

**CALGARY
ASSESSMENT REVIEW BOARD
DECISION WITH REASONS**

In the matter of the complaint against the Property/Business assessment as provided by the *Municipal Government Act*, Chapter M-26, Section 460(4).

between:

J.D. Sheridan (Linnell Taylor Assessment Strategies), COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

***M. A. Vercillo, PRESIDING OFFICER
S. Rourke, MEMBER***

This is a complaint to the Calgary Assessment Review Board in respect of Property assessment prepared by the Assessor of The City of Calgary and entered in the 2010 Assessment Roll as follows:

ROLL NUMBER: 058168097, 200262640, 200966109

LOCATION ADDRESS: 1240 KENSINGTON RD NW

HEARING NUMBER: 56220, 56226, 56223

ASSESSMENT: \$10,660,000, \$972,000, \$199,500

This complaint was heard on 24th day of June, 2010 at the office of the Assessment Review Board located at Floor Number 3, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom #12.

Appeared on behalf of the Complainant:

- *Mr. J.D Sheridan (Linnell Taylor & Assessment Strategies)*

Appeared on behalf of the Respondent:

- *Ms. K. Moore*

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

Not Applicable

Property Description:

The subject property known as Kensington Place is a 4 story suburban office building located in the Kensington district of NW Calgary. The building has a net rentable area of approximately 49,621 square feet (SF) including 5,907 SF of retail space and 43,714 SF of office space. The building is situated on an assessable land area of approximately 19,688 SF (according to Respondent's evidence). The building is considered a "B" Class building for assessment purposes and was constructed in 1981. The building leases out office space to two Lessees with exempt status for property taxation under two different property assessment Roll Numbers. They are: Roll #200966109 (File #56223) and Roll #200262640 (File #56226). The aforementioned exempt roll numbers are combined and appealed concurrently with the non-exempt Roll #058168097(File #52220).

Issues:

- 1) Assessment is excessive because the Respondent did not use appropriate coefficients, namely:
 - a) Rental rates,
 - b) Vacancy rates, and
 - c) Capitalization rate,in his Income Approach to value.

Complainant's Requested Value:

The apportionment of the current and requested assessment is as follows:

Roll #	Original Assessment	Requested Assessment
058168097	\$10,660,000	\$ 9,320,000
200262640	\$ 972,000	\$ 980,000
200966109	\$ 199,500	\$ 200,000
Total	\$11,831,500	\$10,500,000

Board's Decision in Respect of Each Matter or Issue:**Issue #1 - Rental Rates:**

The Complainant provides the subject property's current lease arrangements (mixing retail and office spaces together) with various Tenants taken from the subject's Assessment Request For Information (ARFI) that was previously submitted to the Assessor's office. In addition he compares the subject to a nearby building as a direct comparable for lease rates. He concludes that the appropriate lease rates for the subject are \$17.00 per SF for office space and \$19.00 per SF for retail space.

The Respondent provides a summary of "B" Class suburban office and retail space lease rates for buildings within the same or similar assessable district as the subject. The lease rates have a range of \$13.00 per SF to \$25.00 per SF for office space and a range of \$20.00 per SF to \$24.00 per SF for retail space. The median rate per SF is \$21.00 for office space and \$22.75 for Retail space. The Respondent concludes that the appropriate lease rates for the subject are \$19.00 per SF for office space and \$22.00 per SF for retail space. The Respondent also provided an independent company's (Altus) study of the rental rate market for Class B buildings in northwest Calgary. The study shows that the average rental rate asking price for similar buildings to the subject is \$19.68 per SF for quarter 2 of 2009. In addition, the Respondent provided evidence of the subject's latest ARFI showing that one of the retail tenants signed a 5 year lease with a Lease Start Date of August, 2008 and a Lease rate of \$24.00 per SF.

The Board finds that by focussing on the 2009 rental rates provided by the Respondent for both office and retail space there is adequate evidence to support the Respondent's rental rates of \$19.00 per SF for office space and \$22.00 per SF for Retail space. The Complainant's Rebuttal package failed to dissuade the Board from this conclusion. Moreover, in reviewing the Complainant's rebuttal package and focussing on deriving a median from the data provided, the evidence again supported the \$19.00 per SF office rate. There was no rebuttal provided for retail space.

Issue #2 - Vacancy Rate:

The Complainant is requesting a vacancy rate of 4.00% be applied to the subject based on various independent studies of Class B buildings with particular weighting on 2009 rates.

The Respondent uses a 6.00% vacancy rate in her Income Approach to value. The Respondent claims the 6% rate is consistently applied to similar buildings in the same assessable area.

The Board finds in favour of the Respondent for reasons of consistency and also finds that the higher vacancy rate used by the Respondent actually favours the Complainant in the Income Approach to value.

Issue #3 - Capitalization Rate:

The Complainant is requesting a capitalization rate (Cap Rate) of 8.50% be applied to the subject based on an independent study of Class B buildings by Colliers International with particular weighting on 2009 rates. The study shows that in 2009 the Cap Rate was 8.00% to

particular weighting on 2009 rates. The study shows that in 2009 the Cap Rate was 8.00% to 8.50% for Quarter 1, 8.50% to 9.00% for Quarter 2 and 8.25% to 9.00% for Quarter 3. In support of the Complainant's Cap Rate request of 8.50% the Complainant provided five sales comparables of properties that sold in the first half of 2009.

The Respondent also provides the Colliers International Cap study but also provided other similar independent studies done by CB Richard Ellis (CBRE) and Altus. The CBRE study showed a Cap Rate range of 7.00% for 3rd quarter 2008, to 9.00% for 2nd quarter 2009. The Altus study showed a Cap Rate range of 8.10% to 8.30% for 1st quarter 2009. The Respondent claims that unlike the Complainant who focussed on 2009 data for Cap Rates, the Respondent sample of data included the entire assessment year (2nd quarter 2008, to 2nd quarter 2009). The Respondent claims that an 8.00% Cap Rate is more appropriate for the subject and is consistently applied to similar properties within the same assessable area.

After considering all the evidence submitted by each party in support of their respective positions on Cap Rates, the Board finds that a rate of 8.25% is reasonable for the subject when considering its age and location in comparison to other properties with emphasis on 2009 data.

The Board also notes and accepts the Respondent's change to the original assessments for the exempt Roll Numbers 200262640 and 200966109 apportioning 7 and 1 parking spaces respectively for a total of 8 parking spaces to exempt status.

Board's Decision:

The Board finds that in using rental rate of \$19.00 per SF for office space, \$22.00 per SF for retail space; a vacancy rate of 6.00%; and a Cap Rate of 8.25%; and apportioning 8 parking spaces to exempt status as requested by the Respondent; and using the Income Approach to value, the revised assessments are as follows:

Roll #	Original Assessment	Revised Assessment
058168097	\$10,660,000	\$10,230,000
200262640	\$ 972,000	\$ 1,040,000
200966109	\$ 199,500	\$ 210,000
Total	\$11,831,500	\$11,480,000

DATED AT THE CITY OF CALGARY THIS 13 DAY OF July 2010.



Michael A. Vercillo

Presiding Officer

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.*