

**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:

MVT Properties Ltd. (as represented by AEC International Inc.), COMPLAINANT

and

The City of Calgary, RESPONDENT

before:

***J. Dawson, PRESIDING OFFICER
H. Ang, MEMBER
D. Pollard, MEMBER***

This is a complaint to the Calgary Composite Assessment Review Board [CARB] in respect of a property assessment prepared by the Assessor of The City of Calgary and entered in the 2012 Assessment Roll as follows:

ROLL NUMBER:	090046806
LOCATION ADDRESS:	4723 1 Street SW
LEGAL DESCRIPTION:	Plan 5360AM; Block 6; Lots 11-16
HEARING NUMBER:	68577
ASSESSMENT:	\$ 4,340,000

- [1] This complaint was heard on the 26th day of June, 2012 at the office of the Assessment Review Board [ARB] located at Floor Number 4, 1212 31 Avenue NE, Calgary, Alberta, Boardroom 1.
- [2] Appeared on behalf of the Complainant:
- J. Wingrowich Consultant, AEC International Inc.
- [3] Appeared on behalf of the Respondent:
- C. Neal Assessor, City of Calgary
 - M. Ryan Assessor, City of Calgary

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

- [4] No objections in respect of procedural or jurisdictional matters were raised.

Property Description:

- [5] Constructed in 1979, the subject – 4723 1 Street SW, is a 3 storey suburban office building located one block east of MacLeod Trail between 46 Avenue and 50 Avenue SW in an area known as Manchester.
- [6] The Respondent prepared the assessment showing 29,079 square feet of office space rated as a 'B' quality and 4,621 square feet of storage space. 42 enclosed parking stalls are also assessed on the 18,005 square foot site.
- [7] The Complainant presented information to suggest the office area is 28,947 square feet and the storage area is 936 square feet. Furthermore the Complainant suggests the quality rating is 'C' or at the very best the low end of 'B'.

Issues:

- [8] The Complainant identified one matter on the complaint form:
#3. *an assessment amount*
- [9] The Board found in examining the issues that an additional matter is relevant:
#1. *the description of the property or business*
- [10] These relevant questions were raised during the hearing:
1. *What is the assessable area of office space?*
 2. *What is the assessable area of storage space?*
 3. *What quality best describes the building?*
 4. *What net rental rate is most appropriate for the office space?*
 5. *What net rental rate is most appropriate for the storage space?*
 6. *What net rental rate is most appropriate for the enclosed parking stalls?*

7. *What vacancy rate is most appropriate for calculating income?*
8. *What operating cost is most appropriate for calculating income?*

Complainant's Requested Value:

	\$3,560,000 on complaint form
	\$3,325,000 in disclosure document
	\$3,529,877 at hearing

Board's Decision in Respect of Each Matter or Issue:

Matter #3 - an assessment amount

Matter #1 - the description of the property or business

Question 1 What is the assessable area of office space?

[12] The Non-Residential Properties – Income Approach Valuation summary (R1 pp.6-7) indicates an area of 29,079 square feet for office space. The Complainant provided a rent roll (C1 p.16) showing 28,947 square feet of office space. The Respondent provided the 2011 Assessment Request for Information (ARFI) (R1 pp.11-19) wherein the Complainant indicates 28,947 square feet for office space. The Respondent has not recently measured the space and agreed to accept the 28,947 square feet as the office space area.

[13] **The Board finds the area of office space on the subject property to be 28,947 square feet.**

Question 2 What is the assessable area of storage space?

[14] The Non-Residential Properties – Income Approach Valuation summary (R1 pp.6-7) indicates an area of 4,621 square feet for storage space. The Complainant provided verbal testimony indicating 936 square feet of storage space. The Respondent provided the 2011 ARFI (R1 p.11-19) wherein the Complainant indicates 936 square feet of storage space. The Respondent has not recently measured the space and agreed to accept 946 square feet as the storage space area.

[15] **The Board finds the area of storage space on the subject property to be 936 square feet.**

Question 3 What quality best describes the building?

[16] The Property Assessment Summary report (C1 p.32) has a 'B' quality indicated. The Complainant verbally indicated that the quality was 'C' or perhaps a lower end 'B'. The Complainant (C1 pp.5-14) and Respondent (R1 pp.27-28) provided photographs for the Board.

[17] **The Board finds not enough evidence to show that the quality of the subject is not of 'B' quality.**

Question 4 What net rental rate is most appropriate for the office space?

[18] The Non-Residential Properties – Income Approach Valuation summary (R1 pp.6-7) indicates a value of \$13 per square foot for the assessed rental rate for the office space. The Complainant provided a table (C1 p.16) showing the rent rolls with the four most recent leases highlighted. All four leases were signed during the valuation period. The fourth lease was to the property manager or owner and was deemed to be unusable for calculation by the Board. The three remaining leases totalled 11,655 square feet or 40% of the leasable office space. These same three leases were all signed with three to five year lease terms. The Respondent provided a table (R1 p.25) showing the same three leases the Complainant showed plus seven additional leases in six comparable properties, which calculated a median of \$12.50. The Complainant rebutted the Respondent's evidence by providing a duplicated table (C2 p.6) indicating that the lease at 208 57 Avenue SW was too old (August 1, 2010) to be reliable and the lease at 1209 59 Avenue SE was too far from the subject to be considered comparable. Using the Respondent's table and deleting the two leases opposed by the Complainant provided a median of \$12 (C2 p.7). Third party reports were provided by both the Complainant and the Respondent arriving at a variety of values. Evidence provided by the Complainant was not compelling enough for the Board to make a change in the rental rate.

