



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:

Steinbock Development Corporation Ltd.
(as represented by Altus Group Ltd.), COMPLAINANT

and

The City of Calgary, RESPONDENT

before:

J. Dawson, PRESIDING OFFICER
D. Steele, BOARD MEMBER
S. Rourke, BOARD 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 2013 Assessment Roll as follows:

ROLL NUMBER:	067048504
LOCATION ADDRESS:	724 6 AV SW
LEGAL DESCRIPTION:	Plan A1; Block 28; Lots 29-36
FILE NUMBER:	72289
ASSESSMENT:	\$ 38,170,000

This complaint was heard on the 10th, 11th and 12th days of June 2013 at the office of the Assessment Review Board [ARB] located at Floor Number 4, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 4.

Appeared on behalf of the Complainant:

- *D. Hamilton* *Agent, Altus Group Ltd.*

Appeared on behalf of the Respondent:

- *D. Zhao* *Assessor, City of Calgary*

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

- [1] There are no preliminary, procedural, or jurisdictional issues.

Property Description:

[2] The subject property is a freestanding parking structure located between 6th and 7th Streets on 6th Avenue SW in the downtown Calgary submarket zone of DT2. There are 528 assessed parking stalls and 386 square feet of retail space. Graded at an A- quality, the parking structure was constructed some 45 years ago in 1968.

[3] The Respondent utilised the Income Approach to value to arrive at the current assessment:

Parking stall rental rate:	\$450 per month
Retail rental rate:	\$25 FT ²
Capitalization rate:	4.50%
Assessment:	\$38,170,000

Issues:

- [4] 1) Applied capitalization rate for the entire parking structure, and
[5] 2) Assessed rental rate for the parking stalls.

Complainant's Requested Value: \$ 26,410,000

Board's Decision:

[6] The Board finds the subject parking structure to exhibit characteristics more consistent with B+ quality parking structures. Making a change to B+ quality grading, results in an assessed rental rate of \$425 per stall. The Board finds \$425 per stall to be a fair and equitable

rental rate value for the subject assessment. The Board finds the capitalization rate of 5.0% best reflects the risk involved with this parking structure on July 1, 2012.

	Assessed	Board Decision
Quality Grading:	A-	B+
Parking Stall Rental Rate:	\$450	\$425
Capitalization Rate:	4.50%	5.00%
Assessment:	\$38,170,000	\$32,450,000

Legislative Authority, Requirements, and Considerations:

The Municipal Government Act [*the Act*]

Chapter M-26, Section 460, Revised Statutes of Alberta 2000

Interpretation

1(1) *In this Act,*

- (n) *"market value" means the amount that a property, as defined in section 284(1)(r), might be expected to realize if it is sold on the open market by a willing seller to a willing buyer;*

Interpretation provisions for Parts 9 to 12

284(1) *In this Part and Parts 10, 11 and 12,*

- (r) *"property" means*
 (i) *a parcel of land,*
 (ii) *an improvement, or*
 (iii) *a parcel of land and the improvements to it;*

Matters Relating to Assessment and Taxation [*MRAT*]

Alberta Regulation 220/2004 with amendments up to and including Alberta Regulation 330/2009

Mass appraisal

2 *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.*

Position of the Parties

Complainant's Position:

[7] The Complainant provided the 2013 Property Assessment Notice (C1, p. 25) to show the change in assessment; \$38.1 million in 2013 versus \$24.5 million in 2012. While a 55.6% increase is not reason in itself to complain about the assessment – it is an indication that perhaps there is something wrong.

[8] The Complainant demonstrated with income statements (C1, p. 17) that the subject's actual rental revenue is \$424 per stall. However, the Complainant attempted to convince the Board, that it should be considering a three year stabilised rate with 50% weight placed on the most recent year, 30% weight on the previous year and 20% weight on the first of the three-year period. This methodology was purported to be a common method to assess hotels, which also exhibited fluctuations in revenue from year-to-year.

[9] The Complainant provided a list of downtown freestanding parking structures (C1, p. 44) to show the quality versus assessment and then through more detailed analysis (C1, pp. 45-50) demonstrated how they believe the quality grading results should look like. The key point is that the subject parking structure, which is an open air and non-heated above ground parking structure, grades as an A- while structures with the similar grading are heated and underground or heated and enclosed structures. Their analysis indicates that the subject more closely represented a quality grading of a C. However, the Complainant stressed they are not looking for a quality change – rather a rental rate change to \$415 per stall, which just happens to fall in the range of a B quality parking structure. Detailed data and analysis on downtown parking is provided in disclosure C2.

[10] The Complainant explained the capitalization rate hierarchy typically exhibited in downtown Calgary. Freestanding parking structures receive a quality grade in the same manner as office buildings – by examining condition, age, and other considerations. Historically, the capitalization rate was similar between freestanding parking structures and similarly graded office property (C3, p. 2). For example, an A office building and an A freestanding parking structure had a similar capitalization rate. For the current assessment, the Respondent has strayed from that relation to the point that an A quality office buildings have a 6.00% capitalization rate while an A quality parking structure has a 4.50% capitalization rate. The Complainant would like a capitalization rate of 6.00% for the subject freestanding parking structure.

