

**CALGARY
COMPOSITE ASSESSMENT REVIEW BOARD (CARB)
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:

Colliers International Realty Advisors, COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

***P. Irwin, PRESIDING OFFICER
J. Mathias, MEMBER***

A hearing was convened on November 5th, 2010 in Boardroom 10 at the office of the Calgary Assessment Review Board, located at 1212 – 31 Avenue NE, Calgary, Alberta 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:	200922672
LOCATION ADDRESS:	1816 Crowchild Trail NW
HEARING NUMBER:	57549
ASSESSMENT:	\$41,950,000

PART A: BACKGROUND AND DESCRIPTION OF PROPERTY UNDER COMPLAINT

The subject property is a 66,631 square foot (sf) parcel of land in the Banff Trail Community of NW Calgary. There are two buildings on the subject: a high rise building ("One Executive Place") with 93,918 sf of office space and a low rise building ("Two Executive Place") with 24,727 sf of office space and 2,756 sf of retail space. These buildings have an A+ quality classification. The subject has a Direct Control (DC) Land Use Designation. The property is assessed on an income valuation approach.

PART B: PROCEDURAL OR JURISDICTIONAL MATTERS

There were no objections to the composition of the Board, nor were there any jurisdictional matters.

A preliminary matter was raised by the Complainant: would the Board accept a recently released CARB decision (0969/2010-P)? The Respondent noted that, while it was now public knowledge, it wasn't disclosed. If the Board accepts this particular decision, the Respondent would want similar treatment with a decision it would like to table at the second hearing on the day sheet. The Board agreed to allow the recent CARB decision to be included in the hearing, in the interests of a fair hearing process.

PART C: MATTERS/ ISSUES

1. Is the assessment rate for the subject's office space too high?
2. Is the Capitalization Rate (CAP rate) too low?
3. Do the buildings have an incorrect quality classification?

The Complainant reviewed the 2010 Assessment Summary Report showing two A+ quality buildings on the subject property, with a 2006 year of construction (YOC). Actual YOC was unclear (neither party was certain) but it had subsequently had a "skin job". Photos of the buildings were reviewed as well as spreadsheets showing the calculations of the assessment using the income approach. The Complainant suggested that the buildings should be classified as B quality and is requesting that the assessment be based on a rate of \$22/ sf (instead of \$28/ sf) for the offices and also be based on a CAP rate of 8.0% (instead of 7.5%). The Complainant had no issues with the rates used for the retail premises or the parking. The Complainant requested a revised assessment of \$33,410,000.

The Complainant reviewed the tenant roll (with the retail space taken out) and it showed a median lease rate of \$22.75/ sf and median lease start date of September 16, 2003. He then reviewed a table of comparables from all quadrants and also a table from the NW quadrant. He reviewed a CB Richard Ellis Canadian CAP rate survey for Q2 '09 and highlighted the Calgary range of 7.50 – 8.00% for suburban office properties.

The Complainant brought to the Board's attention the 2010 CARB decision #0969/2010-P in which the assessment for office space at 3553 31 St NW was reduced from \$28/ sf to \$23/ sf.

In the Respondent's disclosure package, a table on page 29 was brought to the Board's attention, with 11 recent leases (Jun 08 – Jan 09) on A+ NW suburban office space with rent rates from \$21 to \$30, a median of \$28 and a mean of \$26.95. Two of the leases were in the subject's buildings, with one lease at \$28 and the other at \$26.50. Another table, at page 30, showed 22 recent leases in A+ NW suburban office space with rent rates from \$21 to \$33, a median of \$26.75 and mean of \$26.73. The rent roll document for the subject buildings showed that the buildings had good tenants, with long term leases (several at 10 years), with one going back to 2002.

The Respondent noted that in the Complainant's Chart 1 lease comparables (p. 56), several were post-facto, and 17 out of 32 were not in the NW suburban office inventory analysis area. Two of the

leases belong to different sub property uses (retail).

The Respondent also noted that in the Complainant's Chart 2 of NW lease comparables (p. 57), only one building is A+ like the subjects and the lease year is June 2006. There was no building classification or YOC data presented.

With respect to the CARB decision #0969, the Respondent pointed out that the original building was significantly older, having been built in 1989, with a 2001 addition. Furthermore, it is located in the University Research Park.

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

Issue #1

The Board finds that the Complainant has not provided compelling evidence to warrant a reduction in the assessment rate for the subject's office space. The city-wide comparables were not found to be very reflective of the north-west part of the City. In the absence of YOC and building quality particulars, the data provided on NW office leases did not enable direct comparability. While not bound by the CARB decision on the offices at 3553 31 Street, the Board finds that that decision was not sufficiently similar to the subject, bearing in mind the vintage difference and different zoning (Special Purpose University Research Park). The Board finds that the Respondent's evidence supports the achievability of the \$28 lease rate, and therefore that \$28/ per sf is not an incorrect assessment rate for the subject's office space.

Issue #2

The Board finds that there was insufficient evidence to consider changing the CAP rate and notes that the Complainant conceded the point during the question period.

Issue #3

The Board finds that the matter of incorrect building quality classification was by inference only, and was not proven. In the absence of evidence of incorrect quality classification, the Board finds the A+ quality classification to be correct.

PART D: FINAL DECISION(S)

The 2010 assessment on the subject property is confirmed, at \$41,950,000.

DATED AT THE CITY OF CALGARY THIS 30 **DAY OF** November **2010.**



P. Irwin
Presiding Officer

APPENDIX "A" : ORAL REPRESENTATIONS

<u>PERSON APPEARING</u>	<u>CAPACITY</u>
<i>David Porteous</i>	<i>on behalf of Colliers</i>
<i>Dale Grandbois</i>	<i>Assessor, City of Calgary</i>
<i>Jim Toogood</i>	<i>Assessor, City of Calgary</i>

APPENDIX "B" : DOCUMENTS RECEIVED BY THE ASSESSMENT REVIEW BOARD

Document C – 1	Complaint Brief (considered)
Document C – 2	CARB Decision 0969/2010-P
Document R – 1	Respondent's Brief (considered)

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.*