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:

Narland Properties (4th Avenue) Ltd. (as represented by Altus Group Limited), COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

W. Kipp, PRESIDING OFFICER
K. Bickford, BOARD MEMBER
P. Grace, 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 2014 Assessment Roll as follows:

ROLL NUMBER:	**067017004**
LOCATION ADDRESS:	**395 – 7 Street SW, Calgary AB**
FILE NUMBER:	**75345**
ASSESSMENT:	**$44,240,000**

This complaint was heard on the 25th day of June, 2014 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:

- *S. Meiklejohn (Agent, Altus Group Limited)*

Appeared on behalf of the Respondent:

- *E. Borisenko (Assessor, The City of Calgary)*

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

[1] Due to similarities in issues, evidence and argument, the Complainant requested, the Respondent agreed and the CARB consented to carrying forward Complainant disclosure C1B (Capitalization Rate analysis) and C2 (Complainant Rebuttal) from file 74635 to this file 75345.

[2] There were no jurisdictional matters to be decided.

Property Description:

[3] The property that is the subject of this assessment complaint is a unique downtown property. It comprises United Place, a 10 storey office building with 83 underground parking stalls plus Neff Apartments, an eight storey multi-family building containing 92 apartment units (91 bachelor suites and one 1 bedroom suite)(some records show a total of 93 units but the assessment is based on a total of 92). The apartment units do not have balconies or patios. There is no parking for the apartments. Both buildings, which occupy a 30,822 square foot site, were built in 1975. The municipal address of the office building is 808 – 4 Avenue SW and for the apartment, it is 816 – 4 Avenue SW, however the address on the assessment roll is 395 – 7 Street SW.

[4] The Property Assessment Summary Report for the property shows the assessment class to be 72.81 percent non-residential and 27.19 percent residential. The property is located within the DT2 economic zone.

[5] Each of the property components is assessed in a different manner. United Place is assessed as a Class "B-" office property using an income approach wherein a capitalization rate is applied to a net operating income (NOI) amount that is based on typical rental rates. Both the 83,547 square feet of offices and a 171 square foot ground floor retail space are assigned a typical rent rate of $16.00 per square foot. Vacancy allowances of 3.0 percent and 8.0 percent are applied to the office and retail space, respectively. Operating costs on vacant space are deducted at a rate of $15.00 per square foot for offices and $20.00 per square foot for retail. A non-recoverable expense allowance of 2.0 percent is deducted from effective gross income. The 83 underground parking stalls are assigned an annual income amount of $4,200. There is no vacancy loss allowance deducted from parking income. The NOI of $1,583,913 is converted to an assessment value by application of a 5.0 percent capitalization rate.

[6] The Neff Apartments component is assessed using an income approach wherein a gross income multiplier (GIM) is applied to an effective gross income amount that is based on typical apartment unit rents. Each of the 91 bachelor units is assigned a typical monthly rent of $875 and $1,080 was assigned to the one bedroom unit. An overall vacancy loss allowance of 2.0 percent is deducted and the resulting effective gross income amount of $949,091 is multiplied by a GIM of 13.25.

[7] The office component assessment is $31,670,000 and the apartment component assessment is $12,570,000. Together, the sum of the two components is the assessment of $44,240,000.

Issues:

[8] In the Assessment Review Board Complaint form filed March 1, 2014, Section 4 – Complaint Information had a check mark in the box for #3 "Assessment amount".

[9] In Section 5 – Reason(s) for Complaint, the Complainant stated numerous grounds for the complaint.

[10] At the hearing, the Complainant pursued the following issues:

1) The office building is assessed as a Class "B-" downtown office property but its physical characteristics place it in the Class "C" category. If the CARB finds it to be properly classified, there are corrections to be made to the Respondent's valuation parameters for "B" properties.
2) As a Class "C" property, the office component should be assessed using correct input rates for vacancy and capitalization rate. The office vacancy rate should be increased from 9.0 to 11.25 percent and the capitalization rate should be increased from 5.75 to 6.25 percent.
3) In the apartment building, the apartment units are very small and therefore incapable of attracting the rents used by the Respondent as typical rents.
4) The GIM used by the Respondent is weighted towards multipliers from numerous sales of multi-family properties located in the Beltline and it should be adjusted to reflect buyer and seller actions in the downtown area.

