



## 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:

***Riley's Reproduction & Printing Ltd.,  
(as represented by: Assessment Advisory Group Inc.),  
COMPLAINANT***

and

***The City Of Calgary,  
RESPONDENT***

before:

<b><i>W. Krynski,</i></b>	<b><i>PRESIDING OFFICER</i></b>
<b><i>I. Fraser,</i></b>	<b><i>BOARD MEMBER</i></b>
<b><i>D. Pollard,</i></b>	<b><i>BOARD MEMBER</i></b>

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:

<b>ROLL NUMBER:</b>	<b>067077693</b>
<b>LOCATION ADDRESS:</b>	<b>627 8 Avenue, SW</b>
<b>FILE NUMBER:</b>	<b>75971</b>
<b>ASSESSMENT:</b>	<b>4,690,000</b>

This complaint was heard on 30<sup>th</sup> day of June, 2014 at the office of the Assessment Review Board located at Floor Number 4, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom #5.

Appeared on behalf of the Complainant:

- *S. Cobb – Agent, Assessment Advisory Group*

Appeared on behalf of the Respondent:

- *S. Gill – Assessor, City of Calgary*

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

[1] The parties had no objections to the panel representing the Board as constituted to hear the matter. No jurisdictional or procedural matters were raised at the outset of the Hearing, and the Board proceeded to hear the merits of the complaint.

**Property Description:**

[2] The Subject Property comprises a Retail building, located at 627 8 Avenue, SW, in Calgary's Downtown Commercial Core. Constructed in 1954, the building carries a "C" quality classification. Total net rentable area for the Subject Property is 32,900 square feet (sf.), consisting of Retail, Office and Storage space types. The improvements are situated on a 13,528 sf. parcel of land which is zoned CR20-C20/R20-Commercial - Residential Core.

**Issues:**

[3] The Complainant referenced the following issues at the Hearing.

[4] The assessment is incorrect and inequitable, as it is determined through the application of the Income Approach to value, rather than being calculated as "Land only" via the Sales Comparison Approach.

[5] In the alternative, if it is determined that the Income Approach is the correct valuation approach, then the assessment is incorrect due to the application of a 6% Capitalization Rate. It was argued that a 7% Capitalization Rate should be applied in the calculation of the subject assessment.

**Complainant's Requested Value: 4,110,000**

**Board's Decision:**

[6] The Board confirms the assessment at **4,690,000**

**Legislative Authority, Requirements and Considerations:**

[7] The Calgary Composite Assessment Review Board takes authority from the Municipal Government Act and associated Government of Alberta Legislation and Regulations.

**Complainant's Position:**

[8] The Complainant is requesting that the subject assessment be predicated on the Sales Comparison Approach, and valued on a "land only" basis. It was argued that the property is improved with a low quality building of marginal value, and the true value of the property lies in the value of the land. Evidence presented included a chart [C1, Pg. 11] of what are considered to be three comparable properties, in close vicinity to the subject, wherein the Assessor had deemed the improvements to have little value, and subsequently assessed the properties on a "land only" basis. From an equity perspective, the Complainant maintains that the subject property should be similarly assessed, at a rate of \$304 per square foot (psf.) of land.

Equity	ADDRESS	VALUATION	SQ. FT. (BLDG)	YOC	QUALITY	SQ. FT. (LAND)	ASSESSMENT	RATE/SQ. FT. LAND
Comp 3	617 8 AVE. SW	LAND ONLY	13,792	1973	C	6,172	1,180,000	305
Comp 4	718 8 AVE. SW	LAND ONLY	28,112	1953	A-	6,506	1,980,000	304
Comp 5	628 8 AVE. SW	LAND ONLY	6,640	1958	C	6,155	1,870,000	304
<b>MEDIAN :</b>								304
<b>AVERAGE:</b>								304

[9] Additionally, the Complainant submitted an analysis of three sales of properties with marginal improvements, also in close proximity to the subject [C1, Pg. 11]. Of the three sales, the most comparable to the subject was 718 8 Ave. SW, which reflected a sale price of \$307 psf. of land. This, it was argued, tends to support the City's land rate in the area, of \$304 psf.

[10] Alternatively, it was submitted that, if the Board is of the opinion that the subject property should be valued via the Income Approach, then the 6% Capitalization Rate being presently applied, is incorrect. A more appropriate rate would be 7%. To this end, an analysis of four improved property sales was submitted [C1; pg. 11].

SALES	ADDRESS	SALE DATE	SQ. FT. (BLDG)	YOC	QUALITY	CAP RATE (SALE)	SALE PRICE	CAP RATE (CITY)
<b>COMP 1</b>	855 8 Ave. SW	15/02/2013	75,675	1981	B	6.20%	30,400,000	5.00%
<b>COMP 2</b>	816 7 Ave SW	18/10/2012	26,824	1965	C	7.60%	,020,000	5.75%
<b>COMP 9</b>	614 6 Ave.SW	12/10/2102	9,557	1965	C	6.10%	2,840,000	not available
<b>COMP 10</b>	511 10 St. SW							
	1104 6 Ave. SW	19/12/2011	7,566	2004	A2	7.50%	2,580,000	6.00%
<b>AVERAGE</b>						6.85%		5.58%

[11] The four sales presented reflect and average Capitalization Rate of 6.85%, which, when rounded, supports the requested 7% rate. The Complainant contends that the 7% Capitalization Rate more accurately reflects the condition/quality and location of the Subject Property. It should be noted in the analysis, the column CAP RATE (SALE), reflects actual net income to the properties as of the sale date, whereas the column CAP RATE (CITY) reflects typical, or market net incomes.

