

**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

***BCIMC Realty Corporation
(as represented by Altus Group Limited), COMPLAINANT***

and

The City Of Calgary, RESPONDENT

before

***L. Yakimchuk, PRESIDING OFFICER
K. Farn, MEMBER
G. Milne, MEMBER***

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

ROLL NUMBER: 201026309

LOCATION ADDRESS: 308 - 4 Av SW

FILE NUMBER: 68118

ASSESSMENT: \$395,180,000

This complaint was heard on October 18, 2012 at the office of the Assessment Review Board located at Floor Number 4 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 3.

Appeared on behalf of the Complainant:

- *S. Meiklejohn, Altus Group Limited*

Appeared on behalf of the Respondent:

- *A. Czechowskyj, City of Calgary Assessment*
- *H. Neumann, City of Calgary Assessment*

Preliminary Matters:

[1] The Complainant and the Respondent asked that the common Complainant Rebuttal and all questions and arguments from hearings for the week of October 15 to 18 be included in the Board's consideration for decision. These hearings include CARB hearings 2126, 2127, 2128, 2129, 2130 and 2131.

Property Description:

[2] The subject property, Jamieson Place, is assessed as an "AA" class, 808,818 square foot (sf) office highrise with two 38-floor towers built in 2010 on a 54,333 sf Downtown Business District (DT1) lot. It is assessed with 475 parking stalls and a small retail component.

Issues:

[3] Is this property assessed correctly? Has market value been correctly calculated using the appropriate assessment parameters? Is the assessment fair and equitable?

Complainant's Requested Value: \$365,380,000

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

Evidence and Arguments

[4] The Complainant, S. Meikeljohn on behalf of Altus Group Limited, stated that the subject building is rated "AA" (New) with a Capitalization (Cap) rate of 6.25% which should be adjusted to 6.75% and a vacancy rate of 2% for retail, which should be adjusted to 4%. The building is currently leasing at \$30/sf so the applied rent rate is accurate.

[5] Mr. Meikeljohn stated that there are only two sales of "AA" class (new) buildings in the data. Therefore, it is appropriate to value the property using the Income Approach. There has been some shifting of the current tenants due to real estate purchases and sub-leases to accommodate original long term leases. The Complainant submitted that sub-leases present a higher element of risk than primary leases do.

[6] The Complainant argued further that the vacancy rate (4%) should be applied universally to retail, storage and other spaces as the rate of use of these spaces is dependent on the use of the offices. Parking vacancy can remain at 2%.

[7] Finally, the Complainant presented Downtown Office Highrise Sales for Market Value consideration. The sales were both 2010 "AA" class sales with values of \$455.95/sf (Capitalization [Cap] rate 6.67%) and \$438.20/sf (Cap rate 6.92%). The subject property is assessed at \$487.99/sf for the current year.

[8] The Respondent, H. Neumann, City of Calgary Assessor argued that typical office net rent rates (R1 p25) are \$30 for "AA" class (new) offices, supported by the equity studies. He argued that the Complainant was using Market Sales of buildings which were not comparable to this "AA" (new) class building, and the sales were not time-adjusted.

[9] Mr. Neumann argued that the second Scotia Centre sale provided the best indication of market value of downtown properties and should be considered as the standard by the Board in calculating a Cap rate. As well, the actual vacancy rate for the subject building is 0% but it is assessed at 4% for offices and 2% for other areas.

[10] In rebuttal, the Complainant questioned the use of the second Scotia Centre sale as a basis for finding Market Value. He maintained the first Scotia Centre sale was a better indicator of market value.

[11] As well, the Complainant summarized that the two 2010 sales provided in his evidence were the only examples of "AA" class sales available, even if the buildings were older than the subject. He argued that location for these two buildings was preferable to the location of the Jamieson Building, and that there was no change in value between 2010 and the current assessment year.

[12] The Respondent summarized by asking the Board to consider several judicial, MGB and CARB decisions. The City argued that mass assessments must be based on typical values and reassessing in the fashion the Complainant was asking would require individual assessments for each building.

[13] Further the Respondent argued there is no market evidence to indicate that the subject property is in a poor location, and appropriate time adjustments to dated market sales would confirm that. He continued by adding that including the Parking Assessment in the Bankers' Hall value would increase the Bankers' Hall Market Assessment to a rate well over \$500/sf, which would make the market value much more comparable to what Jamieson Place would command.

[14] Mr. Neuman concluded by asking the Board to use the second sale of Scotia Centre as the standard for judging the current assessment.

Board Findings

[15] The Cap rate is a direct result of the comparison to the available Market Sales. As there were only two market sales available in the assessment year, and these were sales of half shares of the same "A" class building, Scotia Centre, choosing one sale over the other could change the rate significantly. The Board reviewed the documentation attached to the Land Title Registrations for these two purchases and found that reasons to discredit either sale were possible, but speculative. As a result, the Board used both sales in a calculation of Cap rate. The actual Cap rate for Scotia Centre was, therefore, 6.69%, rounded to 6.5%. These numbers support a Cap rate of 6.25% for an "AA" (new) class building off the retail spine.

[16] The Board considered the rent rates and equity studies presented by both parties and concluded the typical rent rates were equitable and supported by the actual rates within the subject building and in comparable buildings. A request to increase the vacancy rate when there was almost no vacancy could not be justified. Further the rent rates and low vacancy indicate

that the location of the subject property is not affecting it economically.

[17] For these reasons, the Board supports the current assessment.

Board's Decision:

[18] The Board confirms the assessment of \$395,180,000.

DATED AT THE CITY OF CALGARY THIS 13th DAY OF November 2012.


Lana Yakimchuk
Presiding Officer

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

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

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 Administrative Use Only:

Decision No. 1950-2012-P

Roll No. 080007305

Subject	Type	Issue	Detail	Issue
CARB	DT1 Office/Retail	Income Approach	Cap Rate	Equity