

**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:

Medallion Business Centre Development Corp., COMPLAINANT (as represented by Altus Group Limited),

and

The City Of Calgary, RESPONDENT

before:

***J. Dawson, PRESIDING OFFICER
R. Kodak, MEMBER
J. Mathias, 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 2011 Assessment Roll as follows:

ROLL NUMBER:	048039002
LOCATION ADDRESS:	1925 18 Ave NE
HEARING NUMBER:	63796
ASSESSMENT:	\$36,610,000

This complaint was heard on the 15th day of August, 2011 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:

- *G. Worsley* *Agent, Altus Group Limited*
- *D. Genereux* *Agent, Altus Group Limited*

Appeared on behalf of the Respondent:

- *A. Jerome* Assessor, The City of Calgary

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

The Board and Respondent were ready to proceed for the 9:00 AM scheduled hearing at 9:00 AM however the Complainant had a scheduling issue therefore the Board went to the next scheduled hearing as all parties were available. At 10:50 AM the Board and Respondent were again ready to proceed with the hearing and the Complainant requested a recess to 1:30 PM to allow for a specific Agent within their organization to attend the hearing. The Board was very generous in granting a recess to 1:00 PM however advised the Complainant that these hearings are scheduled 42 days in advance and they must be prepared for the date and time on the hearing notice or the hearing may proceed without them, another panel may not be as generous.

No further objections on procedure or jurisdiction were raised.

Property Description:

The subject property is known as the Medallion Business Centre, located in the northeast neighbourhood of Vista Heights with 194,510 square feet of assessable land, and two buildings;

- 1) Building one is a single-tenanted structure with an assessable building area of 8,909 square feet built in 2004 of an A+ quality predominantly used for office space.
- 2) Building two is a multi-tenanted structure with an assessable building area of 184,719 square feet built in 2009 of an A+ quality predominantly used for office space, and
- 3) A parkade exists with 271 assessable parking stalls on site.

The Income Approach was utilized by the Respondent calculating a Net Operating Income (NOI) of \$2,785,932 using \$21.00 for office rental rate, \$16.00 for tenant improvement (shell) space, \$8.00 for below grade recreational space, \$1080.00 for parking rental rate, 7.50% capitalization rate and 12% vacancy for all building space and 2% vacancy for parking. These calculations minus a \$526,000 tax exemption resulted in a total current assessment of \$36,610,000.

Issues:

The Complainant identified three matters on the complaint form:

1. assessment amount is incorrect,
2. assessment class is incorrect, and
3. tax exemption status

During the review of the complaint form the Complainant confirmed only one matter is to be argued before the Board being an assessment amount, therefore the other matters have been resolved. These are the relevant remaining grounds for appeal listed on the complaint form;

- i. The assessment of the subject property is in excess of its market value for assessment purposes.
- ii. The assessment of the subject property is unfair and inequitable considering the assessments of comparable properties.
- iii. The Respondent applied valuation factors that are not consistent with the assessment of other comparable properties in an attempt to replicate a non-market, non-fee simple book value.
- iv. The property details of the subject property are incorrect and inconsistent with the characteristics and physical condition as described by Section 289(2) of the Municipal Government Act, R.S.A. 2000, c. M-26.
- v. The information requested from the municipality pursuant to Section 299 or 300 of the Municipal Government Act was not provided.
- vi. The assessment has been performed without respecting the legislated state and condition date of December 31, 2010. The assessment does not reflect the physical condition of the subject property as of the appropriate date.
- vii. The current assessment of the subject property does not properly reflect the physical condition of the unfinished space in the subject as of the relevant assessment dates. There is 150,323 square feet of vacant shell space in the subject property as of the state and condition date.
- viii. The current assessment of the subject property does not properly adjust for the negative impact to the subject property's market value due to chronic vacancy and the owner's corresponding loss of recoverable expenses.
- ix. The value attributed to the parking component is unfair, inequitable and incorrect.
- x. The current assessed cap rate should be increased by 2.0% more than other similar assessed cap rates due to the added risk associated with this investment as shown by its historical performance.

