



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:

Hanson Square General Partner Inc. (as represented by Altus Group), COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

***Board Chair, J. Zezulka
Board Member, P. Pask
Board Member, J. Lam***

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: 201420171

LOCATION ADDRESS: 909 - 17 Avenue SW

FILE NUMBER: 76066

ASSESSMENT: \$57,570,000

This complaint was heard on the 14th day of July, 2014 at the office of the Assessment Review Board located at Floor Number 4, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 1.

Appeared on behalf of the Complainant:

- *A. Izard, Agent, Altus Group*
- *K. Fong, Agent, Altus Group*

Appeared on behalf of the Respondent:

- *H. Yau, Assessor, City of Calgary*
- *M. Yankovic, Assessor, City of Calgary*

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

[1] There were no procedural or jurisdictional matters raised by either party.

Property Description:

(2) The subject is a retail office building, referred to as Hanson Square, located in the Lower Mount Royal district of SW Calgary. The building contains 91,306 square feet (s.f.) of rentable space. The building was built in 2012, and is classified as an "AA" office building. There are 154 underground parking stalls in the development. The assessable land area is 0.68 acres.

Issues:

(3) The property is currently being assessed by the income approach. The Complainant does not dispute the method of valuation. However, the Complainant brought four issues before the Board.

(4) Of the 154 parking stalls, 56 are leased to Canadian Blood Services, who occupy a nearby but separate building from the subject. The parking stalls are assessed at the City's typical rate of \$215 per month. It is the Complainant's position that Canadian Blood Services is an exempt organization, and therefore the parking stalls should also be exempt. The Complainant does not dispute the City's applied parking rate.

(5) The City currently assesses 22,591 s.f. of retail space as Commercial Retail unit (CRU) space at \$57.00 per s.f. The Complainant submits that only 15,665 s.f. should be assessed at that rate, and that 6,926 s.f. is actually bank space that should be assessed at \$45.00 per s.f.

(6) There are 41,593 s.f. of office space assessed at \$25.00 per s.f. The Complainant is requesting that this rent be reduced to \$22.00 per s.f.

(7) The current vacancy rate applied to the office space is 1.0 per cent. The Complainant contends that 5.0 per cent is more appropriate.

Complainant's Requested Value: \$51,090,000

Board's Decision:

- (7) The assessment is reduced to \$54,390,000.

Legislative Authority, Requirements and Considerations:

- (8) This Board derives its authority from section 460.1(2) of the Act.
- (9) Section 2 of Alberta Regulation 220/2004, being the Matters Relating to Assessment and Taxation Regulation (MRAT), states as follows;
"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"
- (10) Section 467(3) of the Municipal Government Act states;
"An assessment review board must not alter any assessment that is fair and equitable, taking into consideration
(c) the assessments of similar property or businesses in the same municipality."
- (11) For purposes of this Complaint, there are no extraneous requirements or factors that require consideration.
- (12) The Board notes that the assessment has increased from \$37,510,000 in 2013, to \$57,570,000 in 2014. The increase is 53.4 per cent over one year.

Position/Evidence of the Parties**Issue 1; Exemption**

- (13) For the exemption issue, the Complainant pointed out that Canadian Blood Services was already granted an exemption in accordance with the provisions of the Community Organization Property Tax Exemption Regulation (COPTER). The organization formerly occupied a premises that had on-site parking that was exempt in conjunction with their office space. The organization recently moved to the present location. The new location had insufficient parking, and Canadian Blood Services was forced to lease parking at a nearby building, being the subject.
- (14) The Complainant argued that the exemption should automatically transfer with the tenant, and should apply to both the office space, and the parking.
- (15) The Respondent conceded that Canadian Blood Services was indeed an exempt entity that meets the criteria as set out in COPTER. The Respondent also conceded that the Blood Services office space was indeed exempt from taxation. However, the Respondent also pointed out that the Blood Services office space is in a different location than the parking at issue here, and the two cannot be tied together automatically.
- (16) The Respondent explained that every tax exemption in the City is only granted after the appropriate application has been submitted, and each application is reviewed on a case-by-case basis. According to the Respondent, an application for exemption for the Blood Services

office space had been submitted, reviewed, and approved. However, no such application had been submitted for the parking at a different location.

Issue 2; Retail / Bank Space Allocation

(17) It is the Complainant's position that the Toronto Dominion Bank occupies a 6,926 s.f. bay in the subject building, and this space should be assessed at a rate of \$45.00 per s.f., rather than the \$57.00 CRU rate currently being applied. In support of the rate, the Complainant submitted four examples (page 103 to 111 of C-2) of bank space in the beltline that are being assessed at \$45.00 per s.f.