Complainant's Requested Value: $33,110,000 (Truncated amount after adding $12,057,822 for the apartment and $21,058,102 for the office).

Board's Decision:

[11] The office building is reclassified to a "C" quality downtown office and the assessment is recalculated using the Respondent's vacancy and capitalization rates. The apartment building assessment is reduced by applying a lower monthly rent rate to bachelor apartments. The GIM is adjusted to reflect activity in apartment sales in downtown. The total 2014 assessment is reduced to $36,920,000.

Legislative Authority, Requirements and Considerations:

[12] The CARB is established pursuant to Part 11 (Assessment Review Boards), Division 1 (Establishment and Function of Assessment Review Boards) of the Act. CARB decisions are rendered pursuant to Division 2 (Decisions of Assessment Review Boards) of the Act.

[13] Actions of the CARB involve reference to the Interpretation Act and the Act as well as the regulations established under that act. When legislative interpretation is made by the CARB, references and explanations will be provided in the relevant areas of the board order.

Position of the Parties

Complainant's Position:

[14] The subject property is unique. It comprises both an office building and an apartment building on the same land parcel. There is underground parking for the office building but no parking for the apartments. The property is located towards the northwest corner of downtown in an area where recent developments have been more residential in nature. These characteristics make the property more difficult to manage and thus, it is less appealing to many investors who want either pure office or pure multi-family investment property.

[15] United Place, the office building is classified for assessment purposes by the Respondent as a "B-" downtown office property. The physical and locational characteristics of United Place are such that it belongs in the "C" class. City of Calgary quality classification criteria were gathered and then sorted to isolate certain characteristics such as age of building, number of stories, floorplate size, office and retail area, number of parking stalls and parking ratio (office area per parking stall). United Place fits below the medians for nearly all of these "C" class characteristics. The Respondent's quality classification criteria list such factors as location, physical condition, functionality (including floorplate size), year of construction, number of stories, total net rentable area, quantity of retail space, +15 connectivity and on-site parking capacity as factors that determine class. All of these were considered in the Complainant's analysis and the conclusion was that it should be in the "C" classification.

[16] Once the property is properly classified as a "C" quality property, the assessment parameters will change, even though both "B-" and "C" offices are assessed using the same typical $16.00 per square foot rent rate.

[17] The DT2,3,9 Class "C" vacancy study conducted by the Respondent is incorrect. That study contains properties that are government owned and occupied, owner-user properties or single tenant properties. These types of properties do not compete with multi-tenant properties which form the basis of the income approach used in preparing office building assessments. These types of properties have no place in the vacancy study. In the Respondent's Class "C" downtown office study, a property named Police Headquarters (616 Macleod Trail SE) was included in the 2014 survey. Firstly, the Complainant questioned the reasoning for including it in 2014 whereas it had not been in the study the previous year. Moreover, it is fully occupied by municipal tenants (other than a small coffee shop on the ground floor) and it does not compete with other downtown multi-tenant office properties. Its vacancy rate of zero percent skews the outcome of the study.

[18] The DT2,3,9 vacancy study should include a property known as the Burns Building. It is a Class "C" office property that should be designated as being within economic zone DT3. The City of Calgary assessment business unit has it in DT8. DT8 is an irregular, arbitrarily

City of Calgary assessment business unit has it in DT8. DT8 is an irregular, arbitrarily configured zone that encompasses some, but not all properties that front onto the Stephen Avenue Mall (8 Avenue). In the subject block, only the Burns Building is shown to be in DT8. The adjoining Performing Arts Centre and the Calgary Public Building (part performing arts and part office) are in DT3 even though they have similar frontage to the Burns Building on Stephen Avenue. Olympic Plaza which is directly across Stephen Avenue from the Burns Building is in DT3 as is Rocky Mountain Plaza, an office building across 7 Avenue SE from Olympic Plaza. In the blocks to the west, the Telus Convention Centre (both sides of Stephan Avenue) along with the Hyatt and Marriott hotels are excluded from DT8. Given the nature of the Burns Building, its location and its comparability to surrounding and nearby properties, there is no reason for it to be classified as a DT8 property. It should be designated as a DT3 property and then included within the properties surveyed for the DT2,3,9 vacancy survey.