[12] In addition to third party and land title sales documents, various maps, aerials and photographs were provided to offer a visualization of the location and building characteristics of the subject and sale properties.

[13] It was further noted that in the previous assessment year, the subject property was valued on a "land only" basis, and a copy of CARB Decision 71979P-2013 was provided.

[14] The Complainant's calculations produced an assessment of 4,010,000 via the Income Approach, utilizing a 7% Capitalization rate, and a "land value only" result of 4,110,000. It was explained that they have chosen the "land value" methodology, as it provides the highest assessment, and it is this value, which they are seeking.

#### **Respondent's Position:**

[15] In addition to third party and land title sales documents, various maps, aerials and photographs were provided, to offer a visualization of the location and building characteristics of the subject and sale properties.

[16] The Respondent takes the position that the subject property is a fully functioning retail property, achieving typical market retail rental rates consistent with a building of its' quality class. The income generated exceeds that which could be realized if the property were to be sold for land value only. For this reason, a "land only" assessment would not accurately reflect the property's full value.

[17] A 2014 Retail Rental Rate analysis was submitted [R1; pg.31] indicating retail rental rates for C and C- Class properties of \$16.00 psf. for the subject locale. The Respondent reasoned that, with the exception of the Capitalization Rate, the Complainant was in agreement with all Income Approach parameters applied in the Income Approach. Consequently, the subject property's ability to achieve typical market rents is not in dispute.

[18] Further to the Complainant's equity argument, the City submits that the three equity comparables provided by the Complainant were of significantly smaller parcel sizes, along with smaller improvements, such that the income stream to those properties calculated via the Income Approach did not exceed the "land only" values. In situations as those, it is City policy to default to the land value as the predominant valuation approach.

[19] The Respondent submits that the Capitalized Income Method is appropriate in valuing the subject, as it most accurately reflects the full market value as of the valuation date.

[20] The Respondent emphasized that the Complainant's Capitalization Rate analysis is flawed and must not be accepted. As the Net Operating Incomes utilized were actual incomes as at the sale date, derived from third party Sales Reports, it would be erroneous to apply the resulting 7% Capitalization Rate to the subject's Net Operating Income which reflects typical market rents. Board Order MGB 145/07, which was referenced [R1; pg.360], speaks directly to this issue.

[21] Furthermore, the Respondent argues that a conservative Capitalization rate of 6% was applied in the City's calculations, where the commercial downtown Capitalization Rate of 5.75% was utilized for other "C" Class properties. Consequently, any physical anomalies that may be attributable to the subject have been addressed.

#### **Board's Reasons for Decision:**

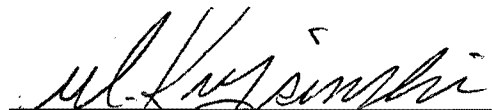
[22] The Board is not persuaded by the Complainant's logic of assessing the Subject Property at its' "land only" value. The annual net income to the property via the Income Approach was indicated to be in excess of \$320,000. The Complainant was in agreement with this figure. Clearly, this income stream, when capitalized, exceeds the "land only" value.

[23] The Board is not in agreement with the Complainant's Capitalization Rate analysis, and methodology of applying a Capitalization Rate predicated on **actual** net operating income to a net income stream, which is predicated on **typical market** coefficients. Board Order MGB 145/07 is very explicit in this regard. The Board takes further direction from the Supreme Court of British Columbia Decision, **SC 235 Westcoast Transmission Co. Ltd. V. AA09**, wherein Justice Cumming concluded *"The concepts used in developing Capitalization Rates for application to the subject should be used consistently. Thus it makes no sense to develop a Capitalization rate on one set of assumptions ..... and then apply that rate to the income of the subject property that is not derived in the same way"*.

[24] On review and consideration of all the evidence before it on this issue, the Board finds the Complainant's evidence is not sufficient to warrant a variance in the Capitalization Rate.

[25] The Board confirms the subject assessment at 4,690,000.

DATED AT THE CITY OF CALGARY THIS 6<sup>th</sup> DAY OF JULY 2014.



Walter Kryszinski

Presiding Officer

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

<b>NO.</b>	<b>ITEM</b>
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 ADMINISTRATIVE USE**

Appeal Type	Property Type	Property Sub-Type	Issue	Sub-Issue
CARB	Commercial	Retail	<ul style="list-style-type: none"> <li>• Highest &amp; Best Use</li> <li>• Capitalization Rate</li> </ul>	