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: 058168402

LOCATION ADDRESS: 1228 KENSINGTON RD NW

HEARING NUMBER: 56599

ASSESSMENT: $9,860,000

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 Professional Centre is a 4 story suburban office building completed in 1983 and located in the Kensington district of NW Calgary. The building has a net rentable area of approximately 44,836 square feet (SF) (according to Respondent's evidence) including 1,748 SF of Below Grade Office space, 3,220 SF of storage space and 39,868 SF of office space. The building is situated on an assessable land area of approximately 13,306 SF (according to Respondent's evidence).

Issues:

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

Complainant's Requested Value:

$9,000,000.

Board's Decision in Respect of Each Matter or Issue:

Issue #1- Rental Rates:

The Complainant provides the subject property's current lease arrangements with various Tenants taken from the subject's Assessment Request For Information (ARFI) that was previously submitted to the Assessor's office. He also provides some recent lease rate information for the subject that included some post-facto data. In addition he compares the subject to nearby buildings as direct comparable for lease rates. He concludes that the appropriate lease rates for the subject are $18.00 per SF for office space, $9.00 for below grade office space and $6.00 per SF for storage space.

The Respondent provides a summary of "B" Class suburban office 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. The median rate per SF is $21.00 for office space. The Respondent concludes that the appropriate lease rates for the subject are $19.00 per SF for office space, $9.00 for below grade office space and $6.00 per SF for office storage 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.

The Board finds that by focussing on the 2009 rental rates provided by the Respondent for office space there is adequate evidence to support the Respondent's rental rates of $19.00 per SF for office 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.

In addition the Board notes and accepts the Respondent's recommendation to further reduce the lease rates applied to below grade office space and storage space to $6.00 per SF and $3.00 per SF respectively. This recommendation was made by the Respondent after a site visit.

Issue #3 - Capitalization Rate:

The Complainant is requesting a capitalization rate (Cap Rate) of 8.50% be a 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 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.

Board's Decision:

The Board finds that in using rental rate of $19.00 per SF for office space, $6.00 for below grade office space and $3.00 per SF for storage space; a vacancy rate of 6.00%; and a Cap Rate of 8.25%; and using the Income Approach to value, the revised assessment is **$9,390,000.**

DATED AT THE CITY OF CALGARY THIS 2 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.