

**CALGARY
ASSESSMENT REVIEW BOARD
DECISION WITH REASONS**

In the matter of a complaint filed with the Calgary Assessment Review Board pursuant to Part 11 of the *Municipal Government Act*, being Chapter M-26, Section 460(4) of the Revised Statutes of Alberta (Act).

between:

Altus Group Ltd., COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

***Board Chair, L. LOVEN
Board Member, R. ROY***

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

ROLL NUMBER: 057195901

LOCATION ADDRESS: 1121 Centre St NW

HEARING NUMBER: 57752

ASSESSMENT: \$15,030,000

This complaint was heard on 29th day of July, 2010 at the office of the Assessment Review Board located at Floor Number 4, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom #9.

Appeared on behalf of the Complainant:

- *Danielle Chabot– Representing Altus Group Inc., as agent for Centre Eleven Capital Corp.*

Appeared on behalf of the Respondent:

- *Karen Moore– Representing the City of Calgary*

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

The Board derives its authority to make this decision under Part 11 of the Act. No specific jurisdictional or procedural matters were raised during the outset of the hearing, and the Board proceeded to hear the merits of the complaint, as outlined below.

Property Description:

The property under complaint consists of a 61,407 square foot high-rise office building and a 2,897 square foot one story building. The properties are within the Crescent Heights community located in northwest Calgary.

Issues:

The Complainant raised the following matters in section 4 of the complaint forms: assessment amount, and assessment class.

The Complainant, in section 5 of the Complaint forms, requested preliminary assessment of \$7,630,000; and, provided the following reasons for complaint:

Grounds for appeal:

1. The subject property is assessed in contravention of Section 293 of the Municipal Government Act and Alberta Regulation 220/2004;
2. The use, quality and physical condition attributed by the municipality to the subject properties is incorrect, inequitable and does not satisfy the requirement of Section 289 (2) of the Municipal Government Act;
3. The assessed value should be reduced to the lower of market value or equitable value based on numerous decisions of Canadian Courts;
4. The assessment of the subject property is in excess of its market value for assessment purposes;
5. The classification of the subject property is neither fair, equitable, or correct;
6. The information requested from the municipality pursuant to Section 299 or 300 of the Municipal Government Act was not provided;
7. This Notice is filed based on information contained in the Assessment Notice as well preliminary observations and information from other sources. Therefore the requested assessment is preliminary in nature and may change;
8. The assessed rental rate applied to the subject property should be \$15 (*per square foot*) office and \$5 (*per square foot*) retail;

9. The assessed operating cost allowance applied to the subject property should be increased to \$15;
10. The assessed vacancy allowance applied to the subject property should be increased to 15%;
11. The assessment has incorrectly and inequitably failed to account for expenses associated with parking revenue and vacancy
12. The assessment has neglected to account for various elements of obsolescence;
13. The subject property was assessed using valuation parameters utilized to calculate the assessment of superior properties
14. Account for a variety of risk factors the capitalization rate should be increased to over 9%;

As of the date of this hearing, the Complainant confirmed only items #8, #9 and #10, regarding rental rate, operating costs and vacancy rate, respectively, remain in dispute.

The Board considered the evidence, regarding the subject property, as given in the Complainant's Evidence Submission and as submitted in the hearing as follows:

- (a) A City of Calgary Assessment Summary Report, noting the quality and year of construction as B and 1979, respectively;
- (b) A Income Approach Valuation, summarized below:

	Area (sf)	Rent/Rate	Income	Value
Office	58,264	\$ 19.00	\$ 1,107,016	
Retail	6,039	\$ 22.00	\$ 132,858	
Subtotal	64,303		\$ 1,239,874	
Parking	91	\$ 1,200.00	\$ 109,200	
TOTAL			\$ 1,349,074	
Vacancy (-)	0	6%	\$ 74,392	
OC (VS Short Fall)(-)		\$ 12.50	\$ 48,227	
Non Recoverable (-)		2%	\$ 23,310	
NOI			\$ 1,203,145	
Cap Rate		8.0%		\$15,039,308
Assessment				\$15,030,000 A

- (c) Suggestion of Value - Income Approach Valuation for the subject property dated July 1, 2009, showing an assessed value of \$10,130,000 as summarized below:

	Area (sf)	Rent/Rate	Income	Value
Office	58,264	\$ 15.00	\$ 873,960	
Retail	6,039	\$ 5.00	\$ 30,195	
Subtotal	64,303		\$ 904,155	
Parking	91	\$ 1,200.00	\$ 109,200	
TOTAL			\$ 1,013,355	
Vacancy (-)	0	10%	\$ 90,416	
OC (VS Short Fall)(-)		\$ 15.00	\$ 96,455	
Non Recoverable (-)		2%	\$ 16,275	
NOI			\$ 810,210	
Cap Rate		8.0%		\$10,127,628
Assessment				\$10,130,000