[19] Another building that should be included within a DT2,3,9 vacancy study is the subject property, United Place. The above analysis in paragraph 15 shows that this is a "C" property and for that reason, it should be contained within the "C" class vacancy study.

[20] With these three changes to the DT2,3,9 vacancy study, the typical office vacancy for the current assessment year changes from 9.0 percent (the rate used by the Respondent in making Class "C" office assessments) to 11.25 percent.

[21] Historically, the Respondent, when using the income approach to value downtown office properties, deducted an allowance for vacancy in the parking category. Recently, that allowance was 2.0 percent of potential gross income from parking. For the current assessment year, that constant has been removed from the valuation formula. Consistency in valuation procedures is one of the stalwarts of a fair and equitable assessment system. For this reason alone, the past practice of a 2.0 percent parking income vacancy allowance should not be abandoned.

[22] The final incorrect component of the valuation parameters is the capitalization rate and there are two parts to the Complainant's argument. The first is the property used to select the capitalization rate that is then applied to all Class "C" downtown office properties. The second error is the manner in which the capitalization rate is extracted from a sale.

[23] The Respondent has relied upon a single sale in determining the capitalization rate for application in valuing Class "C" offices in downtown Calgary. That sale involved the Centennial Building, a seven storey, 27,203 square foot office building at 816 – 7 Avenue SW. The building was constructed in 1965. There are 10 surface or partially covered parking stalls. The property sold in January 2012 at a price of $6,020,000 ($221 per square foot of building area).

[24] The Complainant is familiar with the purchaser of this property. That corporation owns other property in the same block which brings into question the motivation behind this purchase. Although there was no documentary evidence in support, the Complainant argued that this office property purchase was motivated by the purchaser's desire to assemble a sizeable redevelopment site. Appraisal Institute of Canada textbook excerpts explained how "plottage" impacts values and how motivational factors should be considered when analyzing property sales.

[25] The Respondent calculated the capitalization rate from the Centennial Building sale at 5.61 percent. The reported "sale year" typical NOI was $337,883. It is the Respondent's practice to utilize the NOI from the assessment valuation date of the same year as the sale. For assessment purposes, properties are valued as at July 1 of each year. Therefore, for the sale analysis, the assessed typical NOI as at July 1, 2012 was used. That NOI would have been based upon an analysis of office rents from leases that occurred between July 1, 2011 and June 30, 2012. That NOI was based on a typical rental rates of $13.00 per square foot for office

space, $16.00 per square foot for a small main floor retail area and $4,500 per year for each of the 10 parking stalls.

[26] The Complainant argued that the incorrect capitalization rate stems from the use of an incorrect NOI amount. Since the property sold in January 2012, it is the typical NOI as at that month that should be used. Using the Respondent's full listing of Class "C" office rent comparables, the Complainant selected those that fit within certain periods of time. For analysis of this property, six subsets of rents were set out: nine months prior to and after the sale date, six months prior to and after the sale date, three months prior to and after the sale date, three months straddling the sale date, six months straddling the sale date and nine months straddling the sale date. All three of the before and after analyses showed that rents were rising. Through the analysis method, it was possible to determine when increases occurred. The Complainant's conclusion was that the typical office rent rate was understated by the Respondent's use of a NOI amount from an incorrect period of time. The correct rent rate is $14.00 per square foot for offices with all other input data remaining the same as those used by the Respondent. With appropriate changes made, the correct capitalization rate extracted from the Centennial Building sale is 6.02 percent.

