

**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:

***Zadi Investments Ltd.  
(as represented by Linnell Taylor Assessment Strategies), COMPLAINANT***

and

***The City of Calgary, RESPONDENT***

before:

***J. Dawson, PRESIDING OFFICER  
R. Roy, MEMBER  
B. Bickford, 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:

<b>ROLL NUMBER:</b>	<b>044033108</b>
<b>LOCATION ADDRESS:</b>	<b>2003 14 Street NW</b>
<b>LEGAL DESCRIPTION:</b>	<b>Plan 2864AF, Block 4, Lots 1-4</b>
<b>HEARING NUMBER:</b>	<b>65903</b>
<b>ASSESSMENT:</b>	<b>\$ 1,690,000</b>

- [1] This complaint was heard on the 20<sup>th</sup> day of July, 2012 at the office of the Assessment Review Board [ARB] located at Floor Number 3, 1212 31 Avenue NE, Calgary, Alberta, Boardroom 10.
- [2] Appeared on behalf of the Complainant:
  - J. Mayer                      Agent, Linnell Taylor Assessment Strategies
- [3] Appeared on behalf of the Respondent:
  - Y. Wang                      Assessor, City of Calgary
- [4] The following individual was present for all or part of the proceedings and did not appear on behalf of a party:
  - R. Crowley-Kampel    observer

### **SECTION A: Preliminary, Procedural or Jurisdictional Issues:**

- [5] No procedural or jurisdictional matters were raised.

### **SECTION B: Issues of Merit**

#### **Property Description:**

- [6] Constructed in 1982, the subject – 2003 14 Street NW is located in an area commonly referred to as Capitol Hill. The property is comprised of a two-storey building utilized for medical and dental offices.
- [7] The Respondent prepared the assessment showing 11,200 square feet of medical and dental office space rated as a 'C' quality with 23 enclosed parking stalls. The site has an area of 10,739 square feet.

#### **Matters and Issues:**

- [8] The Complainant identified one matter on the complaint form:
  - Matter #3 -        an assessment amount*
- [9] Following the hearing, the Board met and discerned that these are the relevant questions which needed to be answered within this decision:
  - 1. *What is chronic vacancy?*
  - 2. *Does the subject property suffer from chronic vacancy?*

**Complainant's Requested Value:**

- \$1,150,000 on complaint form
- \$1,168,389 in disclosure document
- \$1,168,389 at hearing confirmed as the request

**Board's Decision in Respect of Each Matter or Issue:*****Matter #3 - an assessment amount*****Question 1 What is chronic vacancy?**

- [10] The Complainant contends the subject property suffers from chronic vacancy – a vacancy problem. The Complainant provided a chart (C1 p. 5) to illustrate the history of high vacancy experienced within the subject. The chart indicates starting in August 2008 a vacancy of 32% that fluctuated between 23% and 32% until December 2011 when it again experienced a 32% vacancy.
- [11] The Complainant did not offer a definition for chronic vacancy other than to say that the Respondent's typical practice is to recognize high levels of vacancy of three years or longer with an adjustment. The Complainant also referred the Board to CARB 1820/2011-P wherein the Board referred to *"the chronic nature of vacancy occurring within the subject property."*
- [12] The Respondent, when asked, indicated that they did not have an official definition of chronic vacancy. Yet, the Board notes that, in CARB 1820/2011-P the Respondent offered a definition of greater than 30% vacancy for three years or more. Furthermore in their summary of testimonial evidence (R1 p. 11), the Respondent offers somewhat of a definition: *"Chronic vacancy is more than just a structure with no occupants. Chronic means constant, habitual. A chronically vacant structure suffers from functional or external obsolescence, thus it is vacant. It is continuous, constant problem marked by long duration."*
- [13] The Board notes that the Respondent grades properties based on a variety of factors. And, in this case, subject is graded as a 'C', the lowest grading possible within the Respondent's 2012 range of possible grading. This grading in and of itself indicates that perhaps the subject is out of date and not modern which seems to meet the criteria of obsolete.
- [14] Moreover, the Complainant in their presentation indicated that, the subject has poor access due to the local street configuration, the narrow entrance to the parking structure and the lack of convenient parking for clients. These factors can also suggest an obsolete structure based on current market trends.
- [15] The Board finds that vacancy is germane when it comes to valuation and the valuation date is the date of concern. However, the Respondent's evidence suggests functional or external obsolescence which tends to be more of a condition wherein the condition date may apply.

- [16] The Board finds that there is no clear definition of chronic vacancy and it seems to differ from year to year at the convenience of the Respondent. In order to maintain fair and equitable assessments, the Respondent needs to have a clear, written policy on how it deals with vacancy issues such as chronic vacancy. The Respondent needs to be clear whether vacancy is a condition or a valuation parameter. In so doing, the taxpayer will have a better understanding of how this situation is treated.

**Question 2 Does the subject property suffer from chronic vacancy?**

- [17] The Complainant contends the subject property suffers from chronic vacancy.
- [18] The Respondent suggests that 23-32% vacancy for three or more years is normal and not something that needs to be reflected within an assessment.
- [19] The Complainant has shown that typical vacancy within their property is greater than 20% for more than three years.
- [20] The Respondent through their vacancy analysis (R1 pp. 32-34) suggests that 4.5% is typical in the northwest.
- [21] The Board finds the vacancy study to be inadequate. It fails to recognize the differences between different grades of structures, does not consider different types of office uses and is stretched across a vast area of northwest Calgary. In finding a typical vacancy of 4.5% the Respondent has lumped buildings from; year of construction – 1900 to 2009, square footage – 1,380 to 238,704, and reported vacancy rates – 0% to 73.84%. The Board finds the report to be of little value in determining a typical vacancy within the subject.
- [22] The Board finds that the chronic nature of large vacancy within the subject is not typical in comparison to the Respondent's vacancy report but may be typical for the area, size and age of the subject. Without evidence to the contrary, the subject does suffer from a chronic vacancy of greater than 20% for more than three years, therefore the 20% vacancy allowance requested by the Complainant is fair and reasonable.
- [23] The Board finds all other factors used to derive the assessment as correct and makes no further change to the assessment.

**Potential Net Income**

#	Sub Component	Area (Square Feet)	Quantity	Rental Rate	Total Market Rent
1	Enclosed Parking Stalls		23	\$960.00	\$22,080
2	Medical / Dental Office	11,200		\$11.00	\$123,200
	Total	11,200		Potential Net Income	\$145,280

**Values Influencing Income**

#	Sub Component	Vacancy Rate	Operating Costs	Non Recoverable	Capitalization Rate
1	Enclosed Parking Stalls	2.0%	\$0.00	1.0%	7.75%
2	Medical / Dental Office	20.0%	\$12.50	1.0%	7.75%

## Effective Net Income

#	Potential Net Income		\$145,280
1	Less Vacancy (Parking)	2.0%	(\$442)
4	Less Vacancy (Office)	20.0%	(\$24,640)
Total Effective Net Rent			\$120,198

## Net Operating Income

Vacant Space Shortfall	(\$28,000)
Non Recoverable	(\$1,202)
Net Operating Income	\$90,996

## Market Value

Net Operating Income	\$90,996
Capitalization Rate	7.75%
Truncated Assessed Value	\$1,170,000

**Board's Decision:**

- [24] After considering all the evidence and argument before the Board it is determined that the subject's assessment is changed to a value of \$1,170,000, which reflects market value and is fair and equitable.

DATED AT THE CITY OF CALGARY THIS 16<sup>th</sup> DAY OF Aug 2012.

  
 J. Dawson  
 Presiding Officer

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

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