On June 30, property owners are required to have paid their property taxes. Like it or not, taxes have to be paid. But some are taxed differently than others. This is the case with commercial properties. While non-residential properties represent about 40 per cent of the total assessed value of properties, these same properties contribute about 60 per cent of the total property-based revenues in the city of Calgary.

Generally, the commercial lease contract contains a mechanism by which a business establishment pays a proportionate share of the total property tax bill in a building. This holds true whether an establishment is an oil and gas company, a barber shop, a bakery or a medical office. On top of these property taxes, every business pays an additional tax — business tax — that is directly attributable to that particular business. Well, that’s what some would like you to believe is the source from which taxes are derived.

The reality is that consumers will somehow pay for these costs as taxes are input costs for business. They will translate into higher costs of gas at the pumps, the price of a haircut, a loaf of bread or what the province pays your physician for your annual physical. Input costs will always trickle down as a cost to the consumer.

One current initiative undertaken by the City of Calgary is a revisit of a proposal to “harmonize” property and business taxes. This latest initiative to “streamline” property taxes is sponsored by Alderman Gord Lowe, who also chairs the city’s standing policy committee on finance and budget. By the time this article goes to press, that committee
Among the key issues around harmonization is addressing vacant space, vacant land, buildings under construction or partially completed buildings, none of which are presently subject to business taxes.

The city at various times has endeavoured to do away with business tax, but not in a way that would reduce the overall tax burden for business. It is called “harmonization” which in reality will likely bury the tax in the general abyss of property taxes. The proponents of harmonization on council are quick to point out that Calgary is the only major city in the country, if not the entire Milky Way, which still has business tax. That fact alone is not a sufficient reason to harmonize. This reasoning ranks up there with being the only lemming not to have hurled itself over the cliff!

Harmonization, however well-intentioned, is not without some significant downsides, and council in its deliberation must consider these aspects fully and well. For the small business, it stands to lose its right of appeal for a portion of its taxes. Should harmonization occur, that right will be completely lost as there will be only one remaining avenue for appeal and that is by the property owner. To cause further concern for all businesses, the rate of business tax assessment has been frozen for some time. In the event the business tax is rolled into property tax, the way is clear for council to remove any incentive to freeze one aspect of the overall tax and the result would be higher taxes.

For commercial property owners, the consequences could be more ominous. Among the key issues around harmonization for owners is addressing vacant space, vacant land, buildings under construction or partially completed buildings, none of which are presently subject to business taxes. The result of a single tax could have the effect of significantly raising taxes for these types of properties. Likewise, government buildings do not pay taxes. The provincial and federal government generally provides municipalities with grants in lieu of taxes that generally match an amount for that municipality were the properties taxable. Those same governments have steadfastly declined to adjust those grants so as to include business taxes. Harmonization may result in an inflationary pressure associated with the change, and it must be remembered where those governments get funds in the first place.

On a similar vein, linear properties, which are things like utility rights-of-way and railways, do not pay business taxes and harmonization will result in a cost escalation. While we’re on the subject of exemptions, there are many organizations like charities and social services agencies and other not-for-profit entities whose tax load will increase as the space they occupy will be blended into property taxes. These added costs to charities will deplete their resources away from good works in the community.

Given all these factors, harmonization is not a good thing as the benefits and the equity of the mechanisms have yet to be demonstrated. This is why BOMA and other leading business organizations have opposed the harmonization initiative. It is a position that has been consistently opposed by the business community for years, and that position has not altered. Harmonization could be a “side door” tactic to raise taxes and be another business-unfriendly initiative to an increasingly business-unfriendly city council and will make doing business in Calgary that much more difficult. Business owners and property owners alike should let their aldermen and the mayor know their feelings on this issue.
Greetings from the board of directors of BOMA Calgary. As I write this article, I can’t tell outside if it’s the end of April or January. I am hoping that by the time this is published, we are well entrenched in some great weather that accommodates golf and other outdoor activities.

