



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:

Cantos Music Foundation (as represented by Altus Group Ltd.) COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

K. Thompson, Presiding Officer
K. Farn, Board Member
R. Cochrane, Board 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 2013 Assessment Roll as follows:

ROLL NUMBER:	068114800
LOCATION ADDRESS:	132 11 Av SE
FILE NUMBER:	72332
ASSESSMENT:	\$14,350,000

This complaint was heard on 22 day of October, 2013 at the office of the Assessment Review Board located at Floor Number 4, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 4.

Appeared on behalf of the Complainant:

- M. Cameron Agent, Altus Group Lt.

Appeared on behalf of the Respondent:

- E Borisenko Assessor, City Of Calgary

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

[1] No issues were brought forward and the Board proceeded to hear the merits of the complaint.

Property Description:

[2] The subject property, a four story low rise office building known as the Customs House, is located at 132 11 Av SE in the Beltline District (BL2). This building was constructed originally as a Federal Government warehouse in 1913 and is classified as an A2 quality by the City of Calgary. The four story building is assessed as having 84,981 square feet (sf), has 20 surface parking stalls and is sited on a parcel size of 0.60 acres. This property has a tax exempt portion on a separate account which is not under complaint.

[3] The subject property is assessed on the Income Approach to Value with 74,706 square feet (sf) of office space at a typical rate of \$19.00 per square foot (psf), 10,275 sf of storage at a rate of \$5.00 psf and 20 parking spaces. The capitalization rate is 6.00%. The 2013 assessment for the taxable portion is \$14,350,000.

Issues:

The subject building would better reflect the market value at a rental rate of \$15.00 psf for the office space in this building. This was the only issue brought forward at the hearing. All other issues were withdrawn.

Complainant's Requested Value: \$11, 320, 000.

Board's Decision:

[4] The assessment is reduced to \$11,320,000.

Legislative Authority, Requirements and Considerations:

[5] The *Municipal Government Act*, Section 460.1(2), subject to Section 460(11), a composite assessment review board has jurisdiction to hear complaints about any matter referred to in Section 460(5) that is shown on an assessment notice for property, other than property described in Subsection 460 (1)(a).

Position of the Parties**Complainant's Position:**

[6] The Complainant stated that the typical rental rates for the subject property's office space do not reflect recent leasing activity of similar properties in the BL2 zone of the City. The Complainant contends that when compared to other property's in the A class, that receive \$19.00 psf for office rental space, the subject building falls short. The Complainant listed items in the subject property that showed it was inferior to other properties with a typical rental rate of \$19.00 psf, these items were: age of the building; limited number of storeys; lack parking – surface and underground; a single elevator; absence of contemporary amenities. These items do not allow this building to compete in the same market as properties that garner \$19.00 psf.

[7] The subject properties rent roll was submitted showing a rental rate of \$14.41 for the office area in this building. This lease was from 2006 to 2021, a step up was indicated but no information was submitted as to the details.

[8] The Complainant supplied several charts to demonstrate how the subject building compares to a different group of properties.

- 1) First was a chart with four A class buildings in the Beltline, along with some supporting documentation, [pg. 42, C1] to show how the subject building lacks the physical characteristics seen by other buildings rated as the same quality in this zone. Included in this documentation was the rental rate analysis that derived the \$19.00 psf rate for this class of properties. The rate was derived from three leases in one of the four buildings in the zone rated as A2 quality [pg 43, C1].
- 2) Next the Complainant presented a chart with ten B class properties in the Beltline area and compared the physical characteristics of these to the subject building [pg 59, C1]. These properties all had a typical office rate of \$15.00 psf. Many of the properties listed were deemed by the Complainant to be superior to the subject as they had; more stories, were 60 years newer in construction, contained three to nine times the parking (much of it underground) and had 2 or more elevators (the subject having only one).
- 3) Moving closer to the vintage of the subject property, the Complainant then presented a chart with the physical characteristics of eight older buildings in the beltline, all classed as B quality and most having similar features to the subject. These properties all had a typical rate of \$15.00 psf for their office space. Some supporting documentation was provided [pg 90, C1].

