

**CALGARY
COMPOSITE 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 Ltd, COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

Don H Marchand, PRESIDING OFFICER

Sherry Rourke, MEMBER

Phil Pask, MEMBER

This is a complaint to the Calgary Composite Assessment Review Board (CARB) 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:	067047506
LOCATION ADDRESS:	715 – 5th AV SW
LEGAL DESCRIPTION:	Plan A1, Block 28, Lots 1-16
HEARING NUMBER:	57924 (Norcen Tower)
ASSESSMENT:	\$120,990,000

This complaint was heard August 25-26, 2010 at the office of the Assessment Review Board located at 4th Floor, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 11.

Appeared on behalf of the Complainant; *Altus Group Ltd.*: *D. Genereux*

G. Worsley

Appeared on behalf of the Respondent; *City of Calgary*:

D. Lidgren

A. Czechowskyj

E. Borisenko - observing

Description and Background of the Property under Complaint:

The subject is identified with a sub-property use code CS1025-office/Retail. The subject's land use designation is Direct Control District. The land area consists of 46,795 square feet. There are 397,866 square feet of rentable area built in 1974. The property is known as the Norcen Tower in City's downtown commercial core and has been assessed within the "B" group of offices.

Prior to the opening of the hearing the Complainant advised that the 14 points filed as Grounds for Appeal within the subject's Assessment Review Board Complaint form under *Section 5 – Reason(s) for Complaint* are covered by the two objectives set out in their evidence submission.

Based on these objectives the CARB was requested to consider:

An Assessment at market based on Altus Groups' "B" Class office buildings which would.
1. Reduce the office rental rate from \$26.00 to \$21.00 psf.
2. Increase the capitalization rate of 8.0% to 8.5%
The request is based on revising the rental rates for the office spaces and an increased capitalization rate. The assessment requested is \$94,519,000.

Note: The exhibits submitted and marked as C-2, C-3, C-4, C-5, R-2 and R-3 for this hearing are common to two other files under complaint and heard by the same panel members. They are file 58455 (Hanover Place) and file 59994 (The Britannia)

POSITION OF THE COMPLAINANT

1) Subject's Office Rental Rate:

The Complainant is requesting an office rate of \$21.00 based on their analysis of "B" class office rentals. Evidence of 35 lease rates from 12 - "B" office complexes were charted. The chart shows 11 of the 35 leases that were entered into prior to the evaluation date the remaining 24 are post the evaluation date to March of 2010 (Ref.

Page 51 of exhibit 3-C). The intersecting line at evaluation date is represented by the typical rate of \$21.00. The 12 complexes identified by their building name included: 520– 5th, Atrium I and II, Eau Claire Place II, Lancaster Building, Five Ten Fifth, Ford Tower, Fourth & Fourth, IBM Building, Hanover Place, One Palliser, Canada Place, and the Trimac Building. The Complainant also in support of the \$21.00 rate provided evidence of the most recent leases taking place in three complexes (520 – 5th Place, Canada Place and the Trimac Building). This data identifies 8 leases from October 2009 to March 2010 with rates ranging from \$16.00 to \$38.00 with the average rate being \$21.00 (Ref. Page 52 of exhibit 3-C).

2) Subject's Capitalization Rate:

The Complainant is requesting retail Capitalization Rate of 8.5% to reflect the higher economic risk caused by knowing a significant amount of new uncommitted office buildings are about to be placed on the market in the next two to three years. The Complainant asked the CARB to reference all their arguments previously presented in the other two files identified with common exhibits; the Hanover and the Britannia.

POSITION OF THE RESPONDENT

1. Subject's Office Rental Rate:

The Respondent provided an April 3, 2009 Assessment Request for Information (ARFI) showing the rental rates for the subject complex. Ten current leases within the subject property from September 2008 to May 2009 were identified. They range from \$20.00 to \$37.00 per sq. ft with the median rate being \$33.75 per sq. ft. Also provided to show equity in the assessment were 21 offices space rents from DT2 "B" offices where all were assigned a rate of \$26.00 per sq. ft.

2. Subject's Capitalization Rate:

The Respondent provided its previous year's rate calculations based on five "B" class office and two "A" class sales. The conclusions reached for 2009 were modified upwards to reflect the local economic changes between 2008 and 2009 years. The assessment capitalization rate was increased from 7.25% - 7.5% to 8.0% for all the "B" classed office complexes. The Respondent submits that the conclusions set out ARB 1131/2010-P applies to the subject as the property in the order is a similar property.

Findings:

- The CARB finds a \$26.00 per square foot office rental rate to be a reasonable typical market rate for the subject's office space.
- The CARB finds the capitalization rate of 8% a reasonable rate to capitalize office complexes income of this class in the subject's downtown district.

Decision:

The CARB denies the complaint and confirms the assessment in the sum of **\$120,990,000**

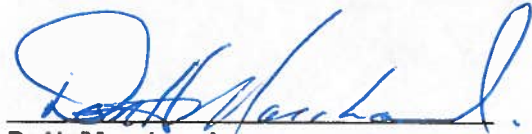
Reasons:

The CARB reviewed the evidence of office rental rates provided by both parties; the Complainant is using leases after the valuation date and the evidence does indicate that lease rates were on a downward trend throughout 2009. Evidence from within the subject itself also indicates lease rates in the low \$20.00 to mid \$30.00 range. The Respondent's rates from "B" complexes similar to the subject have assessment rates of \$28.00. An annual assessment insures that upward and downward trends are captured in subsequent assessments.

The CARB reviewed the evidence of vacancy rates provided by both parties, as each are using what they are considering to be similar complexes in their analysis. Evidence provided relative to the subject's vacancy at 4.67% and below the 8.0% used by the Municipality is given weight.

In ARB 1131/2010-P the CARB previously concluded that 8.0% is a reasonable capitalization rate for a property similar to the subject. The CARB hearing and deciding this complaint was not persuaded to distinguish a different conclusion.

DATED AT THE CITY OF CALGARY THIS 28 DAY OF September 2010.



D. H. Marchand
Presiding Officer

APPENDIX "A"**DOCUMENTS RECEIVED AND CONSIDERED BY THE CARB:**

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|------------|---|
| C-1 | <i>Evidence Submission of the Complainant</i> |
| C-2 | <i>Submission of the Complainant Regarding Class "B" and Class "C" Buildings</i> |
| C-3 | <i>Addendum #1 to C-2</i> |
| C-4 | <i>Addendum #2 to C-2</i> |
| C-5 | <i>Complainant's Rebuttal</i> |
| R-1 | <i>Assessment Brief of the Respondent</i> |
| R-2 | <i>Additional Assessment Brief of the Respondent</i> |
| R-3 | <i>Copy of ARB 1131/2010-P from the Respondent</i> |

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.*