Congratulations to Bentall Real Estate Services and the Hopewell Business Parks for pushing us over the 100th building mark for BOMA Go Green certifications. Environmental responsibility is, in my opinion, one of the key expectations of our tenants, customers and owners. I believe that it will become more of a factor in attraction and renewal of our tenants. As an industry, we need to work with our supporting members to achieve the highest environmental standards in cleaning, recycling and waste, electrical and water conservation, safe disposal of hazardous tubes, paint and other hazardous materials as well as working with and educating our building tenants on how their actions impact our efforts. Small things such as turning off computer monitors when leaving at night offer a significant savings in electricity and can help us achieve a smaller carbon footprint. If you aren’t certified GO GREEN yet – get on the bandwagon and don’t get left behind! More information can be found at www.boma.ca.

An important issue on the radar screen again is harmonization of business and property tax. This proposal last raised its head in 2003. At that time, BOMA, along with a group of other interested parties, was against the proposal for several reasons which have yet to be addressed. As a result the proposal was dropped. In April, Alderman Gord Lowe tabled a proposal to harmonize the two taxes, which places the burden of collection into the hands of the landlord. The administration has been directed to prepare a report for presentation to the standing policy committee on finance and budget meeting on May 14, 2008. This proposal has been tabled without any formal stakeholder consultation such as landlords and business owners. A meeting was held on May 1, 2008 with a coalition of stakeholders including BOMA, NAIOP, Canadian Federation of Independent Business (CFIB), Canadian Property Tax Association (CPTA), Calgary Chamber of Commerce and the Uptown 17 BRZ, and while the concerns are not all necessarily the same, there was a consensus that as a unified group, we would consolidate our issues together and put them forward to council, as well as individually. All groups will present their five-minute synopsis of concerns at the May 14 meeting. In general, the thrust is “NO” to the current proposal, unless council is prepared to listen to and address the concerns of business owners and landlords. We will continue to keep you informed of this issue as it progresses.

Recently, I had the opportunity to meet with our communications committee. Chaired by Jim Harvie, Telus Convention Centre – along with members Mike Kehoe, Fairfield Commercial Real Estate, David Holmes, Measure Masters, Paul Gauthier, Fujitec Canada, Blair Carbert, Stones, Carbert, Waite LLP, Miles Durrie, Calgary Herald and Carol Lewis, Calgary Herald – they are focusing on the 2008 BOMA Building Guide, which is really coming together well. The circulation of the BOMA Building Guide is approximately 18,000 and includes the decision makers at all major Calgary business organizations, Canadian embassies and trade desks worldwide, and all BOMA offices in North America. The guide includes a listing and map of all the buildings in the downtown, Beltline and suburban office/industrial areas. This, combined with some great thought-provoking articles on the commercial real estate market in Calgary, and you have an industry “bible” that you should not be without! Watch for your copy in September. Thank you to our hard-working communications committee for ensuring the success of our Building Guide every year.

Our supporting member council chaired by Jenny Tyler, Innovative Air Quality, along with members Wayne Salter, Skyline Roofing, Ken Thiessen, Canem Systems and Craig Bedard, Iappeal, represent our service side of the business. These are the folks that we are fortunate to partner with in our buildings to keep them operating in a first-class manner. This group of hard-working volunteers is researching the benefits of an online bidding system that will make their services to landlord members easier to obtain while creating business opportunities for our supporting membership. While still in the research and planning stages, it is an example of the thought and effort that our committed volunteers put in to making this a great association for all members. Thank you to our supporting member council for your diligence and efforts on behalf of BOMA Calgary.

On a closing note – thank you to the membership committee for throwing a great Cinco de Mayo party on May 1 – Mexico’s got nothing on us (other than weather, palm trees and beaches)! Until next time – Adios.
A Day in the Life of a RECA Compliance Audit

By BOMA Staff

The Real Estate Council of Alberta (RECA) conducts audits of mortgage brokers and real estate appraisers to ensure compliance with statutory obligations under the Real Estate Act. While the word audit may strike fear for many, this particular type of audit serves an important function that benefits the industry.

