Board was disappointed that neither party provided multiple photos of the subject's interior to assist the Board in assessing the comparability of all submitted lease comps relative to the subject. Absent more than the one interior photo of the subject's entrance, the Board was left to rely on external photos and the other property characteristics identified herein.

[18] The Board finds that the Complainant's lease comparables are more similar to the subject than are the City's, particularly with respect to location, exterior finish, number of stories, and parking considerations. The Board is further persuaded by the Complainant's objections to the City's lease comps as described in paragraph 10 herein.

[19] The Board placed less weight on fact of the three leases signed on September 1, 2011 (1930 Maynard Road SE, 4015 1 Street SE, and the subject), but accepted this material as supporting evidence.

Conclusion:

[20] Thus, the Board finds that the best indicator of market value for the subject property is derived by applying the requested B quality market value parameters of \$12 psf rental rate and 7% cap rate to the subject's assessable office area of 46,976 sf (plus non-contested income factors of 1% vacancy rate, \$6.00 operating costs, and 1% non-recoverable), resulting in a truncated value of \$7,850,000.

Board's Decision:

[21] For reasons outlined herein, the Board varies the subject assessment from \$9,920,000 down to a truncated value of **\$7,850,000**.

DATED AT THE CITY OF CALGARY THIS 19th DAY OF September 2014.


V. Higham, Presiding Officer

APPENDIX "A"

**DOCUMENTS PRESENTED AT THE HEARING
AND CONSIDERED BY THE BOARD:**

NO.	ITEM
1. C1	Complainant's Disclosure
2. R1	Respondent's 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 Administrative Use Only – Roll Number 156118606

Municipal Government Board Use Only: Decision Identifier Codes				
Municipality/Appeal Type	Property Type	Property Sub-Type	Issue	Sub-Issue
Calgary CARB	Office	Low Rise	Income	Net Market Rent/Lease Rate