

**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-26.1, Section 460(4).

between:

Linnell Taylor Assessment Strategies, COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

***Earl K Williams, PRESIDING OFFICER
Ray Deschaine, MEMBER
Jim Rankin, MEMBER***

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

ROLL NUMBER: 200905867

LOCATION ADDRESS: 422 11 Ave SE

HEARING NUMBER: 55985

ASSESSMENT: \$4,270,000

This complaint was heard on 15 day of July, 2010 at the office of the Assessment Review Board located at Floor Number 4, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 6.

Appeared on behalf of the Complainant:

- J David Sheridan

Appeared on behalf of the Respondent:

- D Grandbois

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

No Preliminary, Procedural or Jurisdictional Matters

Property Description:

The property is a 17,259 square feet (sq ft) Beltline Office Building on a 19,989 sq ft. site located in the East Beltline/Victoria Park. The subject property is the former Baradoy Building completed in 1911 and renovated in 1999. The building is a two storey office property with an office component of 12,900 sq ft, a retail component of 4,359 sq ft and surface parking. This is an owner occupied building with the owner leasing 9,950 sq ft of the office space and the remaining 2,950 sq ft office space leased to third parties.

Issues:

The Complainant identified issue with three of the coefficients utilized in the Income Approach, specifically:

- Office Rental Rate: the assessed rental rate should be reduced from \$17.00 psf to \$15.00 psf.
- Retail Rental Rate: the assessed rental rate should be reduced from \$22.00 psf to \$18.00 psf.
- Capitalization Rate: the cap rate should be increased from 7.5% to 8.0%

Complainant's Requested Value:

\$3,600,000

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

Complainant and Respondent presented a wide range of evidence consisting of relevant and less relevant evidence in respect of the issue.

Office Rental Rate:

The Complainant presented, on page 5 of their evidence, a table of Beltline leasing with a commentary on the leases presented on page 6 of their evidence. The table presented lease information for 10 buildings located in the Beltline area from 2nd St SE to 13th St SW and 1 building located on 14th St NW. The median rental rate for the Beltline properties was \$15.00 psf.

The Complainant's commentary focused on 13 leases in 8 of the Beltline buildings. Of the 13 leases 11 of the leases had 2009 start dates, of which 5 were prior to July 2009 and the 6 which

were after July 2009 were treated as *post facto*. The analysis of the leases reported:

- The median rental rate for the leases in the 8 buildings was \$15.00 psf.
- The median rate reported for the 5 lease dated April to July 2009 was \$15.00 psf.

The Complainant's analysis of 5 leases in a comparable property was located in Victoria Park and a few blocks west of the subject reported a median rental rate for \$15.00 psf. The Complainant's position was that the lease evidence for Beltline comparables and most specifically those in Victoria Park supported that a rental rate of \$15.00 psf is fair and equitable.

The Respondent's evidence (page 35) presented particulars on 8 leases (9 leases were reported but 1 was a duplicate) completed in 5 buildings in the Victoria Park area of the Beltline and in close proximity to the subject property. The median rental rate was \$16.50 psf. A May 2009 lease for 1,431 sq ft reported a rental rate of \$13.50 psf.

Board Decision

Based on the evidence presented the Board found for the Complainant and reduced the assessed rental rate from \$17.00 psf to \$15.00 psf.

Retail Rental Rate

The Complainant presented (page 4) the rent roll for the subject property which identified that the current retail tenant's lease commenced January 2007 for a term of 3 years at a rental rate of \$16.00 psf. The other evidence presented was unsubstantiated.

The Respondent (page 36) presented particulars on 4 leases in 2 buildings in the Victoria Park area of the Beltline and in close proximity to the subject property. The median rental rate was calculated to be \$30.00 psf. The most recent lease was an October 2008 lease for 1,747 sq ft at a rental rate of \$30.00 psf.

Board Decision

Based on the evidence presented the Board found for the Respondent and confirmed the assessed rental rate of \$22.00.

Capitalization Rate

The Complainant presented evidence (pages 9 – 16) to support their position to increase the cap rate. This evidence included:

- Colliers International 2009 Capitalization Rate Report for Calgary Suburban Office market which reported the range for Q2/2009 cap rate for class B properties to be 8.50% - 9.00%.
- Particulars on 5 sales completed in the period March to July 2009 was presented on page 15 of the evidence. Of the 5 sales 4 were in the Beltline and one in the Bridgeland area. Of the 4 Beltline sales one was a Receivership sale and one was for a special use building. The cap rates for the remaining 3 comparables were 7.8%, 7.9% and 8.0%.

The Complainant concluded that a cap rate of 8.0% was supported by 2009 transactions.

The Respondent evidence on pages 42 – 63 presented details on 5 transactions between March 2008 and April 2009. A table on page 42 summarized the transactions all of which were in the Beltline. The median cap rate for the 4 transactions was reported as 6.75%. The individual cap rates were: March 2008 – 6.30%, May 2008 – 6.70%, October 2008 – 6.80% and April 2009 – 7.50%. The Respondent calculated a typical cap rate to be 7.25%.

Board Decision

Based on the evidence presented, most specifically the higher caps rates for 2009 transactions, the Board found for the Complainant and increased the cap rate to 8.0%

Board's Decision:

Assessment Revised to \$3,650,000

DATED AT THE CITY OF CALGARY THIS 18 DAY OF August 2010.



Earl K Williams
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.*