

**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, Revised Statutes of Alberta 2000 (the Act).

between:

Sloane Square Properties Ltd.
(as represented by Altus Group Limited), COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

M. Vercillo, PRESIDING OFFICER
K. Coolidge, MEMBER
P. Pask, MEMBER

This is a complaint to the Calgary Assessment Review Board in respect of property assessments prepared by the Assessor of The City of Calgary and entered in the 2012 Assessment Roll as follows:

ROLL NUMBER: 101014603

LOCATION ADDRESS: 5920 1A ST SW

FILE NUMBER: 68063

ASSESSMENT: \$8,610,000

This complaint was heard on 16th day of July, 2012 at the office of the Assessment Review Board located at Floor Number 4, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 2.

Appeared on behalf of the Complainant:

- *G. Kerlake*

Appeared on behalf of the Respondent:

- *M. Lau*

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

[1] The Calgary Composite Assessment Review Board (CARB) derives its authority to make this decision under Part 11 of the Act. No specific jurisdictional or procedural issues were raised during the course of the hearing, and the CARB proceeded to hear the merits of the complaint, as outlined below.

Property Description:

[2] The subject, known as "Sloan Square", is a single storey, multi-tenanted suburban office property located in the "Manchester Industrial" community and within the Central Industrial zone of SE Calgary. According to the information provided the property contains one building that was constructed in 1978, with an assessed rentable area of 71,854 square feet (SF). The building is situated on a 175,793 SF site that is zoned Industrial - General.

[3] The subject is considered a class B property for assessment purposes and is assessed using the Income Approach to value using a market rental rate of \$13.00 per SF on 71,854 SF of office space, an 8% vacancy rate, operating costs of \$12.50 and a 1.00% non-recoverable rate to calculate net operating income value. The net operating income is capitalized for assessment purposes using a 7.75% capitalization rate (cap rate). In addition, the assessment calculates a \$1,431,000 assessment value as exempt space.

Issues:

[4] There were a number of issues raised on the complaint form, however, for this hearing, the Complainant addressed the following issue:

- 1) The office space assessed rental rate applied to the Income Approach to value should be reduced to \$12.00 per SF.

Complainant's Requested Value:

[5] \$7,890,000

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

ISSUE 1: The office space assessed rental rate applied to the Income Approach to value should be reduced to \$12.00 per SF.

The Complainant provided a 106 page document entitled "Complainant's Written Argument" that was entered as "Exhibit C1". The Complainant along with Exhibit C1 provided the following evidence with respect to this issue:

[6] That evidence and argument from CARB hearing file #67773 with regards to Quarry Park and evidence and argument from CARB hearing file #68571 be brought forward from that hearing to this hearing, as the issue, arguments and evidence are similar in nature as outlined in the following paragraphs.

[7] A table of six of the subject's leases that were renewed between October 1, 2010 and June 1, 2011. The leased spaces varied in size from 276 SF to 5,691 SF, representing about 22% of the subject's space renegotiated within the valuation period. The lease rates varied from \$10.00 per SF to \$12.50 per SF, with an average of \$11.25 per SF, a weighted average of \$10.74 per SF and a median of \$11.50 per SF.

[8] A table of suburban office comparables within and near the Central Industrial zone. The table compared eleven leased spaces of two comparable buildings and the subject. The two comparable buildings were in the Manchester district and the neighbouring Burns district respectively. It was noted during questioning that the two comparable buildings (five leased spaces) were being appealed by the Complainant under separate appeals. The properties had lease start dates ranging from October 1, 2010 to June 1, 2011. The leased spaces varied in size from 276 SF to 9,216 SF. The lease rates of these properties ranged from \$10.00 per SF to \$13.00 per SF, with an average of \$11.34 per SF, a weighted average of \$11.41 per SF and a median of \$12.00 per SF. The Complainant concluded his analysis by applying the \$12.00 per SF rental rate to the Income Approach to value, using the same parameters of the original assessment to arrive at a requested value of \$7,890,000 net of exempt space.

[9] City of Calgary assessment documentation showing that location is a major factor in assessment stratification of similar properties.

[10] Argument from an Assessment Review Board (ARB) decision, ARB 0506/2010-P and a decision from CARB 0940/2011-P were provided. Both decisions dealt with Quarry Park properties. The Complainant highlighted that Quarry Park was viewed by the Respondent to be a different class of properties because it had sufficient leasing and sales activity to stratify it from other suburban office properties in the SE quadrant. The Complainant suggested that the same reasoning should apply in this instance.

The Respondent provided a 36 page document entitled "Assessment Brief" that was entered as "Exhibit R1". The Respondent along with Exhibit R1 provided the following evidence with respect to this issue:

[11] That evidence and argument from CARB hearing file #67773 with regards to Quarry Park and evidence and argument from CARB hearing file #68571 be brought forward from that hearing to this hearing, as the issue, arguments and evidence are similar in nature as outlined in the following paragraphs.