Recently, a BOMA member who is also an industry member (e.g. under the jurisdiction of RECA) went through a RECA audit and told BOMA Calgary News about the experience.

BOMA: What does a RECA audit look like from start to finish?

Industry Member: The auditors notified us that we had been chosen to have an audit and booked a time with us. They sent us information ahead of the meeting day in order to warn us of what they are looking for and what will be needed to complete the audit. We had two auditors come to the office, look through documents, recommend changes to certain documentation and looked for evidence of compliance with the Real Estate Act. The whole process took us a few hours.

B: How did the whole process feel?

IM: They were reasonable about it. No one is out to get you, and as long as you were straight with them they were very helpful. They were not witch-hunting.

B: How long did the audit take?

IM: We are a different type of company than a normal mortgage broker, so our experience was a little different; they were only with us for a few hours. Normally they would be with a company for one day and two at most.

B: What sorts of things do the RECA auditors ask to see?

IM: They checked our licence, verified that procedures were correct and that documentation and looked for evidence of compliance with the Real Estate Act. The auditors are primarily there to promote compliance with the Real Estate Act and the rules as those necessary will occasionally do an investigation if there are findings of acting outside the laws and standards can't taint the public's view of the entire industry; and to safeguard the licensing system including the on-line portion.

B: Why might RECA request an audit?

IM: They picked our company randomly, but they might contact a company if there was a complaint.

B: What is the worst that can happen from an audit?

IM: The auditors are primarily there to educate and help make changes; however they do have the power to shut down a business in an extreme case or they may give a company a fine, it all depends on the particular grievance.

They're enjoying their office renovations.

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Building or renovating your office shouldn’t be stressful.

For over 30 years, we’ve been developing excellent office environments, and delivering worry-free construction experiences.
IM: Whatever they want, you will need to provide it. As well, they are very knowledgeable about broker education and renewals.

According to RECA*, the objective of an audit is fourfold – to serve industry members and help them to develop their accounting practices and procedures; to reduce the number of claims against assurance fraud, as the cost of these claims are shared by all industry members; promote compliance with the Real Estate Act and the rules as those acting outside the laws and standards can taint the public’s view of the entire industry; and to safeguard the licensing system including the online portion.

After the audit is complete RECA provides the review, recommends changes, provides a written summary, provides ongoing support, and if necessary will occasionally do an investigation if there are findings of misconduct.

As our industry member reported, audits are usually selected randomly. RECA has a number of criteria that will also trigger an audit, including third-party information. As well, they will do courtesy audits in which they are requested to educate a new brokerage about the act and recommend changes.

If you are uncertain about your business and compliance with the act you can contact RECA for more information. Stay informed and do not fear the audit!

*RECA information was obtained from their website www.reca.ca. For more information, view this website or contact RECA directly.
Who's Who in the Zoo?

Welcome these new BOMA members:

- Garry Nolte, Calgary Cleaning
- Bill Tischner, Time Business Machines LTD
- Velda Decker, Direct Energy
- Catherine Fridgeley, Calgary Board of Education
- Jordan Hyshka, PHII ARC Environmental
- Leszek Bozek, Alberta Infrastructure & Transportation
- Robert Fetter, Hopewell Real Estate Services Inc
- Larina La Madrid, CB Richard Ellis
- Slade Rogers, CB Richard Ellis
- Morten Aksdal, The Diebold Company of Canada
- Rhonda Dupuis, City of Calgary
- Barbra Cutter, City of Calgary
- Dale Deering, City of Calgary
- Tom Jeve, City of Calgary
- Ralph Tait, City of Calgary
- Dan Byrgesen, City of Calgary
- Stanley Neumann, Rona
- Bob Grandan, Rona
- Paul O’Connor, Rona
- Jeff Martin, Rona
- Lisette Webster, ATCO Structures
- Sam Chahta, Ducky’s Office Furniture Ltd
- Tracy Rinehart, Credit Union Central Alberta Ltd.
- David Jones, Harvard Developments
- David Simpson, Oxford Properties Group
- JC Bawa, Otis Canada
- Jeff McKimmon, Otis Canada
- Cory Borg, ATB Financial
- Wojtek Kowalczewski, YouHere Inc.
- Dawn Mitner, ATB Financial
- Ryan Remington, Remington Development Corp
- Antonia Mohamed, GWL Realty Advisors
- Karl Castellino, Kimberly Clark Professional
- Michael Savage, Bantrel
- Allyn Hunter, Bantrel
- Brian Schamber, Johnson Controls Ltd.
- Melanie Barron, Davies Park Executive Search
- Greg Pfeiffer, Oxford Properties Group
- Steven Purdy, Dominion Construction
- Karen Wichuk, City of Calgary
- Catherine Chow, Bentall Real Estate Services
- Jamie Kneller, Bentall Real Estate Services
- Lisa Hardy, Bentall Real Estate Services
- Jenny Tyler, Innovative Air Quality
- Deana Scanlon, Bentall Real Estate Services
- Valerie Copeland, Siemens
- Ian Myron, NewWest Enterprise Property Group
- Gordon White, Ainsworth
- Robert Berlando, Georgia-Pacific
- Bill Tharp, 20 Vic

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New Graduates from BOMI Institute

The Real Property Administrator (RPA) designation program covers every aspect of property management, from the basics of building design, operation, and maintenance, to the specialized areas of commercial property law and risk management, marketing and leasing, budgeting and accounting, and asset management. The Facilities Management Administrator (FMA) designation program has in-depth coverage of critical-need topics, including planning and project management, facilities technologies, finance and investment, and environmental health and worker safety. If one designation has already been achieved the other can be attained by taking two or three additional classes.

- Pat Gardener, RPA & FMA
- Jean Levasseur, SMT
- Marie Mah, RPA
- Coreena Novik, RPA, Arcturus
Data from 160 Go Green Plus Certified buildings reveal the following:

- Enough energy saved to power 50,000 homes for one year.
- Waste diversion saved the equivalent of 767,000 trees and prevented the equivalent of 1,608 tractor-trailers from having to transport garbage.
- Saved over 3,608,000 m³ of water, or the equivalent of 1,443 Olympic-size swimming pools.

If your building is not Go Green certified you are missing out on the opportunity for significant savings, and changing your competitive position.

Above: Kay Risdon of Alberta Infrastructure & Transportation with five Go Green certificates.

Left: President Wendy Cardell presents Stuart Hathaway of 20 Vic Management with three Go Green certificates.

Below: Lila Keith of Domie Britannia Properties with Bob Keith as they enjoy the festivities of the BOMA Cinco de Mayo Social.

Above: Peter MacHardy, GWL Realty Advisors and Robert Fetter, Hopewell Real Estate Services at the BOMA Cinco de Mayo Social.

Above: Wendy Cardell Cadillac Fairview Corporation and Mark Lunnin of Servpro at the BOMA Cinco de Mayo Social.

Left: President Wendy Cardell presents Lynn Hart of CRET Management with the Go Green Certificate for Sunlife Plaza.