[27] The Complainant offered a second property sale for consideration. That sale involved the Burns Building, a seven storey office building at 237 – 8 Avenue SE (Stephen Avenue Mall), directly across Macleod Trail from the main entrance to the Calgary Municipal Building (City Hall). There are 60,387 square feet of office space, 13,314 square feet of ground floor retail space and 1,265 square feet of basement storage space. There is no parking on the site. The Burns Building is designated by the Province of Alberta as an historical resource. It was a leasehold interest in the property that sold for $13,100,000 in August 2012. Fee simple title is held by The City of Calgary and there is a long term lease to the leasehold estate owner. By adding an amount ($2,270,000) for land value, the Complainant determined that an equivalent fee simple price would have been $15,370,000 ($205 per square foot of building area). The land add-on was calculated by application of the City of Calgary land assessment rate of $175 per square foot to the area of the land under the Burns Building. As in its analysis of the Centennial Building sale, the Complainant estimated the NOI based on typical rents as at the date of sale (August 2012). In this instance, a seventh rent subset (12 months prior to and after the sale date) was added. The conclusion was that the typical rent rates as at August 2012 would have been: Office - $16.00, Retail - $16.00, Storage - $6.00 (all are per square foot rates). The indicated NOI of $1,001,774 yielded a capitalization rate (on the calculated fee simple price) of 6.52 percent.

[28] The Complainant's final conclusion was that the appropriate capitalization rate for application in Class "C" downtown office property assessment valuation should be 6.25 percent. This rate should therefore be used in the United Place assessment calculation.

[29] The Complainant also undertook an analysis of capitalization rates from sales of Class "B" office properties. Five sales were studied. For each sale, the capitalization rate was calculated by dividing the sale price into the NOI as at the date of sale. The indicated capitalization rate for "B" class offices is 5.5 percent. 2014 assessments are calculated using a 5.0 percent capitalization rate.

[30] Turning attention to the apartment building, the Complainant provided a rent roll that indicated 93 bachelor units, with monthly rents from a low of $650 to a high of $750. For the 90 occupied units (as at July 1, 2013), the average monthly rent was $696 per unit. These apartment units are very small by any standards (average floor area per unit of 263 square feet). The apartment is also less desirable because it provides no parking for tenants. The rent roll exhibits the property's shortcomings and confirms that the assessed monthly rent for each of

the apartment units should be $700.

[31] The Respondent's GIM study included a total of 10 multi-family property sales, three of which involved properties in downtown. The remaining sales were of properties in the Beltline (south of the CP railway). Two of the downtown sales involved the same property, Vista Tower, which is situated on leased land. In December 2011, the indicated GIM from a leasehold interest sale was 12.07. A September 2012 leasehold estate resale indicated a GIM of 12.47. The sale preferred by the Complainant was an October 2011 sale of Rimbey House, a property at 921 – 5 Avenue SW that was most similar to Neff Apartments. Rimbey House contained mostly one bedroom units but there are some bachelor units and no two bedroom units. The indicated GIM from the fee simple estate sale was 15.75.

[32] The Respondent prepared the subject assessment using a 13.25 GIM. That multiplier was heavily influenced by the numerous sales of Beltline apartment buildings. With weight given to the Rimbey House sale, the Complainant selected a GIM of 15.75 for application in the Neff Apartments valuation. With revised rent rates and a more realistic GIM, the requested assessment of Neff Apartments is $12,057,822. The Complainant acknowledged that the 15.75 GIM is higher than the multiplier used by the Respondent.

Respondent's Position:

[33] The Respondent argued that the subject office building is properly within the "B-" quality class. Cresa Partners, a consulting company with knowledge of the Calgary office market classifies the office as a "B" class property. A classification study was conducted that was similar in scope to the Complainant's study. The Respondent relied upon data from Altus InSite publications. Altus InSite is a real estate information analyst and provider that is related to the Complainant. Altus InSite shows United Place to be within the "B" class of office properties. The Respondent concluded that the property fit within the ranges of "B" class total office area, year of construction, floorplate and number of floors.