[12] Assessment Request for Information (ARFI) documents were included for the subject

and one of the comparables used by the Complainant. The purpose of the ARFI's was to highlight lease renewals that were not included in the Complainant's analysis and eliminate two lease comparables used by the Complainant that were not found in the ARFI.

[13] A table of comparable properties to the subject in the SE and SW quadrants of Calgary. The table compared 26 leased spaces of 10 comparable buildings that were assessed by the Respondent as Class "B" buildings. Four buildings that included nine leased space comparables were from the Midnapore submarket. Two of the comparable buildings, the subject and their respective leased spaces and rates were also used by the Complainant in their analysis. However, the Respondent excluded two leased spaces of the subject that were used by the Complainant, but not found in the ARFI, but included one leased space of a comparable property and one of the subject that were not used by the Complainant. The lease rates of these properties had a weighted mean of \$12.66 per SF and a median of \$13.50 per SF. The Respondent concluded her analysis by arguing that the comparable lease rates justify the \$13.00 per SF rental rate used in her Income Approach to value the subject. Further, it is equitably assessed to all other class B suburban office properties in the SE quadrant.

[14] It was noted during questioning from the Complainant, that the Midnapore submarket is fourteen kilometres (kms) away from the Central Industrial zone in an area that's predominately suburban office and retail. The Central Industrial zone is predominately industrial with some suburban office.

The Complainant provided a 74 page rebuttal document that was entered as "Exhibit C2". The Complainant, along with Exhibit C2, provided the following evidence in rebuttal to the Respondent's evidence:

[15] Argument from a CARB decision, CARB 1250/2011-P, which involved the subject property used by both the Complainant and the Respondent in their respective lease rate analyses, where the CARB found that properties in close proximity and similar in appearance to the subject are most comparable to the subject.

[16] A City of Calgary map of various communities and industrial area locations. The map conveyed that the Central Industrial zone included submarket areas such as Highfield and Manchester that have no exposure to Macleod Trail. Whereas comparable properties used by the Respondent, such as the Midnapore submarket area, were a relatively large distance from the Central Industrial zone and have exposure to Macleod Trail.

[17] An analysis of the Respondent's lease rate comparables that split Central Industrial Area comparables, which include Highfield and South Manchester submarkets, from the Non-Central Industrial area, such as the Midnapore submarkets. The fourteen Central Industrial Area properties had a lease rate median of \$12.00 per SF and a weighted average of \$11.92 per SF. The twelve Non-Central Industrial Area properties had a lease rate median of \$15.25 per SF and a weighted average of \$13.84 per SF.

[18] Another analysis of the Respondent's lease rate comparables that again split Central Industrial Area comparables from Non-Central Industrial area comparables. The Central Industrial Area comparables analysis was adjusted for an incorrect lease rate applied by the Respondent in her analysis and excluded a 2012 lease renewal that was included in the Respondent's analysis. These minor adjustments resulted in the thirteen Central Industrial Area properties having a lease rate median of \$12.00 per SF and a weighted average of \$11.70 per SF.

The CARB finds the following with respect to this issue:

[19] That the comparables in close proximity to the subject are superior in comparability to the subject.

[20] That the Central Industrial Area comparables have significantly different rental rates in comparison to the Non-Central Industrial Area comparables.

[21] That stratification of property assessment by location is an assessment parameter often used by the Respondent.

[22] That the Manchester Industrial submarket has significant differences in terms of exposure to Macleod Trail and the suburban office/industrial mix versus the suburban office/retail mix found in the Midnapore submarket.

Board's Decision:

[23] The complaint is accepted and the assessment is revised to \$7,890,000.

The CARB provides the following reasons for the decision:

[24] The Complainant was able to provide sufficient evidence that the subject's, assessed rental rate is inequitable, when comparing the lease rate comparables of the subject and other buildings within or near the Central Industrial Area.

[25] The Complainant was able to prove through their own evidence and through the rebuttal of the Respondent's evidence that comparable suburban office properties in the Central Industrial submarket area (such as the subject), experience significantly different rental rates than in the Non-Central Industrial submarket area and therefore warrant a different assessed rental rate in the Income Approach to value. In this case, the preponderance of the evidence favoured a \$12.00 per SF rental rate.

DATED AT THE CITY OF CALGARY THIS 1 DAY OF AUGUST 2012.



Presiding Officer

APPENDIX "A"**DOCUMENTS PRESENTED AT THE HEARING
AND CONSIDERED BY THE BOARD:**

NO.	ITEM
1. C1	Complainant Disclosure
2. R2	Respondent Disclosure
3. C2	Complainant Rebuttal

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.*

(For MGB Office Only)

Column 1	Column 2	Column 3	Column 4	Column 5
CARB	Office	Low Rise	Income Approach	Lease Rates