



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:

TARJAN ENTERPRISES LTD., (as represented by Altus Group Limited),

COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

***PRESIDING OFFICER, T. Hudson
BOARD MEMBER, D. Julien
BOARD MEMBER, P. Pask***

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 2014 Assessment Roll as follows:

ROLL NUMBER: 067095497

LOCATION ADDRESS: 547 11 AV SW

FILE NUMBER: 74674

ASSESSMENT: \$7,790,000

This complaint was heard on the 11th day of August, 2014 at the office of the Assessment Review Board located at Floor Number 4, 1212 – 31 Avenue NE, Calgary, Alberta, Board room 3.

Appeared on behalf of the Complainant:

- *Ms. D. Chabot, Agent, Altus Group Limited*

Appeared on behalf of the Respondent:

- *Mr. C. Fox, Assessor, City of Calgary*

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

[1] There were no procedural or jurisdictional matters raised by the Parties.

Property Description:

[2] The subject property is a 0.60 acre parcel of commercial land located in the BL3 submarket of the Beltline community at 547 11 AV SW. The property was improved in 1989 with a retail/office building providing 20,884 square feet (sf.) of assessable area.

[3] The property is currently assessed based on land value.

[4] Details of the assessment include 26,039 sf. of land area assessed at a unit rate of \$285.00 per square foot (psf.), with a +5% corner lot influence adjustment.

[5] The total assessed value is \$7,792,171, or \$7,790,000 (rounded).

Issue: Market Value

[6] The Complainant contends that the capitalized income approach provides the best estimate of market value for the subject property, and that the current land only value assessment exceeds market value.

Complainant Requested Value: \$6,520,000 (rounded).

Board's Decision:

[7] The assessment is confirmed at **\$7,790,000.**

Legislative Authority, Requirements and Considerations:

[8] The Composite Assessment Review Board (CARB) derives its authority from Part 11 of the 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 (1)(a).

[9] For purposes of the hearing, the CARB will consider the Act Section 293(1):

In preparing the assessment, the assessor must, in a fair and equitable manner,

(a) apply the valuation and other standards set out in the regulations, and

(b) follow the procedures set out in the regulations.

[10] The Matters Relating to Assessment and Taxation Regulation (MRAT) is the regulation referred to in the Act section 293(1) (b). The CARB consideration will be guided by MRAT Part 1 Standards of Assessment, Mass appraisal section 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

[11] The Complainant argued that the subject is a multi-tenanted income producing property with current leases in place, and should be assessed based on capitalized income.

[12] The current assessment based on the value of the land as vacant, assumes that the highest and best use of the property is as a redevelopment site, which the Complainant argues is incorrect.

[13] The Complainant noted that there are no current redevelopment plans for the subject property, and based on the third party forecasts of the increasing vacancy rates, no demand for redevelopment in the foreseeable future, (Exhibit C1 (b), pages 54-67).

[14] The Complainant accepted the Respondent's calculation of the capitalized income estimate of market value at \$6,520,000.

[15] The Complainant questioned the comparability of the subject property to the land sales used to establish the land value unit rate of \$285 psf., applied in calculating the current assessment.

[16] The Complainant indicated that the income approach to value calculation for the subject assessment produces a unit land rate of \$248 psf., but clarified that their request does not seek a change in the land rate, but rather an assessment based on capitalized income.

[17] The Complainant submitted the assessments of four properties similar to the subject and located in the Beltline, that are assessed based on capitalized income; to illustrate the inequity of the land only value assessment of the subject property, (Exhibit C1(b), pages 76-93).

[18] The Complainant also submitted several previous CARB decisions, which generally support the position that the capitalized income assessment of an income producing property, should not be replaced by a land only value assessment, in the absence of a thorough highest and best use analysis. (Exhibit C1 (a) and (b), pages 96-135).

Respondent

[19] The Respondent explained that all non-residential properties in the City are assessed equitably at no less than the basic threshold land value. If the income component value is less, then the land value is assessed. If the income component is higher, the income is assessed.

[20] The Respondent argued that the comparable property assessments identified by the Complainant illustrate the equity of this approach.

[21] Typical value parameters for income, and unit rate for land value, have been used to calculate two assessment estimates for the subject and each of the comparable properties. The four comparable properties have income value higher than their land value, while the land value of the subject property is higher; and the current assessments reflect this difference, (Exhibit R1, page 30).

[22] The Respondent noted that the subject property is a large 26,039 sf. land parcel in an excellent corner lot location, and the current improvement of 20,884 sf. does not generate sufficient income to contribute to market value in excess of basic land value.

[23] However, the evidence shows that each of the comparable properties are smaller land parcels with larger improvements, which do generate sufficient income to contribute to market value in excess of basic land value.

[24] The Respondent submitted several previous CARB decisions that generally support the premise that in the context of mass appraisal, assessment of improved properties below the threshold of their underlying land value is both incorrect, and inequitable, (Exhibit R1, pages 195-313).

Board's Reasons for Decision:

[25] The Board accepts that in the absence of a formal "highest and best use study", if the improvements on a property do not produce capitalized income value exceeding land value, then the value of the land represents the best estimate of market value for assessment purposes.

[26] The Board finds that insufficient evidence was submitted to conclude that the land rate applied in the assessment of the subject property exceeded market value.

[27] The Board finds that the evidence supports a conclusion that the land only value assessment amount represents a reasonable estimate of market value, and assessment equity for the subject property.

DATED AT THE CITY OF CALGARY THIS 4th DAY OF September 2014.



T. B. Hudson

Presiding Officer

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

NO.	ITEM
1. C1 (a), (b), and (c)	Complainant Disclosure
2. R1	Respondent Disclosure
3. C2	Complainant 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.*

For MGB Administrative Use Only

<i>Decision No. 74674P-2014</i>			<i>Roll No.067095497</i>	
<u>Subject</u>	<u>Type</u>	<u>Sub-Type</u>	<u>Issue</u>	<u>Sub-Issue</u>
CARB	Office	Low Rise	Market value	Land Only vs. Income