[11] The Complainant challenged the methodology utilised by the Respondent to arrive at the 4.50 % capitalization rate. The Respondent analysed a single sale; Bow Parkade at 231 6th AV SW (C3, p. 4), a 56 year-old parking structure graded as an A quality, which sold in April 2012 for \$90,000,000 with 1,010 parking stalls. The Respondent's analysis indicates that a 4.29% capitalization rate was realised by the terms of the sale. The Complainant argues that the sale does not meet the definition of a market sale because the purchaser was highly motivated – the purchaser controlled the remainder of the block and received development approval for a 1.2 million square foot office complex. By purchasing the parking structure the buyer can alter their development plans to build a 2.6 to 2.8 million square foot office complex (C3, pp. 7-28). The Complainant presented another sale that shows the relationship between an office building and a parking structure (C3, pp. 29-52). The sale of Altius Centre included a second property, which is a parking structure. In this case, the Respondent assessed the office building as an A quality with a capitalization rate of 6.00 % and the parking structure is assessed as an A quality with a 4.50% capitalization rate. Commercial Edge (C3, p. 34) reports this sale at a 6.35% capitalization rate.

[12] The Complainant concluded their presentation with a request to leave the quality grading unchanged, alter the rental rate to \$415 per parking stall and to alter the capitalization rate to 6.00 % resulting in a requested assessed value of \$26,410,000.

Respondent's Position:

[13] The Respondent provided a summary of Assessment Request for Information [ARFI]

documents (R1, p. 13) for downtown freestanding parking structures excluding those owned by the City of Calgary. The city owned structures were excluded to avoid a conflict of interest. The results indicate:

	Revenue per stall 2011	Revenue per stall 2012
A Quality:	\$ 5,367	\$ 5,729
A- Quality:	\$ 4,842	\$ 5,276
B & C- Quality:	\$ 3,729	\$ 4,185

[14] The Respondent reviewed the capitalization rate study which includes the one sale of the Bow Parkade at 231 6 AV SW (R1, pp. 15-31). The A quality parking structure sold in April 2012 for \$90,000,000 with 1,010 parking stalls. The Respondent's analysis indicates that a 4.29% capitalization rate was realised by the terms of the sale and that it was a clean market sale. When questioned about the information regarding future development plans of the purchaser, the Respondent indicated that all parking in downtown Calgary has been acquired for future development and that parking was an interim use. When questioned about the definition of market value in *the Act* 1(1)(n), the Respondent indicated that they felt it was a market sale.

[15] The Respondent argued that the subject is graded properly, the rental rate is correct at \$450 per month per stall and the capitalization rate is correct at 4.50% and asked the Board to confirm the assessment.

Complainant's Rebuttal Position:

[16] The Complainant provided updated information regarding the Bow Parkade purchaser's intent (C4). In March 2013, City Council granted the owners zoning approval and a corresponding development permit was approval for a 2.6 million square foot office tower complex.

Board's Reasons for Decision:

[17] The Board considered the circumstances surrounding the sale of the Bow Parkade and determined that the sale does not meet the definition of market value within *the Act*. Therefore, the Board finds the resultant 4.50% capitalization rate is not valid.

[18] The Board considered the testimony and evidence regarding the hierarchy of capitalization rates between office buildings and freestanding parking structures of the same quality. The Board agrees with the Complainant that there is typically a close relationship and that the large variance seen during this assessment year does not seem warranted. The Board finds that the capitalization rate for similarly graded freestanding parking and office buildings shall be similar. No evidence is provided to show the actual capitalization rates for all the office buildings in downtown. There is evidence (C3, p. 2) and testimony that A quality office buildings have a capitalization rate of 6.00%. Therefore, A quality parking structures should also be assessed at or near 6.00% capitalization rate. However, the Board is not convinced that the subject is an A quality freestanding parking structure.

[19] The Board compared the summary of Assessment Request for Information [ARFI]

documents (R1, p. 13) with equity information (R1, p. 14) to view the hierarchy relationship for downtown freestanding parking structures:

	Revenue per stall 2011	Revenue per stall 2012	Assessment per stall
A+ Quality:	-	-	\$ 6,000
A Quality:	\$ 5,367	\$ 5,729	\$ 5,700
A- Quality:	\$ 4,842	\$ 5,276	\$ 5,400
B+ Quality:	-	-	\$ 5,100
B Quality:	\$ 4,919	\$ 4,919	\$ 4,800
B- Quality:	-	-	\$ 4,500
C- Quality:	\$ 2,538	\$ 4,185	\$ 3,600

[20] The Board is unable to understand how an A- ARFI summary of \$5,276 indicates an assessed value of \$5,400. The Board does not understand the rationale for using only the six-month period of January 1 through June 30 during the valuation year and then doubling when data exists to analyse July 1 through June 30.

[21] The Board considered the evidence of location, age, condition, characteristics and revenues and finds the subject parking structure is a B+ quality versus the assessed A- quality. Making this change, the Board accepts the assessed rental rate derived by the Respondent for B+ quality of \$5,100 or \$425 per month.

[22] In the absence of an appropriate capitalization rate, the Board considered the Altius Centre sale information presented. Analysing the fee simple estate of the property the Altius Centre sale derives a capitalization rate of just over 5.00% with the parking structure. The Board finds the correct capitalization rate for the subject is 5.00%.

DATED AT THE CITY OF CALGARY THIS 12 DAY OF July 2013.


Jeffrey Dawson

Presiding Officer

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

NO.	ITEM
1. C1	Complainant Disclosure – subject
2. C2	Complainant Disclosure – parking study
3. C3	Complainant Disclosure – capitalization rates
4. R1	Respondent Disclosure
5. C4	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	Other Property Types	Parking	Income Approach	Rental Rate
				Capitalization Rate