

**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-26.1, Section 460(4).

between:

Altus Group Limited, COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

R. Reimer, PRESIDING OFFICER

K. Kelly, MEMBER

D. Pollard, 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: 047040803

LOCATION ADDRESS: 1223 31 Ave NE

HEARING NUMBER: 57701

ASSESSMENT: \$6,710,000

This complaint was heard on 2nd day of September, 2010 at the office of the Assessment Review Board located at Floor Number 3, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 10.

Appeared on behalf of the Complainant:

- *Brock Ryan, Altus Group Limited, Agent*

Appeared on behalf of the Respondent:

- *Richard Powell, Assessor*

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

There was no objection to the composition of the Composite Assessment Review Board (CARB).

There were no other procedural or jurisdictional matters raised.

Property Description:

The subject property is a three story suburban office building constructed in 1979. It has 36,000 sq. ft of rentable space and is considered to be a "B" quality by the City of Calgary.

Issues:

The two issues identified on the Assessment Review Board Complaint Form are the assessment amount and the assessment class. During the hearing the CARB was informed that the single issue to be addressed would be the vacancy rate, which had been used to calculate the assessment value, using the income approach. Accordingly, the vacancy rate and resulting assessment value is the only issue that the CARB will address.

Complainant's Requested Value:

On the Assessment Review Board Complaint Form, the Complainant had requested a value of \$3,400,000. This was revised during the hearing to a requested value of \$6,040,000.

Position of the Parties:

Both the Complainant, on page 60 of exhibit C2, and the Respondent, on page 79 of exhibit R1, submitted the City of Calgary NE Quadrant Suburban Office Vacancy Study – 2010 ("Study"). The Respondent's submission included the Medallion Centre, located at 1925 18 Ave NE, and featuring 180,035 sq. ft. of space.

The Complainant asserted that the Study included nine properties which were not comparable or competitive with the subject property, and requested that the CARB exclude these nine properties prior to considering the study. The Complainant provided detailed information on each of these nine properties.

The Complainant also stated that there were four properties included in the Study where erroneous information had been used and requested that the information be corrected prior to the CARB considering the study. The Complainant provided details on the alleged errors and provided what

he believed to be the correct information.

The Complainant further requested that two suburban office comparables, both in the NE quadrant, be added to the Study. These are the Bridgeland Professional Centre and the Medallion Centre. As previously stated, the Respondent's copy of the Study included the Medallion Centre.

The Complainant provided, on page 201 of exhibit C2, an amended version of the Study, which determined that the average vacancy rate for the NE quadrant is 13.8%.

The Complainant also provided third party reports from Avison Young, Barclay Street Real Estate, CB Richard Ellis, Cushman Wakefield and Colliers International regarding the second and third quarter, 2009 office vacancy rates.

The Respondent used a different method to calculate vacancy rate than that used by the Complainant. While the Respondent used an approach which considered the median and mean vacancy rates, the Complainant divided the total available space by the total vacant space in the same buildings. This discrepancy was considered in a previous CARB decision, number ARB 0506/2010-P, Paul G. Petry, presiding, which was included on pages 63-68 of exhibit C2. Petry preferred the Complainant's methodology and this CARB concurs.

Board's Decision:

The CARB accepts the Complainant's revised Study. The CARB concurs that the nine exclusions are reasonable and the four corrections should be made.

The CARB also agrees that both the Bridgeland Professional Centre and the Medallion Centre should be included in the Study. The inclusion of these two properties was supported by a previous CARB in decisions ARB 1074/2010-P and ARB 1089/2010-P, with J. Krysa presiding, and this CARB concurs. The inclusion of the Medallion Centre is supported by the fact that the Respondent had added the property to his submitted Study.

The vacancy rate is ordered adjusted to 14%, resulting in the following calculation:

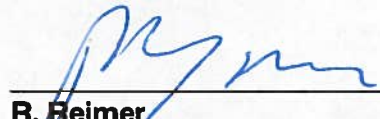
Rent 36,000 sq. ft. x \$18	= \$648,000
Potential Net Income	= \$648,000
Less vacancy rate @ 14%	= \$90,720
Effective Net Income	= \$557,280
Non-recoverables @ 2%	= \$11,146
Vacant space shortfall @ \$12.50	= \$63,000
Net Operating Income	= \$483,134
Capitalization Rate 8%	
Capitalized Value	\$6,039,180

Assessed Value \$6,040,000

This vacancy rate is supported by the third party reports submitted by the Complainant.

The assessed value is revised to \$6,040,000.

DATED AT THE CITY OF CALGARY THIS 7 DAY OF October 2010.



R. Reimer
Presiding Officer

Appendix A:

Documents submitted by the Parties and considered by the CARB

1. C1 Assessment Review Board Complaint Form
2. C2 Evidence Submission of the Complainant
3. C3 Altus Group suggestion of Value – Income Approach Calculation
4. R1 City of Calgary Assessment Brief

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.*