

**CALGARY
COMPOSITE 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:

908828 Alberta Ltd., as represented by Altus Group Limited, COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

S. Barry, PRESIDING OFFICER

D. Julien, MEMBER

J. Rankin, 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:	068118702
LOCATION ADDRESS:	402 11 AV SE
HEARING NUMBER:	67992
ASSESSMENT:	\$9,910,000

This complaint was heard on the 14th day of August, 2012 at the office of the Assessment Review Board located at Floor Number 4, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 3.

Appeared on behalf of the Complainant:

- *D. Genereux, Altus Group Limited*

Appeared on behalf of the Respondent:

- *L. Wong, City of Calgary*

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

[1] The Complainant requested that all evidence, argument, questions, rebuttal and summary related to the merits affecting the capitalization rate (cap rate) from hearing 66922 (CARB 1506/2012-P) be carried forward to this hearing. The Respondent agreed and made the same request with respect to his material. With respect to the cap rate, only new, site specific matters were raised in this written decision.

Property Description:

[2] The property under complaint is a former manufacturing and warehouse building divided into two sections: a 3 storey west section and a 4 storey east section. It is located at 402 11 Av SE in zone 1 of the Beltline District (BL1). Known as the Pilkington Glass Building, the subject was constructed in 1913 and has an assessed area of 53,588 square feet (sq.ft.). It is assessed as a Class A office building using the Income Approach to Value. Forty-three parking stalls are included in the 2012 assessment.

Issues:

[3] The Complainant raised the following issues:

- 1. Is the building properly assessed as a Class A building or does it more appropriately reflect the characteristics of a class B building?**
- 2. If the building classification is amended to a Class B building is the assessment of the subject inequitable given that competitive Class B properties are assessed at around 65 per cent of actual value?** (Argument carried forward from CARB 1506/2012-P).
- 3. If the Assessment is inequitable, does the Complainant's application of a 12 per cent capitalization rate correct the inequity?** (Argument carried forward from CARB 1506/2012-P).

Complainant's Requested Value:

[4] The Complainant requested that the 2012 assessment be reduced to \$4,910,000

Board's Decision in Respect of Each Matter or Issue:**Issue 1: Building Classification**

[5] The subject property is an almost 100 year old brick building, constructed in two parts with different heights, on a concrete frame and located in the very east end of the BL1 area. The Complainant argued that both the nature of the building and its location render it unsuited for classification as an A building.

[6] The Complainant pointed to the exposed electrical and mechanical systems, exposed interior brick walls, exposed wood beams and unfinished, deteriorating concrete posts, as well as the absence of ceilings as evidence of the poor quality and utility of the premises. The Complainant noted that there was only one, small-cab elevator, added after the building was constructed and located on an external wall, resulting in an inefficient floor plan. Alternate access is achieved by two metal staircases on each end of the building on the same wall. Windows, he said, are limited and the entryway is small and dark; there is a lack of insulation. The Complainant pointed to the lack of amenities, both in the building (such as main floor retail) and in the immediate geographical area.

[7] The Complainant provided a list of eleven class B buildings in the Beltline district and contended that the characteristics shown of age, size and height demonstrate that the subject was clearly not an A building and barely a B class. The chart included in the Complainant's C1 disclosure identified 11 buildings that range in size from 97,340 sq.ft. to 211,079 sq.ft. built between 1974 and 1982 and having between 7 and 15 stories. Pictures of the comparables were provided.

[8] The Complainant pointed to an extract from Marshall Valuation Service that indicates the life expectancy of A and B class office buildings range from 50 to 60 years and contended that the renovations that changed the building from a warehouse to an office merely brought this aged building back from total obsolescence. Compared to the listed class B buildings, he said, the subject has virtually no life expectancy.

[9] The Respondent noted that the building had undergone renovations as recently as 2000, to the extent of some \$3.4 million, documentation for which was provided in his R1 disclosure. The Board noted that the \$3.4 million related to an interior partition and an addition and that an additional \$45,000 was allocated to an interior alteration. The Respondent also pointed to an Altus InSite marketing document that listed the property as Class A office, constructed in 2000. He further pointed to new flooring, wall partitions and new lighting and plumbing as well as a new HVAC system. He further referenced a roof-top patio, kitchenette/cafeteria, an exercise area in the basement and a games room as evidence of building amenities. The parkade area had been resurfaced and gated.

[10] The Respondent referred to criteria such as age of the building and improvements, level of finishing as influencing building classifications and agreed that there was a degree of subjectivity in making a determination.

Issue 1, Decision and Reasons:

[11] Much of the support for the Parties' positions on the quality of the building was largely pictorial and of poor quality. However, the Board had no difficulty agreeing that this was a very old building, much smaller and with much fewer amenities than even competing B class buildings in the same area. It certainly can't be measured against typical A class buildings with which the Board is familiar. Without an objective yardstick with which to measure the various components of building quality, the Board found that the Respondent's subjective approach to the merits of the building could not be sustained.

[12] The Board decided that the subject property is a B class building for assessment purposes. The assessment was recalculated using the Complainant's uncontested parameters for B class buildings as presented by the Complainant on p. 7 of C1 and applying square footage and parking spaces as per the City assessment calculation on p. 6 of R1. Neither party contested each other's figures. The applicable rates and inputs are:

Type	Units/Sq.Ft.	Rate	Vacancy	Op Costs	Non Recov
Parking	43	\$2,400	2%		
Office - Below	10,650	\$8	10%	\$12	1%
Office - Above	42,938	\$13	10%	\$12	1%

[13] The Board used the typical cap rate for B buildings of 7.75 per cent based on its decision on Issues 2 and 3, below. The Board's calculated assessment was \$7,859,137.

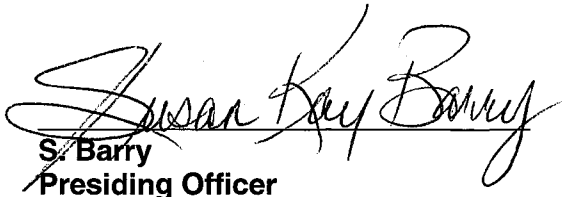
Issues 2 and 3: Equity and Capitalization Rate:

[14] The Parties' positions and the Board's decisions and reasons with respect to both issues were carried forward from CARB 1506/2012-P, hearing 66922. The Complaint on both issues failed.

Board's Decision:

[15] The 2012 Assessment is revised to \$7,850,000

DATED AT THE CITY OF CALGARY THIS 30 DAY OF August 2012.


S. Barry
Presiding Officer

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

NO.	ITEM
1. C1	Complainant's Disclosure
2. R1	Respondent's Disclosure
3. C2	Complainant's Rebuttal

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.*

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Decision No.: 1508/2012-P		Roll No.: 068118702		
Subject	Property Type	Ppty Sub-type	Issue	Sub-Issue
CARB	Office	Low-Rise	Income Approach	Bldg Class Equity and Cap Rate