



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:

Artis HW Building Ltd.
(as represented by Fairtax Realty Advocates Inc.), COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

J. Dawson, PRESIDING OFFICER
K. B. Bickford, BOARD MEMBER
T. Livermore, BOARD MEMBER

This is a complaint to the Composite Assessment Review Board [the 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:	071131619
LOCATION ADDRESS:	2840 2 AV SE
FILE NUMBER:	76419
ASSESSMENT:	\$16,100,000

This complaint was heard on the 17th day of July, 2014 at the office of the Calgary Assessment Review Board located at Floor Number 3, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 11.

Appeared on behalf of the Complainant:

- **S. Storey** *Agent, Fairtax Realty Advocates Inc.*

Appeared on behalf of the Respondent:

- **C. MacMillan** *Assessor, The City of Calgary*

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

- [1] There are no preliminary, procedural, or jurisdictional issues.

Property Description:

[2] The subject property is an 'A+' quality office warehouse with 61,847 square feet. The office use occupies 42,431 square feet and the warehouse use occupies 19,416 square feet. The subject is located in the northeast community of Meridian with a Non-Residential Zone [NRZ] of ME1. The assessment is derived using the Income Approach to Value.

Issues:

- [3] The single issue before the Board is the capitalisation rate.

Complainant's Requested Value: \$14,860,000

Board's Decision:

- [4] The Board accepted the 6% capitalisation rate presented by the Respondent and confirmed the assessment at \$16,100,000.

Legislative Authority, Requirements, and Considerations:

The Act

Interpretation

1(1) *In this Act,*

- (n) *"market value" means the amount that a property, as defined in section 284(1)(r), might be expected to realize if it is sold on the open market by a willing seller to a willing buyer;*

Position of the Parties

Complainant's Position:

[5] The Complainant argues that the subject property's location and quality require a 6.5% capitalisation rate versus the 6% assessed.

[6] The Complainant disclosed details on the subject property including; photographs, 'Non-Residential Properties – Income Approach Valuation', '2014 Property Assessment Notice', and 'Property Assessment Summary Report' (C1 pp. 1, 3-4, and 14-17).

[7] The Complainant provided a capitalisation rate study arriving at a mean of 7.31%, a median of 7.30%, and a range of 6.57% to 8.90%. The seven sales' capitalisation rates are reported by a third party reporting agency called RealNet. No information is provided on the methodology used by RealNet to calculate the reported capitalisation rates (C1 pp. 5-12).

Respondent's Position:

[8] The Respondent argues that the comparable properties presented by the Complainant are not comparable in use or quality and cannot be used to derive a capitalisation rate for the subject.

[9] The Respondent disclosed the '2014 Property Assessment Notice', the 'Non-Residential Properties – Income Approach Valuation', the 'Property Assessment Summary Report', and photographs for the subject property (R1 pp. 9-18).

[10] The Respondent created a report using the Complainant's comparable properties to show the comparability. All seven are industrial properties assessed using the Direct Sales Comparison Approach to Value. Four are 'C' quality graded, four are warehouses with three or more demised units, and one has multiple buildings on site. The Respondent argued that none are directly comparable in use or quality. The 'Property Assessment Summary Report', and the '2014 Assessment Explanation Supplement' are provided for each of the seven comparable properties (R1 pp. 20-34).

[11] The Respondent presented the '2014 Suburban Office Capitalisation Rate Study – A Quality' including the supporting documentation. The study found a 6.00% capitalisation rate (R1 pp. 39 and 47-167).

[12] The Respondent provided equity comparable properties along with an assessment to sales ratio study. The Respondent compared the current assessment to a revised assessment using the requested capitalisation rate. The result is the current assessed capitalisation rate of 6.0% provides a closer assessment to sales ratio (R1 pp. 41-46).

Board's Reasons for Decision:

[13] The Complainant's comparable properties evidence is not comparable to the subject property.

[14] The Complainant's capitalisation rate study methodology is not defined; therefore, it failed to convince the Board that typical parameters were used to derive the capitalisation rate conclusion.

DATED AT THE CITY OF CALGARY THIS 11 DAY OF August 2014.



Jeffrey Dawson

Presiding Officer

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

NO.	ITEM
1. C1 – 17 pages	Complainant Disclosure
2. R1 – 183 pages	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.*

Municipal Government Board use only: Decision Identifier Codes				
Appeal Type	Property Type	Property Sub-Type	Issue	Sub-Issue
CARB	Office	Low Rise	Income Approach	Capitalisation Rate