Below: President Wendy Cardell presents Raj Dass and Morgan Brady of Alberta Infrastructure & Transportation, with the Go Green Certificate for Head Smashed-in Buffalo Jump, a UNESCO World Heritage Site.
Land use of the area which was to become Calgary was entirely under the control of the Siksika (Blackfoot) Confederacy by the early 19th century. The Peigan controlled the eastern slopes of the Rockies from Jasper to Montana and blocked trade and exploration through the mountains in this area. The Tsuu T’ina (Sarcee) occupied an area to the southwest and the principal Siksika controlled the plains to the east and north. The Siksika were fierce defenders of their territory and the off-limits boundaries for this area were set well above the Red Deer River to the north and the area in the vicinity of Regina to the east. The Siksika had developed excellent horse skills by the mid-17th century and a fearsome reputation which, coupled with the poor fur-bearing animal populations in this area and the lack of navigable rivers, kept traders out of the area and would account for the lack of French place names here that are so prevalent farther north. The Tsuu T’ina (Earth People) are Athapaskans, an offshoot of the Beaver tribe from the north, and may have arrived in the area during the 17th century. These woods Indians were somewhat unsuited to the plains environment, but they built an alliance with the Siksika and were generally assimilated except for language by the mid-19th century. The Stoney are an Assiniboine tribe that ranged west of the Peigan, within the Rocky Mountains from Athabasca to Montana, and speak the Sioux language. While they have been referred to as the ‘Lost Tribe’ it is...
believed they came south in the late 18th century due to a smallpox epidemic in the north, although Anthony Henday does report meeting and trading with Assiniboines in the Red Deer area in 1754. As part of the great western plains, land use for the Calgary area in the mid-19th century was primarily wildlife grazing and hunting.

Whether for grazing and hunting or buildings and parking lots, land use was and is about partnerships and strong defences. With real estate values plummeting south of the border, many property investors wonder how and/or when this trend will arrive here. American investors are looking at the stability of the Canadian real estate market and especially the vibrancy of the Calgary area and while there are some deals to be made at pre-boom prices, land sales have remained firm when the vendor utilizes informed counsel. January saw the Palliser Hotel sold for a reported value of $960/sq.-ft. and a half interest in the limestone-clad three-storey at 505 – 3rd Street was sold for a reported $1,132/sq.-ft. Also in January, Energy Plaza sold for $1,177/sq.-ft., BP Centre was sold with other properties for $182.5 million and the refurbished Clarence Block was sold for $814/sq.-ft. as well. A street lot just east of MacDougall Centre was sold for a reported $492/sq.-ft. in February. The Delta Bow Valley Hotel on 4th (Reinach) Avenue was sold for $115.4 million in February as was a half interest in the Melton site on 5th (Northcote) Avenue for $449/sq.-ft. The old Confederation Building on 12th (Van Horne) Avenue and 5th Street was subdivided in February and then sold in March for $34.66 million as Citadel West. March also saw the parking lot on the west side of the Andrew Davidson sold by the city for a reported $302/sq.-ft. and the lane for a reported $430/sq.-ft.. The closure of the lane will hamper the handicap access for the No. 1 Royal Canadian Legion. Bow Valley College was transferred from the province to the Governors for a reported value of $280/sq.-ft. while the street lot just east of MacDougall Centre was sold again, but this time for a reported $517/sq.-ft.. The city bought a lot on 5th (Northcote) Avenue just west of the Simmons Mattress building for $176/sq.-ft. and the Alberta Meat Locker property at the east end of 6th (Angus) Avenue for $139/sq.-ft.. The Stuart Block on 7th (MacIntyre) Avenue just west of Centre (McTavish) Street was sold in March for $708/sq.-ft. and the 444 – 5th Avenue Building sold for $56.5 million. In the Beltline, the parking lot at the west end of the Bottle Depot building on 10th (Pacific) Avenue was also sold in March for $9.7 million.

The real estate market in downtown and Beltline Calgary has shown some adjustments, but also demonstrated that sound advice from a knowledgeable broker can still be the best investment a property owner can employ. While land use has changed considerably and money has replaced trade, partnerships are still useful in property management and many transactions depend upon good counsel.
Help or Hindrance?
By David Parker

My thought process on affordable housing began again back in March as a reaction to reading the headline “Reviving a blues icon” and I became frustrated thinking of the problems that Gerry Garvey had in trying to buy the King Edward Hotel, affectionately referred to as the “King Eddy,” from the city.

He was at the end of his lease and had proposed buying the property in order to keep his famous Blues Bar open, but more importantly he wanted to convert the north part of the building into 65 transitional suites. They would have housed single people who were working, to get them out of places like the Drop-In Centre and have cheap rent until they could afford to move into market value residential.