[9] The Complaint supplied charts with a re-creation of the City's 2013 BL2 office rental rate summary for B Class [pg 113, C1] and A class rental rate study [pg 163-164, C1]. The B class

study contained eleven leases with a range of \$9.00 psf to \$15.50 psf and a median of \$11.00, mean of \$11.55 and a weighted mean of \$11.35 psf. The lease terms range from three to seven years representing five properties. The A class study contained ten leases with a median of \$18.00 psf, mean of \$17.90 and weighted mean of \$18.18 psf. The assessed rate is \$19.00 psf, as an aside the Complainant questioned why the City would round up in this case. The Complainant stated that if the subject property were to remain as it is currently is, the rate for the office should be \$17.50 psf based on the analysis results not the \$19.00 psf arrived at by the City. Examples were provided to show in other space type analysis done by the City rounded down to arrive at the typical rental rate.

[10] The Complainant included information provided by the City of characteristics it reviews to determine quality classification along with the key factors, components and variables used in an assessment [pg 129-130, C1].

[11] Several Board Decisions were included for the Boards consideration including CARB 72747P-2013, CARB 71467P-2013 and 72993P-2013, in particular referenced the 2013 decision reducing the value on the Ribtor property, CARB 72758P/2013, stating it was very similar to the subject property.

[12] The Complainant provided a revised request calculation for a value of \$11, 320,000 [C3] if the rental rate is changed to \$15.00 psf.

[13] The Complainant provided a revised calculation for a value of \$13,220,000 [C4] if the rental rate for the office space is reduced to \$17.50 psf.

Respondent's Position:

[14] The Respondent submitted property assessment information for the subject property along with photographs [pg 5-10, R1]. The Respondent also submitted the subject property 2012 CARB decision confirming the assessed value [pg 12-14, R1].

[15] A chart with fourteen comparable A class properties in the Beltline along with their leasable area and lease rates was included in the evidence [pg 15, R1] along with the argument that this showed the trend of leases was increasing and with the goal to determine market for July 1, 2012 the recent leases gave the best indication of value. These produced the typical rental rate of \$19.00 psf for this type of space.

[16] A number of Altus Insite property searches and the Ribtor marketing information were provided to show that many of these building were also classed as A quality and were fully leased [pg 18-37, R1].

[17] One post facto sale of the Vintage Building was submitted by the Respondent [pg 38, R1] showing a sale price per square foot of \$521.00.

[18] The City 2013 Beltline Office rates: Class A chart was included in the Respondent evidence package.

[19] A number of Board Decisions were submitted for the Boards consideration.

Complainant Rebuttal

[20] In the Rebuttal document the Complainant included a number of Altus Insite documents along with Property Assessment Summary Report's to show that the two sources do not consistently agree in quality classifications of properties, concluding that the City's evidence on substantiated quality class was not significant.

[21] The Complainant submitted a chart with ten A class lease rates to support its request for the A class typical rate to be reduced from \$19.00 to \$17.50, along with a CARB decision to support this [pg 20, C2]. The leases range from \$14.00 psf to \$22.00 psf with a median of \$17.90 and a weighted mean of \$18.18. Three post facto leases were also included to show a median rate of \$23.50 psf.

Board's Reasons for Decision:

[22] The Board reviewed all the evidence presented by both the Complainant and Respondent. The Board also notes that the nature of the submissions dictate that in some instances certain evidence will be deemed more relevant than others so the Board will restrict its comments to the evidence it deemed relevant. It must be noted as well that while the Board pays heed to previous Board Decisions it is not bound by their decisions. The Board must decide this case based on the evidence and argument before it.


[23] The Board first reviewed all of the comparables presented and determined that the subject building was atypical when compared to the other properties in its own classification in the Beltline area. The subject property was considerably older, had less finish and amenities than most other properties in this class. The subject properties own lease information, although dated, shows it only achieves \$14.41 psf until the step up takes effect. Nothing was in evidence with regard to the date or amount of the step up lease.

[24] This property seemed to be more in line in its physical attributes to the eight B class buildings in the Beltline presented by the Complainant [pg 90, C1]. Unfortunately the Board was only provided with one of those properties lease rate. Nothing was put into evidence by the Respondent to refute any of this information.

[25] The Board notes that there was a very limited amount of complete information from both parties in this case but from the information in evidence the Board finds that there was sufficient to convince it that a rental rate of \$15.00 better fits the subject property's office space.

[26] Once this was decided all other argument/requests on rental rates of A class properties was not relevant so therefore not address in this decision.

DATED AT THE CITY OF CALGARY THIS 21st DAY OF November 2013.



K. Thompson

Presiding Officer

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

NO.	ITEM
1. C1	Complainant Disclosure
2. C2	Complainant Rebuttal
3. C3	Complainant Disclosure
4. C4	Complainant Disclosure
5. 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.*

Property Type	Property Sub-Type	Issue	Sub issue
office	Low rise	Income approach	Net market rent/lease rates