

**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:

Westpen Properties Ltd. (as represented by Altus Group), COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

W. Kipp, PRESIDING OFFICER

R. Deschaine, MEMBER

J. Pratt, 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 2011 Assessment Roll as follows:

ROLL NUMBER:	031 023 500
LOCATION ADDRESS:	2618 Hopewell Place NE, Calgary AB
HEARING NUMBER:	61234
ASSESSMENT:	\$17,660,000

This complaint was heard on the 19th day of September, 2011 at the office of the Assessment Review Board located at Floor No. 3, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 12.

Appeared on behalf of the Complainant:

- *D. Chabot (Altus Group)*

Appeared on behalf of the Respondent:

- *C. Neal (Assessment Business Unit)*

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

There were no procedural or jurisdictional matters to be resolved.

Property Description:

The property that is the subject of this assessment complaint is a five storey suburban office building of 76,811 square feet on a 160,059 square foot land parcel. The building was constructed in 2006. There are 47 underground parking stalls plus 213 stalls in the open surface parking lots around the building.

This property was assessed using an income approach. The 2011 assessment of \$17,660,000 represents a unit rate of \$229.91 per square foot of rentable area (excluding the underground parkade).

Issues:

The Complainant checked boxes 3 (Assessment amount) and 4 (Assessment class) in Section 4 of the Assessment Review Board Complaint form submitted on March 1, 2011. For Section 5, there was a list of reasons/grounds for the complaint.

At the hearing, the Complainant focussed on two issues:

1. Is the office rent rate used in the income approach the "typical" rate?
2. Is the property equitably assessed?

Complainant's Requested Value: \$12,360,000 (\$160.91 per square foot of rentable building area)

Party Positions on the Issues:**Complainant's Position:**

Issue 1. Is the office rent rate used in the income approach the "typical" rate?

The 2011 assessment is derived by application of the income approach using the following parameters:

Office rent	\$21.00 per square foot
Parking (47 stalls)	\$1,080.00 per stall per year
Office Vacancy allowance	12.0%
Parking Vacancy allowance	2.0%
Operating expense rate	\$12.50 per square foot
Non-recoverable expense allowance	2.0%
Capitalization rate	7.50%

The Complainant accepts all of the valuation parameters except for the office rental rate which should be \$15.00 per square foot.

A copy of the December 31, 2010 rent roll was in the Complainant's evidence. In 2009, there was one new lease on 2,459 square feet at a net rent rate of \$22.00 per square foot. Three leases that started in 2010 had rents of \$22.00 (8,806 square feet - May 2010 start), \$16.00 (4,732 square feet - December 2010 start) and \$16.00 (6,862 square feet - December 2010 start).

An analysis of office leases in northeast Calgary Class "A" office buildings resulted in 10 lease transactions being reported in evidence. Five of those leases commenced in the third quarter of 2009 and five commenced in the first, second or third quarters of 2010. Rental rates were from \$9.00 to \$24.00 per square foot. For 11 leases in Class A- buildings, the range of rental rates was from \$8.00 to \$17.50 per square foot. From the data, the Complainant concluded that the office rental rate for the subject class should be \$15.00 per square foot. No building ages were provided for any of these properties.

When the assessment is recalculated using a \$15.00 typical rental rate, the truncated value (and requested assessment) is \$12,360,000.

Issue 2. Is the property equitably assessed?

The Complainant provided assessment data on nine northeast Calgary Class "A-" office properties. The oldest building was constructed in 1977 and the newest in 2001. Assessments range from \$155 to \$207 per square foot of building area. The mean and median rates are \$183 and \$187 per square foot, respectively.

Six Class "A" property assessments ranged from \$221 to \$252 per square foot with mean and median at \$240 and \$241. There were no ages reported for these properties.

The subject property is assessed at \$229.91 per square foot.

Respondent's Position:

Issue 1. Is the office rent rate used in the income approach the "typical" rate?

The Respondent reported that for 2011 assessments, suburban Class "A" offices are assigned a typical rent of \$21.00 per square foot while Class "A-" buildings are at \$18.00 per square foot.

Lease comparables provided by the Complainant were not comparable to the subject, primarily due to age and quality (classification).

Lease evidence from the Respondent detailed eight 2009-2010 leases in Class "A+" buildings in northeast Calgary. These were buildings of similar age to the subject, having been built between 2000 and 2009. Rent rates were from \$17.00 to \$24.40 per square foot with mean and weighted mean averages of \$20.80 and \$21.46, respectively.

Issue 2. Is the property equitably assessed?

The Respondent did not provide sample assessments for comparison to the subject but assessment information on six properties that are assessed using a \$21.00 office rent rate was provided. Those are all Class "A+" buildings, built between 1999 and 2009.

Board's Decision:

The 2011 assessment is confirmed at \$17,660,000.

Reasons for the Decision:

For both of the issues, the Complainant provided data on properties that were older than the subject. These were Class "A" and "A-" properties. The subject building is four years old.

The Respondent's evidence supported the subject assessment based on an office rental rate of \$21.00 per square foot. Support came from a sampling of rental data from Class "A+" buildings of similar vintage to the subject. In the rent roll for the subject property in the Complainant's evidence, two recent leases were at \$22.00 per square foot while two others were at \$16.00 per square foot. These lease rates do not support a \$15.00 rate for assessment purposes.

The Complainant did not argue that the subject property fits into a lower class than Class "A+" to the point where the Board was swayed to change the assessment. Classes "A+", "A" and "A-" were addressed by the parties but no clear explanation of similarities or differences between these classifications was provided to the Board.

DATED AT THE CITY OF CALGARY THIS 19 DAY OF October 2011.



W. Kipp
Presiding Officer

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

NO.	ITEM
1. C1	Complainant Disclosure
2. R1	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 Administrative Use:

Appeal Type	Property Type	Property Sub-Type	Issue	Sub-Issue
CARB	Office	Stand Alone	Income Approach	Net Market Rent ----- Equity