[34] In the DT2,3,9 Class "C" vacancy study, the Police Headquarters building at 616 Macleod Trail SE has been included because, as a City of Calgary owned property, any vacant space would be offered for lease on the market. There is one non-municipal tenant in the building (a Second Cup coffee shop). Other municipally owned properties are included in vacancy studies for other economic zones so the inclusion of the Police Headquarters building in the Class "C" study is not out of place.

[35] The Burns Building is included in the DT8 economic zone due to its heritage designation and its location fronting onto the Stephan Avenue Mall. There are portions of the DT3 zone around the building but that does not mean that the Burns Building should be reallocated to that zone. The leasehold estate in the property sold in August 2012 and subsequently, a large block of vacant space was created by the new owner so that renovations that were expected to take over one year could be undertaken. Subsequent to renovations being completed, the building was attracting significantly higher rents. If the property was to be included in the DT2,3,9 Class "C" vacancy study, it would also have to be included in the office rent study and that would increase the Class "C" rent rate.

[36] The Respondent provided excerpts from hearing disclosure documents filed by the Altus Group for 2013 assessment complaints, pointing out that Altus used the same NOI as the Respondent had used for that year. The Respondent also provided a list of 2013 CARB decisions wherein the capitalization rate used by the Respondent had been confirmed. Other excerpts from CARB and Municipal Government Board orders confirmed the Respondent's

position that fee simple estate sales are preferred in the process of extracting capitalization rates. The Burns Building sale did not involve a sale of the fee simple estate. The Respondent also questioned whether the Complainant's analysis method whereby a land value was added to the leasehold estate sale price is a recognized appraisal/assessment practice. Other CARB orders supported the Respondent's consistent use of sale year NOI amounts.

[37] The Respondent stated that there was no evidence in the Complainant's disclosure to support its contention that the Centennial Building sale was motivated by the purchaser's desire to assemble a redevelopment site.

[38] The 2.0 percent vacancy allowance for parking income was discontinued because of the very tight rental situation in downtown. A newspaper article from the Calgary Herald explained the parking market and supported the decision to discontinue making a parking vacancy deduction in assessing downtown office properties. The Respondent provided no other evidence in support of its current practice because the Complainant relied on nothing more than its opinion that a parking vacancy allowance should continue to be deducted.

[39] A rental survey provides support for the $875 monthly rent rate for bachelor units and $1,080 per month for one bedroom suites.

[40] A table of assessment comparables shows that the subject is fairly assessed. Its assessment represents $136,667 per apartment unit and the comparable assessments range from $115,956 to $161,702 per unit (three of the four properties provide housing for seniors so their assessments are reduced by 18 percent).

Board's Reasons for Decision:

[41] The United Place office building fits best into the "C" downtown office class. The Complainant's analysis which was based on City of Calgary quality class criteria showed it to be below median values for most criteria that determines the classifications. The Respondent relied upon published information from Cresa Partners and Altus InSite but was unable to explain the criteria upon which those organizations rely when classifying properties. The CARB finds that any meaningful study of this type should be based on criteria from City of Calgary studies. Since it is the Respondent that compiles that data, there is no reason that the Respondent's claim for "B" quality status could not have been supported by its own studies. The Complainant pointed out variances in the compilation and presentation of such data. One of the key locational features, in the findings of the CARB, is the presence of a +15 walkway connection. Whereas the majority of the downtown "B" properties have +15 connections, the walkway system does not connect to the subject block or to any immediately adjacent blocks.

[42] Having determined that the subject property is within the "C" class of properties, the CARB turned its attention to the valuation issues raised by the Complainant. There is no need to address "B" property valuation parameters.

[43] The CARB accepted the Complainant's position that the Police Headquarters property should be removed from the Class "C" office vacancy study and that the Burns Building should be included as a DT3 property and that United Place (which is coincidentally the subject of this complaint) should be included in the study.

[44] Notwithstanding that The City of Calgary might offer vacant space for rent to non-municipal users from time to time, its properties do not compete directly with properties owned and operated for the income that they can produce. The Police Headquarters building does not compete with other downtown office properties for tenants. It is a municipally owned property

occupied by municipal tenants.

