



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

Westpen Properties Ltd.
(as represented by Colliers International Realty Advisers Inc.)

and

The City Of Calgary, RESPONDENT

before

L. Yakimchuk, PRESIDING OFFICER
D. Julien, BOARD MEMBER
A. Wong, BOARD MEMBER

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: 031023401

LOCATION ADDRESS: 2728 Hopewell PI NE

FILE NUMBER: 76821

ASSESSMENT: \$27,170,000

This complaint was heard on June 24, 2014 at the office of the Assessment Review Board located at Floor Number 3, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 11.

Appeared on behalf of the Complainant:

- *T. Howell, Colliers International Realty Advisers Inc.*

Appeared on behalf of the Respondent:

- *L. Dunbar-Proctor, City of Calgary Assessor*
- *R. Tharakan, City of Calgary Assessor*

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

- [1] There were no procedural or jurisdictional matters.

Property Description:

- [2] The subject property is assessed as a 128,544 square foot (sf) "A2" class Office/Lowrise building constructed in 2000. It is located in the Horizon community of Calgary and has been assessed using the Income approach.

Issues:

- [3] Should the Cap rate for this property be increased from 6.00% to 7.50%?

Complainant's Requested Value: \$21,800,000

Board's Decision:

- [4] The Board confirmed the assessment at \$27,170,000.

Legislative Authority, Requirements and Considerations:

The Composite Assessment Review Board (CARB) derives its authority from 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).

For the purposes of this hearing, the CARB will consider MGA Section 293(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.

Matters Relating to Assessment and Taxation Regulation (MRAT) is the regulation referred to in MGA Section 293(1)(b). The CARB decision will be guided by MRAT Section 2, which states that

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.

and MRAT Section 4(1), which states that

The valuation standard for a parcel of land is

- (a) market value, or

if the parcel is used for farming operations, agricultural use value

Position of the Parties

Complainant's Position:

[5] The Complainant, T. Howell, Colliers International Realty Advisors Inc., argued that the subject property is a 128,544 sf office/warehouse assessed with a 6.00% capitalization (Cap) rate and should be assessed with a 7.50% Cap.

[6] To support this assertion, the Complainant presented a Capitalization Rate Analysis (C1, p18). The analysis included two sales which were transacted on July 10, 2012 and February 22, 2013. The first property had an "A+" quality rating and the second had a "B". The Complainant took the "actual" Cap rates (7.3% and 7.7%) presented in the documentation and averaged them to find a typical Cap rate of 7.50% for these properties.

[7] The documentation from RealNet showed the second, "B" property has a 316,369 sf building with 67,413 sf of office space. The City of Calgary Property Assessment Summary Report shows the assessable area at 317,750 sf.

[8] The Complainant also presented a Direct Sales Analysis using RealNet information to support the resulting value/sf from the Cap rate analysis. The analysis did not show Cap rates as most of these or the Net Operating Incomes (NOI) were not available from RealNet.

Respondent's Position:

[9] The Respondent, L. Dunbar-Proctor, City of Calgary Assessor argued that the best way to calculate a typical Cap rate is to calculate typical Rents and NOI first, then to calculate typical Cap rates from these and to find a median Cap rate. The Respondent also argued that third party values such as the ones the Complainant used were not used by City of Calgary as primary information, although they might be used to support information the City gathered

through Assessment Requests for Information (ARFIs) and other research.

[10] The Respondent pointed out (R1, p27) that the property on 1020 68 Av used in the Complainant's analysis (C1, p18) was assessed as an "A-" quality building built in 1992. The Sale price was reported to include consideration for a roof that needed replacing. After the roof was replaced the building was valued at \$31,000,000 – a \$2,000,000 increase. This value would decrease the Cap rate for the property.

[11] The Respondent also directed the Board's attention to the Subproperty Type of the "B" property at 4700 47 St SE, which is industrial.

[12] The Respondent presented the 2014 Suburban Office Capitalization Rate Study – A Quality, which included five sales of suburban office properties (R1, p48). The study included "A-" and "A+" properties with Sale Registration Dates between July 10, 2012 and May 22, 2013. The average Cap rate for these sales was 6.06% and the median Cap rate was 6.09%. The typical assessment Cap rate was set at 6.00%.

Board's Reasons for Decision:

[13] The Board reviewed the Complainant's presentation and argument. The evidence came from a third party source and there was no way to judge whether the data used to find these results was accurate. Although third party resources can be helpful in supporting arguments, they should not be relied upon as a sole source of information.

[14] The Board found the Respondent's approach, using information gathered from property owners and through assessors, to be more reliable. This information could then be used to calculate typical values from which rates applicable to all properties within specific groups could be calculated, for use in mass assessment. Much of this information is available to taxpayers through requests to the City of Calgary Assessment Business Unit.

[15] The Complainant argued that finding actual Cap rates and averaging them to get a typical Cap rate was preferable. The Board reviewed the RealNet information used to support the Complainant's calculations and found that the Complainant had not interpreted the data correctly, and much of the data required was not available from the reports.

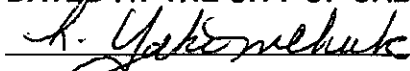
[16] The Board decided that the Industrial Warehouse property was not an office property and should not be included in an office property analysis.

[17] The Board also found that assessment rates for similar properties should be similar, and the analyses for typical rates for these various properties should include the same set of comparables in order to achieve equity for all similar properties.

[18] The Board did not find the Sales Analysis from the Complainant useful in this Cap rate argument. The Board found no reason to change the Cap rate used in the subject assessment.

[19] The assessment is confirmed with a 6.00% Cap rate, at \$27,170,000.

DATED AT THE CITY OF CALGARY THIS 24th DAY OF July 2014.


L. Yakimchuk

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.*

For office use only:

A	B	C	D	E
CARB	Office	Lowrise	Income approach	Cap
