



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:

***1200700 Alberta 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: 067129908

LOCATION ADDRESS: 1201 5 ST SW

FILE NUMBER: 75919

ASSESSMENT: \$11,300,000

This complaint was heard on the 12th day of June, 2014 at the office of the Assessment Review Board located at Floor Number 3, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 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 0.26 acre parcel of commercial land located at 1201 5 ST SW in the BL3 sub-market of the Beltline community. The land is improved with a low rise office building, including 34,842 square feet (sf.), of net rentable area.

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

[4] Details of the assessment include 28,975 sf. of "B" class quality office space at \$17.50 per square foot (psf.), and 5,866 sf. of retail office space at \$20.00 psf. There are also 47 underground parking stalls assessed at \$3,960 per stall. Typical vacancy allowances are 8% for the office space, and retail office space, and 2% for the underground parking; resulting in a vacant space shortfall expense allowance of \$35,765. A \$7,568 non-recoverable expense allowance is also provided.

[5] The resulting Net Operating Income (NOI) of \$713,496 is capitalized at a rate of 6.00%, yielding a total assessed value of \$11,891,600. Approximately 5% of the rentable space is exempt from taxation and valued at \$588,500. The remaining assessed value of \$11,300,000(rounded) is under complaint.

Issues:

Capitalization (Cap) Rate

- [6] The Complainant suggests that the cap rate should be increased to 6.50%.

Complainant Requested Value: \$10,420,000(rounded).

Board's Decision:

[7] The assessment of the subject property is confirmed at **\$11,300,000(rounded)**.

Legislative Authority, Requirements and Considerations:

[8] 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).

[9] 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.

[10] 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

[11] The Complainant submitted a chart of comparable office building sales transactions and cap rates prepared by Colliers International, (Exhibit C1 page 15), and a similar chart from CB Richard Ellis, (Exhibit C1, page 16).

[12] The Complainant identified the Atrium on 11th, and the Duff Building from the charts as the best comparables to the subject, because they are of a similar size, and located in the Beltline.

[13] The cap rate reported from the March 2013 sale of the Atrium on 11th is 6.07% from Colliers and 6.44% from CBRE. The cap rate reported from January 2013 sale of the Duff Building is 6.65% from Colliers and 6.50% from CBRE.

[14] The Complainant argued that the Duff Building is the most comparable to the subject and so the 6.50% cap rate is requested for the assessment.

Respondent

[15] The Respondent submitted their 2014 Capitalization Rate Study for Beltline office buildings, (Exhibit R1, page 152).

[16] The study analyzed the sale of six buildings in the Beltline based on typical values which result in a median cap rate of 6.03 % and an average of 5.82%.

[17] The Respondent argued that the Complainant did not use typical income to derive the cap rate requested, but simply accepted the actual cap rates reported by third parties on two sales.

Board's Reasons for Decision:

[18] The Complainant's request to increase the assessed cap rate to 6.50% is not supported with sufficient evidence to justify the adjustment.

[19] 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.*

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<i>Decision No. 75919P-2014</i>			<i>Roll No 067129908</i>	
<u><i>Subject</i></u>	<u><i>Type</i></u>	<u><i>Sub-Type</i></u>	<u><i>Issue</i></u>	<u><i>Sub-Issue</i></u>
CARB	Retail/Office	Stand Alone	Market Value and Equity	Cap Rate