[45] The Burns Building properly fits into the DT3 economic zone. It is a registered heritage resource property but so are other Stephan Avenue properties that are not within the DT8 zone. In the same block is the Calgary Public Building which contains office space as well as some of the Performing Arts Centre facilities. That building is in DT3. The CARB received no evidence to support the inclusion of the Burns Building in DT8.

[46] Having established that there are shortcomings in the Respondent's Class "C" vacancy study, the Complainant requested that the vacancy rate be increased from 9.0 percent to 11.25 percent. There are 26 properties in the Complainant's revised 2014 study summary. The CARB has concern about the very wide disparity in vacancy rates. Of the 26 properties, eight had zero percent vacancy. Six had vacancy of more than 25 percent and two of those were over 50 percent. The remaining 12 properties tended to support an overall vacancy rate of seven to eight percent. The conclusion of the CARB was therefore that the 9.0 percent rate allowed by the Respondent was not unreasonable even if it was derived from data that the CARB found to be lacking.

[47] The Respondent has historically allowed for vacancy losses for all property types (i.e., office, retail, storage, parking). For the 2014 tax year, no vacancy loss allowance is provided on parking income. The Complainant points out that the rate has been 2.0 percent for the past several years. There are properties in the Respondent's vacancy study that have zero percent vacancy in the office sector but those properties receive the vacancy allowance granted to all properties in the same class. In other words, the rate is consistently applied in keeping to the requirements of mass appraisal. The Complainant's argument is for consistency from one year to the next. The CARB finds that while there must be consistency in application of vacancy and other rates within property classes and during any particular year, there is no legislated requirement for valuation procedures to remain the same year over year. The CARB therefore finds that the Complainant's argument appears to be a reasonable one, but there is no support from legislation that compels the CARB to change the Respondent's current practice. That practice is consistent as far as 2014 downtown office property assessments are concerned.

[48] The Respondent relied upon one Class "C" downtown office property sale for the extraction of the capitalization rate for the entire class. The Complainant argued that there were motivational factors that impacted the price that was paid for the property. Other than the Complainant's hearsay testimony that the acquisition was intended to complete the assembly of a redevelopment site, there was no evidence to that effect before the CARB. Further, even if the purchaser was assembling a redevelopment site, there was no evidence to show that the purchase price was impacted in any way. The CARB acknowledges that the purchaser owned other property in the block but it has no basis upon which to reject the Centennial Building as a valid sale for the purpose of capitalization rate analysis.

[49] The CARB dislikes reliance on a single property sale for the extraction of a capitalization rate. The Centennial Building sale described above is an example of a sale that has been questioned as a valid indicator of market value so the evidence comprises a single, disputed sale. The CARB recognizes that it is common practice for the Respondent and other assessors to rely upon data from transactions that occurred during a single year but that practice has potential to produce faulty results if only one sale is analyzed and unknown circumstances affected the sale price. While there is no obligation to extend the period of time for market analysis, there is no reason to limit the analysis to a single year when there is minimal data available (i.e., just one property sale). A market analysis extending backwards in time by one, two or more years is possible. A thorough analyst should want to have as much information available as possible even if it means having to make adjustments to older data. This leads the

CARB to the conclusion that the adjusted sale of the Burns Building leasehold estate is worthy of analysis. The sale was an indicator of the actions of market participants. While the leasehold estate sale is perhaps a weaker indicator than an open market, arms-length transaction involving a fee simple estate sale, it is nevertheless an indicator that assists an analyst in measuring market activity. It is not possible to definitively split weight on the two available sales (Centennial Building fee simple estate and Burns Building leasehold estate) without evidence showing whether fee simple and leasehold estate sales are perceived differently in the market from the perspective of investment risk etc.. From a qualitative perspective, the CARB finds that there is no support for any change to the 5.75 percent capitalization rate currently being applied to office buildings in this class.

[50] The CARB gave careful consideration to the Complainant's issue of the proper NOI to use in a capitalization rate extraction process. The Complainant's argument is valid. The best analysis of a sale comes from consideration of all factors that were prevalent at the date of sale. The Complainant's analysis used only typical rents (as established by the Respondent) as at the date of each sale. The difference is that the Complainant's methodology picked the rent from the date of sale rather than from a "nearby" valuation date. The CARB finds this to be a superior method of measuring factors that would have impacted the decisions of the participants in the sale transaction.

