



## **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:

***Remington Properties Inc., (as represented by Altus Group Limited),***

**COMPLAINANT**

and

***The City Of Calgary, RESPONDENT***

before:

***Board Chair, T. Hudson PRESIDING OFFICER  
BOARD MEMBER, G. Milne  
BOARD MEMBER, T. Usselman***

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 2014 Assessment Roll as follows:

**ROLL NUMBER: 201101862**

**LOCATION ADDRESS: 200 Quarry Park BV SE**

**FILE NUMBER: 74253**

**ASSESSMENT: \$42,930,000**

This complaint was heard on the 14th day of July, 2014 at the office of the Assessment Review Board located at Floor Number 4, 1212 – 31 Avenue NE, Calgary, Alberta, Board room 5.

Appeared on behalf of the Complainant:

- *Mr. B. Neeson, Agent, Altus Group Limited*

Appeared on behalf of the Respondent:

- *Ms. L. Dunbar-Proctor, Assessor, City of Calgary*
- *Mr. M. Ryan, Assessor, City of Calgary*

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

- [1] There were no procedural or jurisdictional matters in dispute between the Parties.
- [2] The Parties requested, and the Board agreed, to consider the evidence and argument submitted in respect to complaint file #74412 in considering a decision on this file #74253.

**Property Description:**

- [3] The subject property is a 4.60 acre parcel of commercial land located in the Douglas/Glen community at 200 Quarry Park BV SE. The property was improved in 2009 with an "A+" quality class suburban office building incorporating 88,181 square feet (sf.) of net rentable area.
- [4] The property is currently assessed based on capitalized income.
- [5] Details of the assessment include the office space assessed at a rate of \$26.00 per square foot (psf.), and a total of 110 enclosed parking stalls are assessed at \$1,440 per stall. The assessed vacancy rate is 2%, \$13.50 psf. for operating costs, a 1% non-recoverable expense allowance, and a capitalization (cap) rate of 5.25%.
- [6] The total assessed value is \$44,842,933, and includes \$1,910,000 of tax exempt value.
- [7] The value under complaint is \$42,930,000 (rounded).

**Issue: Cap Rate**

- [8] The Complainant contends that the cap rate should be increased to 5.75%

**Complainant Requested Value: \$39,030,000 (rounded).**

**Board's Decision:**

- [9] The assessment of the subject property is confirmed at **\$42,930,000 (rounded).**

**Legislative Authority, Requirements and Considerations:**

[10] The Composite Assessment Review Board (CARB) derives its authority from Part 11 of the Act:

*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)*

[11] For purposes of the hearing, the CARB will consider the Act 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.*

[12] The Matters Relating to Assessment and Taxation Regulation (MRAT) is the regulation referred to in the Act 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.*

**Position of the Parties**

**Complainant**

[13] The Complainant submitted a 2014 Quarry Park Cap Rate analysis that included the sales of three "A+" quality class suburban office buildings, and one "A" quality downtown office building similar in size to the subject, (Exhibit C1, page 43).

[14] One of the four sales occurred on May 13, 2013 in Quarry Park at 205 Quarry Park BV SE, and produced a cap rate of 5.39%.

[15] The other three sales are of properties located outside of Quarry Park and produced cap rates of 5.78% at 110 Country Hills LD NW, 6.09% at 14505 Bannister DR SE, and 5.63% at 903 8 AV SW downtown.

[16] The average cap rate indicated by the four sales is 5.72%, the median is 5.70%. The Complainant is requesting 5.75% as the typical rate for "A" class quality suburban offices located in Quarry Park.

[17] The Complainant argued that a second sale in Quarry Park included by the Respondent in their analysis should be rejected, because it is part of a three building portfolio sale.

[18] The Complainant noted that the Artis REIT purchased the three buildings located at 37, 49, and 109 Quarry Park BV SE on May 23, 2013, for \$154,840,000.

[19] The value of each of the structures is not broken out on the transfer documents so the market value for each of the transactions cannot be determined, and therefore should not be used in a cap rate study.

#### **Respondent**

[20] The Respondent argued that the only sales that should be included in a 2014 cap rate study for Quarry Park, are the two sales that occurred there in May of 2013, (Exhibit R1, page 74).

[21] The Respondent noted that the market value of the suburban office properties in Quarry Park exceed those in any other part of the city. The two sales are clear evidence of this reality.

[22] The property sales used in the cap rate analysis prepared by the Complainant, with the exception of the Quarry park sale, are not similar to the subject, and produce a cap rate lower than their current assessed rate.

#### **Board's Reasons for Decision:**

[23] The Board was not convinced by the Complainant, that their assessment request reflects the 2014 market value, and assessment equity for the subject property.

[24] The Board accepts that the properties in Quarry Park are unique in the Calgary market and that the two sales in May of 2013 are indicative of that reality. It is also clear that a cap rate analysis for Quarry Park should not include other suburban office or downtown property sales, because they are not good comparables.

[25] The Board is of the opinion that both of the Quarry park sales should be included in the 2014 cap rate analysis. Although the second sale involves more than one building, and there is no breakdown of the individual values, rejection of the transaction as a "portfolio" sale seems unreasonable given the location of the properties, the timing of the sales, and their place in the Calgary market.

DATED AT THE CITY OF CALGARY THIS 11 DAY OF August 2014.



T. B. Hudson

**Presiding Officer**

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

<b>NO.</b>	<b>ITEM</b>
1. C1	Complainant Disclosure
2. C2	Complainant Cap Rate Appendix
3. C3	Complainant Rebuttal
4. 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. 74253P-2014</i>			<i>Roll No 201101862</i>	
<u>Subject</u>	<u>Type</u>	<u>Sub-Type</u>	<u>Issue</u>	<u>Sub-Issue</u>
CARB	Office	Low Rise	Market Value and Equity	Cap Rate