(18) The Respondent agrees with the Complainant's position relative to the bank space, and the rent to be applied.

Issue 3; Office space rental rate

(19) In support of the request, the Complainant submitted the City's 2014 Office-AA and Office-A2 Beltline Rental Rates analyses (pages 114 and 115 of C-2). Those analyses produced the following results;

	<u>AA office rates</u>	<u>A2 office rates</u>
Median	\$25.83	\$21.11
Mean	\$26.17	\$19.92
W. Mean	\$22.91	\$24.16
Assessed	\$25.00	\$24.00

(20) The point of the Complainant's argument appeared to be that the City's practise was inconsistent, since the City adopted the mean and median as the typical rent for the AA class office space, but adopted the weighted mean for the A2 office rates. The Board notes that in both instances, the City adopted the higher of the available options.

(21) In addition, the Complainant demonstrated that one of the City's comparables, being the Board of Education building at 1221 - 8 Street SW, contained a retail component that distorts the rate upwards. Removing that comparable produced a median and mean rent of \$24.66 and \$25.52 for the AA class office space. The weighted mean reduces to \$21.84 per s.f.

(22) The Respondent produced the same rent comparables already submitted by the Complainant. The Respondent argues that the mean and median rents are distorted downward by a comparable at 140 - 10 Avenue SW. That space is a 76,433 s.f. space that reflects a rent of \$20.00. The City contends that the rent is lower than typical because of the overall size of the bay, and should (perhaps) be excluded from the analysis.

(23) The Assessment Request For Information form (ARFI) submitted for the subject (page 24 of R1) indicates that the subject is achieving rents of \$28.00 per s.f. or higher for all of the space within the building, including the office space.

Issue 4; Vacancy

(23) The current vacancy in the subject property was shown by the Complainant to be 13.80 per cent. However, there is no evidence to suggest that this rate is chronic, or ongoing.

(24) The comparable data submitted by the Complainant (page 133 of C-2) contained seven properties, including the subject, that reflected an overall vacancy of 1.62 per cent, which was rounded to 2.0 per cent.

(25) The Respondent produced a vacancy chart on page 19 of R-1, that showed an overall vacancy of 1.01 per cent. The properties used in the vacancy charts are common to both parties. However, the City's analysis excluded the subject property.

(26) The City agreed that the subject property should have been included in the vacancy analysis.

Findings and Reasons for Decision:

1. Exemption

(27) Although the Board is of the view that the Canadian Blood Services is a benevolent organization that is worthy of exemption from taxation, the Board is reluctant to interfere with Municipal policy and procedures. While there appears to be little doubt that an application for exemption of the parking space would be favourably considered by the municipal authorities, not much can happen until there is a proper application submitted and the merits of the application are considered by the appropriate authorities. On this issue, the Board finds for the Respondent.

2. Retail / Bank Space Allocation

(28) Since the Respondent agrees that 6,926 s.f. of retail space is incorrectly categorized in the assessment, the Board will make the adjustment, and adjust the typical rent accordingly.

3. Office Space Rental Rate

(29) Both parties to the hearing used essentially the same rent data to arrive at different conclusions. Even if the sub-lease in the Calgary Board of Education building is excluded, the median and mean rental rates are \$24.66 and \$25.52, which still bracket the assessed rate.

(30) The rent comparables submitted, as well as the subject ARFI provide good support of the City's assessed rent for the office space. On this issue, the Board finds for the Respondent.

4. Vacancy

(31) The Board agrees with both the Complainant, and the Respondent that the subject property should have been included in the City's vacancy analysis. The Board accepts 2.0 per cent as the appropriate vacancy allowance.

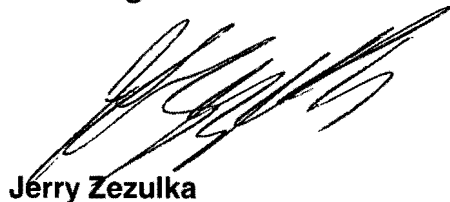
(35) With the revised inputs, the assessment is reduced to \$54,390,000.

DATED AT THE CITY OF CALGARY THIS

25th

DAY OF *July*, 2014.

Presiding Officer



Jerry Zezulka

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

Decision No. CARB 76066P/2014			Roll No. 201420171	
<u>Subject</u>	<u>Type</u>	<u>Issue</u>	<u>Detail</u>	<u>Issue</u>
CARB	Retail office	Market Value Exemption	Income Approach	Rental Rate & vacancy