[51] While the CARB finds the Complainant's analysis method to be superior, it cannot concur with the outcome of the analysis of the Centennial Building. After a thorough analysis of office rent rates around the January 2012 date of sale, the rent indicators were of the order of $13.00 per square foot but the Complainant found $14.00 to be the rate. The CARB has no compelling evidence or argument to stray from the indicated $13.00 rate in the analysis. The rate of $13.00 per square foot is coincidentally the same as the rate which has been used by the Respondent in analyzing the sale. The outcome is that the capitalization rate of 5.61 percent is accepted as the most realistic and reasonable rate coming from the sale.

[52] The CARB gave no weight to the Respondent's evidence showing that Altus Group, the Complainant, used different analysis methods in its complaints filed for 2013. The situation is similar to the Respondent's change of practice in granting an allowance for parking vacancy. Market conditions and attitudes and actions of market participants change from time to time and a diligent study of the market will adapt to those attitudes and actions.

[53] The United Place office component assessment was recalculated using the following parameters:

1) Office and retail rent rate of $16.00 per square foot
2) Parking income of $348,600 per annum
3) 9.0 percent office vacancy and 8.0 percent retail vacancy
4) Operating expense rates of $14.50 (office) and $20.00 (retail) per square foot
5) Non-recoverable expense allowance of 2.0 percent of effective gross income
6) Capitalization rate of 5.75 percent
7) Valuation: NOI of $1,433,879 ÷ 5.75% = $24,930,000 (Truncated)

[54] It is clear from the Neff Apartments rent roll that the small bachelor apartment units cannot command monthly rents anywhere close to the typical rate being applied by the Respondent. The CARB notes that the Respondent's apartment rent study did not have any bachelor unit rent comparables in downtown apartment buildings. All of the comparables were

from properties in the Beltline. The monthly rents to be used in valuing the subject apartment are $700 for bachelor units and $1,080 for the one bedroom unit. There was some discrepancy in the numbers and types of units in the building. The CARB relied upon the Respondent's mix of 91 bachelor units and one 1 bedroom unit.

[55] The 2.0 percent multi-family vacancy loss allowance remains unchanged.

[56] Notwithstanding that the Complainant's GIM (15.75) is significantly higher than the one used in making the assessment (13.25) the CARB is satisfied that the Complainant's market analysis is realistic because its focus is on downtown. The majority of the Respondent's analysis (rents and GIM's) is weighted towards the preponderance of Beltline data.

[57] The Neff Apartments component assessment is recalculated as follows:

1) Monthly rent: 91 Bachelor units @ $700; One 1 bedroom unit @ $1,080
2) Vacancy loss allowance of 2.0 percent
3) GIM of 15.75
4) Valuation: EGI of $761,813 x 15.75 = $11,990,000 (Truncated)

[58] The revised 2014 assessment is:

1) United Place office: $24,930,000
2) Neff Apartments: $11,990,000
3) Total Assessment: $36,920,000

It is so ordered.

DATED AT THE CITY OF CALGARY THIS 18th **DAY OF** July **2014.**

W. Kipp

W. Kipp
Presiding Officer

APPENDIX "A"

DOCUMENTS PRESENTED AT THE HEARING AND CONSIDERED BY THE BOARD:

NO.	ITEM
1. C1A	Complainant Disclosure
2. C1B	Complainant Disclosure – Capitalization Rates – Common to other files
3. R1	Respondent Disclosure
4. C2	Complainant Rebuttal – Common to other files

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 ADMINISTRATIVE USE

Appeal Type	Property Type	Property Sub-Type	Issue	Sub-Issue
CARB	OFFICE	HIGH RISE	INCOME APPROACH	CLASSIFICATION, VACANCY RATE, CAPITALIZATION RATE
	RESIDENTIAL	HIGH RISE	INCOME APPROACH	RENT, GIM