I understand that city administration was in agreement, but council delayed a decision until more studies on East Village had been completed. Six months later health authorities closed it down because mold had been found, but Garvey was going to gut the place anyway.

His financing would have been arranged through a Canadian Mortgage and Housing Corporation SRO mortgage – that incidentally has been used well in Medicine Hat but not to date in Calgary. Garvey was forced to give up his dream; not because it wouldn’t work but because of a lack of political will. And I believe that is still a problem.

That was four years ago and East Village is still being studied.

Mind you, one of the many bylaws covering East Village does say that in developments of 50 or more dwelling units a minimum of 10 per cent shall have a minimum net floor area of 55.75 square metres and a maximum of net floor area of 65 square metres. I guess
that might imply that 10 per cent must be low-cost – but without pricing numbers the smaller units could also be fitted up into ritzy bachelor pads and sold at far more than many could afford.

It’s encouraging to learn that in Canmore, when Chris Ollenberger – who heads the Calgary Municipal Land Corporation overseeing the development of East Village (or The Rivers, as some would have us call it) – was running the Three Sisters development he built affordable housing on the former Canmore Town Hall site. Mineside Court is a complex of 32 units of which 17 were deemed to be perpetually affordable; buyers of the less expensive units had to abide by a caveat that only allowed them to sell at an agreed upon yearly growth.

There was no difference in the exterior of the units and in fact market price buyers helped to subsidize the affordable suites. And guess what – according to Ollenberger the community worked and nobody seemed to care who was living in what.

Mixed markets can work. And Ollenberger has said that he is encouraging affordable housing within his project, but is there the will of his political masters?

Meanwhile the huge problem of finding housing for people with low paying jobs is getting compounded by the number of workers desperately needed by Calgary businesses.

There’s a call out for more health-care workers – never mind today’s hospital beds are empty because of a lack of staff, where are we going to find enough employees from cleaners to cardiologists to open the South Health Campus?

In his recent address to the 2008 Calgary Leader’s Dinner, Premier Ed Stelmach stated that a quarter of the new jobs in Canada would be generated in Alberta. Fine and dandy – but where are the workers going to live?

A City of Calgary delegation is headed to the U.K. in June to try and recruit workers. They no doubt will promote all of the good reasons for moving to this great city, and there are many of them. But they are obliged to tell about housing costs.

Now I understand that the city does indeed have a number of houses it owns that it intends to use in the short term for new immigrants. I had to ask why these were not being used today for the working poor and was told that they are only short term on land that may have to be used for infrastructure. Short term for city use is different than short term for the poor?

I would assume that many of the new recruits would be able to sell homes in England enabling them to buy here at current market prices, as will many others coming to this city with high paying jobs. But they only help the average home price statistics that we seem to be so proud of. It does nothing for those who cannot afford a down payment. In fact, more buyers at high prices only widens the gap.

It’s not as if the need is something new, and not as if city and provincial elected officials are not aware. How many task forces and studies have we had in the past few years, yet how many actual units have been built with government assistance? I can answer that question – very (too) few!

The private sector and not-for-profits have tried, but there are so many roadblocks. It was back in March of 2007 that I was first made aware of the Mustard Seed’s plans to build a tower at the corner of Centre Street and 10th Avenue S.E. It has cut down the height from 31 storeys to between 18 to 22 and the number of units from 410 to 220, yet it has already been a year since it applied for land use and still, no approval.

New Ald. John Mar tried to get it on the May public hearing, but the majority of aldermen insisted on waiting for two more reports – one of them from their own affordable housing task force. Where’s the will? At best they will be completed by July which is just in time for it to be tabled to allow for holidays. I’m sure they will be giving affordable housing a lot of thought while vacationing away from the city and I doubt if the Mustard Seed will see any action until September.

The frustrating thing is that organizations like Habitat for Humanity have the funding and eager volunteers to build but cannot get land, even though the city owns suitable parcels that have stood vacant for a long time.

City council, administration and as well as business should be driving hard to see that this city has homes for those who cannot afford to buy one at today’s average cost. That would include me.