

**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(4).

**between:**

**Altus Group Ltd, *COMPLAINANT***

**and**

***The City Of Calgary, RESPONDENT***

**before:**

**J Noonan, *PRESIDING OFFICER***

**D. Morice, *MEMBER***

**D. Cochrane, *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:

<b>ROLL NUMBER:</b>	<b>115069106</b>
<b>LOCATION ADDRESS:</b>	<b>2882 Glenmore Trail SE</b>
<b>HEARING NUMBER:</b>	<b>57407</b>
<b>ASSESSMENT:</b>	<b>\$11,440,000</b>

This complaint was heard on the 12<sup>th</sup> day of July, 2010 at the office of the Assessment Review Board located at the 4<sup>th</sup> Floor, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 3.

Appeared on behalf of the Complainant:

- G. Worsley, *Sr. Consultant*, Altus Group
- D. Chabot, *Sr. Consultant*, Altus Group

Appeared on behalf of the Respondent:

- A. Jerome, *Assessor Intern*, The City of Calgary

### **Property Description:**

The subject is located at 2882 Glenmore Trail SE, Calgary. It is a two-storey suburban office in the Ogden district, constructed in 1977. The assessed value is \$11,440,000 but the assessor advised that a portion of the office space had been vacated by an exempt tenant, and therefore the previously applied exemption should be removed. As well, the assessment reflects a split-rate lease structure which had been decided not applicable in a prior year's MGB decision, which had not been corrected in this year's assessment. With the corrections of a single lease rate and removal of the exempt portion the correct assessment would be \$11,780,000.

### **Jurisdictional or Procedural Issues Heard:**

During the course of the hearing, Mr. Worsley for the Complainant was joined by Ms. Chabot who proposed to present evidence regarding the vacancy issue and rebuttal evidence. The City objected to the presence of Ms. Chabot as her name and signature had not appeared on the list of witnesses.

The CARB decided that the evidence to be heard was documented and properly disclosed. The Board was indifferent to the selection of presenter of this evidence, saw no disadvantage to the City, and so ruled that Ms. Chabot could present evidence.

### **Issues:**

1. Should the parking stalls monthly lease rate be reduced from \$100 to \$65?
2. Should the capitalization rate be increased from 8% to 9%?
3. Should the lease rate be reduced from \$16 to \$14?
4. Should the vacancy allowance be increased from 6% to 9.5%?

### **Board's Findings in Respect of Each Matter or Issue:**

1. The Respondent produced a list of 46 buildings city-wide with underground parking monthly rates showing mean and median rates somewhat higher than the assessed \$100 per month per stall. The Board preferred this evidence of a typical lease rate over that of the Complainant's site-specific monthly rate of \$65 at the subject.

2. The CARB found the Respondent's evidence superior to that of the Complainant. While there were no sales of Class B suburban offices in the relevant timeframe, the Respondent studied 6 Class A sales to show a median cap rate of 6.63% and a July 29, 2009 sale at 6.86%. The City applied a cap rate of 7.5% for Class A suburban offices, and added a further ½% for B Class offices, or 8% cap rate. The Respondent pointed out that 2 of the Complainant's sales comparables were post-facto, and in the analysis of one sale they had "backed-out" some \$2.6 million from the sale price to derive an inflated cap rate.

3. The Respondent's lease rate evidence, including two leases from the subject fully supported the \$16 rate applied in the assessment. In contrast, the Complainant's lease comparables suffered from the inclusion of some leases signed in late 2009 and some leases for below-grade space.

4. The Complainant referred to the City's Southeast Office Vacancy Study and pointed out to the Board examples of incorrect data, the exclusion of some office space that was assessed on roll numbers incorporating other development, and the inclusion of some office space that was atypical. The most substantial problem was the exclusion of some 104,000 sq.ft. of vacant space from an improvement of 108,000 sq.ft. at 1220 59 Ave SE. Including that space and making modest corrections to the City data, but not excluding those spaces the Complainant thought atypical, the conclusion was a vacancy rate of some 9.25%. The Complainant introduced vacancy estimates from Avison Young, Colliers and CBRE, all showing higher rates in the Q2-Q3 2009 period. Also introduced were 2 recent ARB decisions reached on very similar evidence to that presented here, both concluding a 9.5% vacancy rate for southeast offices.

The Respondent defended the Vacancy Study which was developed from ARFI information for 92 buildings with a total of 3,953,735 sq. ft., of which 243,359 sq. ft. was reported vacant, or 6.16%. Eight properties totalling some 300,000 sq. ft. had been excluded as ARFIs for those properties had not been returned or were incomplete. It would be wrong to selectively include data from just one of the missing eight, as the numbers would be distorted. The Respondent observed that the third party vacancy estimates included space available for sub-lease, and so were high estimates.

The CARB heard that even excluding the sub-lease areas from the third party estimates, the resulting figures were much closer to the requested 9.5% than the City's 6%. The block of vacant space at the 59 Ave property should be considered, despite the absence of an ARFI, as this significant vacant space would impact the localized market. Accordingly, this panel concurs with the decisions reached by two previous panels and sets the vacancy allowance for the subject at 9.5%.

#### **Board Decisions on the Issues:**

The Board reduces the assessment to \$10,890,000.

DATED AT THE CITY OF CALGARY THIS 3<sup>rd</sup> DAY OF August 2010.



*JN*  
J. Noonan  
Presiding Officer

JN/kc

*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.*