- (d) A map showing the location of the subject property;
- (e) Photographs of the subject property;
- (f) Two leases in buildings located at 1701 Centre Street NW and 1121 Centre Street NW, noting a lease rate of \$15 and \$14 per square foot, respectfully;
- (g) A rent roll for the subject property, dated February 11, 2010, effective January 1, 2010, noting two leases at \$24 and \$22 and \$24 per square foot respectfully, and highlighting a 11% vacancy;
- (h) A rent roll for the subject property, effective July 1, 2009, highlighting a 11% vacancy;
- (i) An email from the Lease Data Coordinator for the property manager of the subject property, detailing a renewal transaction for 6,039 square feet of main floor space for a five year term, commencing January 1, 2010, at \$5 per square foot;
- (j) An email from the Lease Data Coordinator for the property manager of a property known as Centre 1000, detailing a renewal transaction for 914 square feet of main floor space for a five year term, commencing September 1, 2009, at \$17 per square foot for the first year, and \$20 for each subsequent year;
- (k) An equity comparable located at 1701 Centre Street NW, noting a market net rental rate for office space of \$17 per square foot, and an assessment summary report highlighting B quality and 1982 year of construction, and a rent roll;
- (l) An equity comparable located at 510-16 Avenue NE, noting a market net rental rate for office space at \$17 per square foot, and a B quality and 1978 year of construction;
- (m) An equity comparable located at 217-16 Avenue NW, noting a market net rental rate for office space of \$17 per square foot, and a B quality and 1979 year of construction;
- (n) Four low rise equity comparables located at 3015-12 Street NE, 625-42 Avenue NE, 3811 Edmonton Trail NE, and 2723-37 Avenue NE noting a market net rental rate for office space of \$14, \$14, \$11 and \$14 per square foot, respectfully;

The Board then considered the evidence regarding the subject property given in the Complainant's Assessment Brief and as submitted in the hearing as follows:

- (a) Photographs of the subject property;
- (b) A map and aerial photograph showing the location of the subject property;
- (c) An Income Approach Manual Calculation showing an assessment of \$15,030,000;
- (d) A City of Calgary Assessment Request for Information, noting six leases at an annual rent rate of \$24, \$24, \$23, \$23, \$25 and \$14 per square foot;

- (e) Photographs and a map showing the location of the second building and its orientation to 10 Avenue, noting no vacancy issues on the 2009 ARFI;
- (f) An inventory of seventeen B class suburban office leases located in CE1, FN1, UN1 and KN1, showing a median of \$21 and a mean of \$20.79 per square foot rent rate;
- (g) An inventory of five B class suburban (retail use) office leases located between 1100 and 1300 Kensington Road NW (KN1), showing a median of \$22.75 and an average of \$21.95 per square foot rent rate;
- (h) An inventory of nine B class suburban office leases, seven located in WN3 and two located in SX1, showing a median of \$18 and average of \$18.44 per square foot rent rate;
- (i) An AltusInSite Average Rental Rate for the Northwest Class office node, noting a estimated asking face rate of \$19.68 per square foot for Q2 and Q3 2009;
- (j) A 2010 City of Calgary Northwest Suburban Office Vacancy Study for 63 properties, not including 29 owner occupied properties, noting a mean vacancy of 3.61% and an assessed vacancy of 6%;
- (k) Two third party Q2 2009 market studies showing NW office vacancy of less than 5%, excluding sublease;
- (l) An AltusInsite Property search summary for NW quadrant showing space available in 61 buildings;
- (m) A summary of the above summary showing an average vacancy of 9.3%;
- (n) A summary of 42 buildings coded as CS0801 or CS302, showing an average vacancy of 5.78%;
- (o) A 2010 NW Suburban Office Operating Cost Survey Cost Study of 48 properties showing a median of \$11.61 and mean of \$11.83 per square foot; and
- (p) A copy of ARB 0641/2010-P, referencing office vacancy in the NW quadrant.

No rebuttal was submitted by either the Complainant or the Respondent. Summaries were provided by both the Complainant and Respondent. The Complainant provided final remarks.

Complainant's Requested Value:

As given on page 45 of the Complainant's Evidence Submission, and revised in the hearing: \$9,300,000.

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

In view of the above considerations, the Board finds as follows:

1. The Complainant provided no evidence supporting a higher operating cost than that used for the original assessment, whereas the Respondent provided a detailed study confirming the assessed operating cost at \$12.50 per square foot;
2. The Complainant provided evidence for the subject property showing a vacancy rate of 11%, whereas the Respondent provided a detailed vacancy study confirming the office vacancy for the NW quadrant of 6%, which was further supported by two third party Q2 2009 studies. In the matter of vacancy rate, the greater weight was placed on the evidence of the Respondent;
3. The Complainant provided three equity comparables for B Class office buildings (one high-rise) all not in same submarket as the subject property with assessed market net rents of \$17 per square foot and lower. In addition, the Complainant provided four

additional low rise comparables also not in the same submarket as the subject property with an assessed market net rate of \$14 per square foot and lower. The Respondent provided a survey of nineteen office leases including several in the same submarket as the subject property and five retail leases in the same submarket as the subject property, supporting the assessed market net rent rates of \$19 and \$22 per square foot for office and retail space, respectfully. In the matter of rental rate, the Board placed greater weight on the evidence of the Respondent;

4. The Complainant provided no other persuasive information to warrant a decrease in market net rental rate from \$19 to the requested \$15 per square foot for office space, a decrease from \$22 to the requested \$5 per square foot for retail space, an increase in vacancy rate from 6% to the requested 10%, or an increase in operating costs from \$12.50 per square foot to the requested \$15.00 per square foot; and
5. The valuation method applied in this instance is the Income Approach. The use of this approach to value is contextually allowed in the legislation. The Complainant did not advance any argument or evidence to support the contention that an error had been made in the application of the Income Approach in preparing this assessment.

Board's Decision:

The assessment is confirmed as follows: \$15,030,000.

DATED AT THE CITY OF CALGARY THIS 13th DAY OF SEPTEMBER 2010.



L.R. Loven
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.*