

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:

IVG-Dundee Beltline Centre Holdings Inc., (as represented by Colliers International Realty Advisors Inc.), COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

**T. B. Hudson, PRESIDING OFFICER
J. Rankin, BOARD MEMBER
J. Lam, BOARD 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 2013 Assessment Roll as follows:

ROLL NUMBER: 201098431

LOCATION ADDRESS: 227 11 AV SW

FILE NUMBER: 70901

ASSESSMENT: \$142,240,000

This complaint was heard on the 19th day of September, 2013 at the office of the Assessment Review Board located at Floor Number 3, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 12.

Appeared on behalf of the Complainant:

- *T. Howell*

Appeared on behalf of the Respondent:

- *R. Ford*

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

There were no procedural or jurisdictional matters raised by the Parties.

Property Description:

[1] The subject property includes three AA class office buildings located in the Beltline district. It includes 353,518 square feet (sf.) of office space, 3790 sf. of retail space, 1,148 sf. of storage, and 349 office building parking stalls.

[2] The value parameters used to prepare the assessment include \$23 per square foot (psf.), for office space, \$31 psf. for retail space, \$3.00 psf. for storage, and \$4,200 per stall for parking.

[3] After deductions for vacancy and non-recoverables, net operating income of \$8,534,795 has been capitalized at a rate of 6.00%, yielding the assessed value estimate of \$142,246,583 or \$142,240,000(rounded).

Issues:

[4] The dispute between the Parties was focused on the capitalization (cap), rate that should be applied in order to calculate an assessment estimate that best reflects the market value of the subject property.

[5] The Complainant requested a cap rate of 7.00% be applied, rather than the 6.00% used in the current assessment. None of the other value parameters used in the 2013 assessment estimate were in dispute.

Complainant's Requested Value: \$121,925,639.31, or \$121,930,000 (rounded).

Board Decision: The 2013 assessment is confirmed at \$142,240,000 (rounded), based on application of a 6.00% cap rate to the 2012 assessed net operating income (NOI), of the subject property.

Legislative Authority, Requirements and Considerations:

[6] The Composite Assessment Review Board (CARB), derives its authority from Part 11 of the Municipal Government Act (MGA) RSA 2000:

Section 460.1(2): Subject to section 460(11), a composite assessment review board has jurisdiction to hear complaints about any matter referred to in section 460(5) that is shown on an assessment notice for property other than property described in subsection (1)(a).

[7] For purposes of the hearing, the CARB will consider MGA Section 293(1):

In preparing the assessment, the assessor must, in a fair and equitable, manner,

- (a) apply the valuation and other standards set out in the regulations, and*
- (b) follow the procedures set out in the regulations.*

[8] The Matters Relating to Assessment and Taxation Regulation (MRAT) is the regulation referred to in MGA section 293(1)(b). The CARB consideration will be guided by MRAT Part 1 Standards of Assessment, Mass appraisal section 2:

An assessment of property based on market value

- (a) must be prepared using mass appraisal*
- (b) must be an estimate of the value of the fee simple estate in the property, and*
- (c) must reflect typical market conditions for properties similar to that property.*

Complainant's Position:

[9] The Complainant developed their proposed 7.00% cap rate for July 1, 2012, by analyzing the cap rates generated by the sale of four B Class Beltline office/retail properties during the period from December 1, 2011 to January 18, 2012, (Exhibit C1 Page 37).

[10] The Complainant explained that the cap rate for each sale was calculated by dividing the assessed net operating income (NOI), for the analysis period in which all of the sales occurred, (i.e. July 1, 2011 to June 30, 2012), by the sale price. Cap rates ranged from a high of 9.39% to a low of 4.83%. The average was 7.05% while the median was 6.99%.

Respondent's Position:

[11] The Respondent argued that the Complainant provided no comparables to the subject property in their submission. All of their sale comparable properties are B class offices, while the subject property is AA class. (Exhibit C1 page 37).

[12] The Respondent advised that because there were no A/AA office building sales in the Beltline during the assessment period, other indicators were used to derive the 6.00% cap rate applied in the assessment.

[13] The Respondent submitted their 2013 Beltline Office Capitalization Rate Study (Exhibit R1 page 44), and the 2013 Downtown Office Capitalization Rate Summary (Exhibit R1, page 45) in support of the 6.00% cap rate.

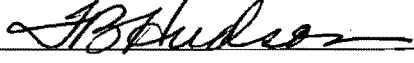
[14] The Respondent also submitted the 2008 sale of the subject property for \$181,500,000 in support of the current assessment, (Exhibit R1 pages 28-30).

[15] CARB 72144P-2013, also confirmed the 6.00% cap rate for a similar AA class office building located in the Beltline at 140 10 AV SE, (Exhibit R1 pages 37-42).

Board Finding and Reason for Decision:

[16] The Board finds that the Complainant did not submit any relevant evidence to justify a change in the cap rate from 6% to 7% , or a change in the current assessment of the subject property.

DATED AT THE CITY OF CALGARY THIS 10th DAY OF October 2013.


T. B. Hudson

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 MGB Administrative Use Only

<i>Decision No. 70901P-2013</i>			<i>Roll No.201098431</i>	
<u><i>Subject</i></u>	<u><i>Type</i></u>	<u><i>Sub-Type</i></u>	<u><i>Issue</i></u>	<u><i>Sub-Issue</i></u>
CARB	Commercial	Office	Market Value	Cap rate