



## **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:**

***SMART Technologies ULC (as represented by Altus Group Limited), COMPLAINANT***

**and**

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

**before:**

***M. Axworthy, PRESIDING OFFICER  
B. Bickford, BOARD MEMBER  
P. McKenna, 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 2014 Assessment Roll as follows:

**ROLL NUMBER: 037182508**

**LOCATION ADDRESS: 3636 Research RD NW**

**FILE NUMBER: 74265**

**ASSESSMENT: \$74,320,000**

This complaint was heard on 6 day of August, 2014 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:

- *K. Fong, Agent*

Appeared on behalf of the Respondent:

- *T. Neal, Assessor*

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

- [1] No procedural or jurisdictional matters were raised.
- [2] The Respondent asked that the rental rate analysis and argument used in file 75710 be carried and cross-referenced to this file.

**Property Description:**

[3] The subject property is a 204,874 square foot (SF) office building comprising 173,968 SF of office space, 21,807 SF of office space below grade, 9,094 SF of storage space and 264 enclosed parking stalls. The building is located in the University Research Park in the community of Varsity. The subject was constructed in 2009 and is classified as "A+" quality, with a Subproperty use code of CS0302 Suburban Offices. It is assessed using the Income Approach to value with rental rates ranging from \$3.00 to \$24.00 per SF, vacancy rates of 2.00% and 3.00% and a cap rate of 6.00%.

**Issue:**

[4] While a number of issues were identified on the Complaint Form, the only issue argued at the hearing was that the property is assessed in excess of market value and the assessed rental rate should be reduced from \$24.00 per SF to \$19.00 per SF.

**Complainant's Requested Value: \$60,120,000**

**Board's Decision:**

[5] The Board confirms the assessment.

**Legislative Authority, Requirements and Considerations:**

[6] Under the Act Section 460.1(2) and 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 460.1 (1)(a).

[7] The Board will limit its comments to the relevant facts pertaining to this case and materials which led to the decision.

### **Position of the Parties**

#### **Complainant's Position:**

[8] The Complainant stated that the subject, a large, single tenant building occupied by SMART Technologies located on leasehold land in the University Research Park, across from the University of Calgary. The building is of high quality and is well situated close to the University and the Brentwood LRT station [C1, pp. 17-20].

[9] The Complainant stated that the property was unique because it was a large, purpose built, single tenant property and therefore had few comparables in the market place. The Complainant argued that because it was purpose built for a single tenant it would be difficult to lease space to additional tenants without major and costly renovations.

[10] The Complainant indicated that it had looked around the city to find a comparable building that could be used as an equity comparable. It identified the Bell Westwinds Campus, a 211,000 SF single tenant building at 3699 63 AV NE as the best comparable in terms of square footage, amenities, proximity to LRT stations etc.

[11] In support of its argument, the Complainant provided a Colliers sub-lease marketing brochure for the Bell Westwinds Campus which described the building location, square footage, layout and amenities [C1, pp. 26-43].

[12] The Complainant also provided the Non-Residential Properties-Income Approach Valuation [C1, pp. 44, 45] and 2013 Assessment Request for Information (ARFI) for the Westwinds building, noting that the assessed rental rate for the building was \$19.00 per SF and that the building had been leased on 2012-09-01 for \$17.00 per SF.

[13] The Complainant stated that this was the best comparable for the subject and that it had based its request on the Bell Westwinds rental rate of \$17.00 per SF which was a little dated and therefore, it was asking for an assessed rental rate of \$19.00 per SF.

[14] In response to questioning, the Complainant stated that its request for a \$19.00 per SF assessed rental rate for the subject was not based on the \$19.00 rental rate for A+ Suburban Offices in the NE.

#### **Respondent's Position:**

[15] The Respondent stated it did not believe that the fact that this was a purpose built, single tenant building, affected the assessed value of the subject and that the Complainant had produced no evidence to support this contention.

[16] In support of its argument, the Respondent stated that while the Complainant had argued that it would be difficult to sub-lease space in such a building, Colliers International, on behalf of SMART Technologies was currently marketing 41,772 SF of sub-lease space in the building [R1, pp.12-15]

[17] The Respondent argued that the Bell Westwinds Campus was not comparable to the subject as the subject was in a superior location to the Bell Westwinds Campus and it was located in another quadrant of the city with different assessed per SF rental rates [R1, 34].

[18] While the Complainant did not present or argue its 2014 "A+" Class Office Rental Study, the Respondent asked that its argument with respect to this issue be carried over from File 75710. In this regard, the Respondent argued that the Complainant's 2014 "A+" Class Office Rental Study was flawed because it contained three leases which should be discarded (two leases at 600 Crowfoot CRES NW fall outside the valuation time period of July 1, 2012 to July 1, 2013 and one lease at 8555 Scurfield DR NW is coded as medical/dental offices, not suburban offices) [R1, p. 27]. The Respondent provided an Altus 2014 "A+" Class Office Rental Study Corrected [R1, p. 28] with these three leases discarded. This corrected table shows a median value of \$24.50 per SF and an average of \$24.53 per SF.

[19] In support of the assessed rental rate of \$24.00 per SF, the Respondent provided its 2014 Suburban Office Rental Analysis: A+ Quality NW. The analysis contains seven leases common to the Complainant's "corrected" rental study [R1, p. 28] and two additional leases at 1816 Crowchild TR NW. The analysis indicates a median of \$24.50 per SF and a weighted mean of \$23.59 per SF [R1, p. 36].

[20] The Respondent stated that the subject ("leasehold" estate) had sold on 05/09/2013 for \$78,000,000, higher than the assessed value of \$74,320,000. However, as the sale was a leasehold sale, it had not been used in the Respondent's 2014 Suburban Office Rental Analysis: A+ Quality NW, but the sale could be seen as an indication of market value.

[21] The Respondent stated that it had included its 2014 Suburban Office Rental Analysis: A+ Quality NE in response to the Complainant's request for \$19.00 per SF for the subject [R1, p. 37] which is the same as the assessed rental rate for NE A+ Suburban Offices, noting that this analysis was based largely on multi-tenant buildings.

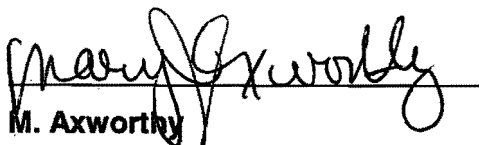
#### **Board's Reasons for Decision:**

[22] The Board finds that the Bell Westwinds Campus is not comparable to the subject for several reasons. The subject is located in another quadrant of the city, far removed from the subject, and has assessed rental rates different than Suburban Offices in the NW quadrant of the city.

[23] The Board finds the sale of the leasehold estate to be reasonable supports the assessed "fee simple" estate value. The Board notes that the rights associated with a "fee simple" estate are greater than the rights associated with a "leasehold" estate. Accordingly, the value of the "fee simple" estate is at least the value of the "leasehold" estate.

[24] The Board confirms the assessment.

**DATED AT THE CITY OF CALGARY THIS 19 DAY OF August 2014.**



**M. Axworthy**  
**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. 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 Only**

<b>Municipal Government Board use only: Decision Identifier Codes</b>				
Appeal Type	Property Type	Property Sub-Type	Issue	Sub-Issue
CARB	Office	Suburban Office	Rental rates	