[19] **The Board finds the net rental rate for the office portion of the subject to be correctly assessed at \$13 per square foot.**

Question 5 What net rental rate is most appropriate for the storage space?

[20] The Non-Residential Properties – Income Approach Valuation summary (R1 pp.6-7) indicates a value of \$3 per square foot for the storage space. The Complainant provided a suggestion of value (C1 p.23) showing \$10 per square foot for both storage space and office space. The Complainant rents their storage space at the same rate as their office rent and decided to present the actual rental rates even though they are higher than assessed. The Respondent verbally indicated that all properties with similar location, use and condition have all been assessed with the same values, which in this case produced a value for storage space of \$3 per square foot. The Board did not accept the \$10 rental rate for the office space. In the interests of equity and fairness the Board makes no change in the rental rate for the storage space.

[21] **The Board finds the net rental rate for the storage portion of the subject to be correctly assessed at \$3 per square foot.**

Question 6 What net rental rate is most appropriate for the enclosed parking stalls?

[22] The Non-Residential Properties – Income Approach Valuation summary (R1 pp.6-7) indicates a value of \$1,080 per stall for 42 enclosed parking stalls. The

Complainant provided a suggestion of value (C1 p.23) showing \$1,080 per stall for 42 enclosed parking stalls and 7 ground level parking stalls. Verbally the Complainant changed their requested assessment to \$900 per stall for the 7 ground level parking stalls, \$1,200 per stall for the 21 unheated enclosed parking stalls, and \$1,800 per stall for the 21 heated enclosed parking stalls. The Complainant indicated that because they wanted to use actual rents from the most recent leases, that using actual parking rental rates was appropriate. The Respondent verbally indicated that all properties with similar location, use and condition have all been assessed with the same values, which in this case produced a value for the enclosed parking stalls of \$1,080 per stall. The Board did not accept the \$10 rental rate for the office space. In the interests of equity and fairness the Board makes no change in the rental rate for the parking stalls.

- [23] **The Board finds the rental rate for the enclosed parking stalls of the subject to be correctly assessed at \$1,080 per stall and the ground level parking stalls correctly assessed at \$0 per stall.**

Question 7 What vacancy rate is most appropriate for calculating income?

- [24] The Non-Residential Properties – Income Approach Valuation summary (R1 pp.6-7) indicates a 2.0% vacancy allowance for enclosed parking stalls, an 8.0% vacancy allowance for office space, and an 8% vacancy allowance for storage space. The Complainant provided a suggestion of value (C1 p.23) showing a vacancy rate of 11.5% for office space, 2% for parking stalls and no value for storage space. The Respondent verbally indicated that all properties with similar location, use and condition have been assessed with the same values, which in this case produced 2.0% vacancy allowance for enclosed parking stalls, 8.0% vacancy allowance for office space, and 8% vacancy allowance for storage space. The Board did not accept the vacancy arguments of the Complainant. In the interests of equity and fairness the Board makes no change in the vacancy allowances.

- [25] **The Board finds the assessment correct with a 2.0% vacancy allowance for enclosed parking stalls, an 8.0% vacancy allowance for office space, and an 8% vacancy allowance for storage space.**

Question 8 What operating cost is most appropriate for calculating income?

- [26] The Non-Residential Properties – Income Approach Valuation summary (R1 pp.6-7) indicates \$12.50 for operating cost allowance for both the office space and the storage space, and \$0 for the enclosed parking stalls. The Complainant provided a suggestion of value (C1 p.23) showing a operating cost allowance of \$13.50 for office space, \$0 for the parking stalls, and no value for the storage space. The Respondent verbally indicated that all properties with similar location, use and condition have been assessed with the same values, which in this case produced \$12.50 for a operating cost allowance for both the office space and the storage space, and \$0 for the enclosed parking stalls. The Board did not accept the operating cost arguments of the Complainant. In the interests of equity and

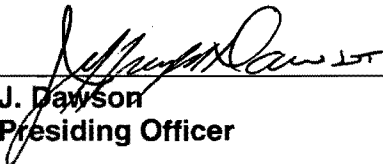
fairness the Board makes no change in the operating cost allowances.

- [27] The Board finds the assessment is correct with \$12.50 for operating cost allowances for both the office space and the storage space, and \$0 for the enclosed parking stalls.

Board's Decision:

- [28] After considering all the evidence and argument before the Board it is determined that the subject assessment is changed to a value of \$4,240,000; which reflects the change in area of office space and storage space as agreed to by all parties.

DATED AT THE CITY OF CALGARY THIS 18 DAY OF July 2012.



J. Dawson
Presiding Officer

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

NO.	ITEM
1.	C1 Complainant Disclosure
2.	R1 Respondent Disclosure
3.	C2 Rebuttal 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	Leasable Area