Complainant's Requested Value: \$18,990,000 (complaint form)

\$28,770,000 (disclosure document using 16% vacancy for all building space, 50% vacancy for parking, 7.50% capitalization rate, \$19.50 office rental rate, \$14.50 tenant improvement (shell) space, \$8.00 for below grade recreation space, and \$1080.00 for parking rental rate)

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

Is the assessment of the subject property in excess of its market value for assessment purposes.?

The Board finds the assessment of the entire subject property is assessed at market value.

The Complainant presented a table of 11 lease comparables on page 57 of their document C1. There are two problems with this list; one of the comparables is from a complex which is not typical due to a land lease in place and is outside of the valuation period, and one of the comparables is not a typical lease term at 14 months.

The Respondent presented 9 lease comparables (8 comparables were common to both parties) on page 29 of their document R1. There appeared to be problems with 2 leases as they contained erroneous lease rental rates. The Respondent corrected their calculation with the new information and reported a mean of \$20.19 and weighted mean of \$20.98 leaving their recommended assessed value at \$21.00.

On balance the Board found the subset of lease comparables from the Respondent to be most representative and accepted the \$21.00 assessed lease rate and also found the tenant improvement (shell) discounted rate to be fair and reasonable.

Is assessment of the subject property unfair and inequitable considering the assessments of comparable properties?

The Board finds the assessment of the entire subject property to be fair and equitable.

The Complainant did not provide any equity comparables for the Board to consider. The Respondent provided a table on page 26 of their document R1 showing the subject is treated equitably with comparable properties of similar size, condition and age.

Did the Respondent apply valuations factors that are not consistent with the assessment of other comparable properties in an attempt to replicate a non-market, non-fee simple book value?

The Board finds the assessment of the entire subject property to be fair and equitable.

The Complainant provided no evidence to support this claim.

Is the property details of the subject property incorrect and inconsistent with the characteristics and physical condition as described by Section 289(2) of the Municipal Government Act?

The Board finds the property details of the subject to be fair, equitable and correct.

The Complainant provided no evidence to support this claim.

Did the Respondent provide the information requested from the municipality pursuant to Section 299 or 300 of the Municipal Government Act?

The Board finds the Respondent did provide or make available information pursuant to Section 299 and 300 of the Municipal Government Act.

The Complainant provided no evidence to support this claim.

Has the assessment been performed respecting the legislated state and condition date of December 31, 2010?

The Board finds the assessment of the entire subject property to be fair and equitable and performed as legislated.

The Complainant provided no evidence to support this claim.

Does the current assessment of the subject property properly reflect the physical condition of the unfinished space in the subject as of the relevant assessment dates.?

The Board finds the assessment of the entire subject property to be fair and equitable and performed as legislated.

The Complainant provided no evidence to support this claim.

Does current assessment of the subject property properly adjust for the negative impact to the subject property's market value due to chronic vacancy and the owner's corresponding loss of recoverable expenses?

The Board finds the assessment of the entire subject property to be fair and equitable and performed as legislated.

The Complainant provided no evidence to support chronic vacancy. The subject was built in 2009 and in its initial lease-up phase.

Is the value attributed to the parking component unfair, inequitable and incorrect?

The Board finds the assessment of the entire subject property to be fair, equitable and correct.

The Complainant provided no evidence to support this claim.

The Respondent provided a comprehensive city-wide parking study for suburban offices which the Board finds to be credible.

Should the assessed cap rate be increased by 2.0% over other similar assessed cap rates due to the added risk associated with this investment as shown by its historical performance

The Board finds the assessment of the entire subject property to be fair, equitable and correct.

The Complainant provided no evidence to support this claim.

Board's Decision:

After considering all the evidence and argument before the board, the assessment is confirmed at \$36,610,000.

DATED AT THE CITY OF CALGARY THIS 16 DAY OF SEPTEMBER 2011.



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

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	Net Market Rate
				Vacancy

