



## **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:**

***B. Horrocks, PRESIDING OFFICER***  
***M. Bruton, BOARD MEMBER***  
***T. Usselman, 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:

<b>ROLL NUMBER:</b>	<b>068032895</b>
<b>LOCATION ADDRESS:</b>	<b>240 4 AV SW</b>
<b>FILE NUMBER:</b>	<b>74666</b>
<b>ASSESSMENT:</b>	<b>\$366,960,000</b>

This complaint was heard on the 26th day of August, 2014 in Boardroom 5 at the office of the Assessment Review Board located at 1212 – 31 Avenue NE, Calgary, Alberta.

Appeared on behalf of the Complainant:

- D. Hamilton (Altus Group Limited)

Appeared on behalf of the Respondent:

- J. Young (City of Calgary)
- D. Grandbois (City of Calgary)

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

- [1] There were no concerns with the Composite Assessment Review Board (CARB) as constituted.
- [2] The Respondent has not visited the site. The parties have discussed the file.
- [3] There were no preliminary matters. The merit hearing proceeded.
- [4] The parties agreed that all argument and discussion with respect to office space rental rate from Hearing 75693 would be carried forward to this hearing.

**Property Description:**

[5] The subject property is a 1.02 acre parcel located in the NONRES DT1 Sub Market Area in the downtown commercial core of Calgary. The site is improved with a 31 storey high rise office building known as BP Centre. The building has a typical floor plate area of 24,000 square feet (sf) and a total building area of 659,547 sf. In addition to 649,048 sf of office space, the building contains 1,960 sf of retail space on the main and second floors, 2,715 sf of food court space, 16 sf for an automated teller and 5,808 sf of storage space. There are 227 parking stalls in an underground parking garage. The building was constructed in 1985, is connected to the "Plus 15" network and is classified as A2 quality.

[6] The 2014 assessment was prepared using the Income Approach to Value, with a typical office space rental rate of \$31.00 per square foot (psf), typical retail space rental rate of \$27.00 psf, typical storage space rental rate of \$10.00 psf, typical food court space rental rate of \$125.00 psf and parking at \$6,000 per stall. Vacancy and non-recoverable expense allowances were deducted. The resulting net operating income (NOI) was capitalized at the rate of 5.75% to arrive at an estimate of market value of 367,959,774. There are tax exempt tenants in the building so an adjustment of \$990,000 was made to the final value to arrive at the taxable assessment that was truncated to \$366,960,000.

**Issues:**

[7] An assessment amount was identified on the Assessment Review Board Complaint Form as the matter that applies to the complaint. At the outset of the hearing, the Complainant advised that there was one outstanding issue, namely; office space rental rate.

**Complainant's Requested Value:** \$312,290,000 (Complaint Form)  
\$351,530,000 (Hearing)

**CARB's Decision:**

- [8] The 2014 assessment is confirmed at \$366,960,000.

**Legislative Authority, Requirements and Considerations:**

The CARB derives its authority from the Act, Section 460.1:

- (2) *Subject to section 460.1(1), 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).*

The Act requires that:

- 293(1) *In preparing an 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.*

Matters Relating to Assessment and Taxation Regulation (MRAT) requires that:

- 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.*
- 4(1) *The valuation standard for a parcel of land is*
- (a) *market value, or*
  - (b) *if the parcel is used for farming operations, agricultural use value*

**CARB's Decision in Respect of Each Matter or Issue**

**Issue:** What is the typical market net rental rate for office space to be used in the Income Approach to Value to determine the market value, for assessment purposes?

**Complainant's Position:**

[9] The Complainant's Disclosure is labelled C-1.

[10] The Complainant submitted that it was relying on 2014 Local Assessment Review Board (LARB) Business decisions as a foundation to support its request for an assessed office rental rate of \$29.50 psf. The Complainant submitted that the Respondent's sample size for determining the typical office lease rate for office towers in this class is too small and that to obtain a more representative and reliable sample of market leasing activity, the sample size should be increased by expanding the analysis period to include leases with commencement dates in the Q2, 2012 time period.

[11] The Complainant, on pages 112 through 130, provided LARB 74398B-2014 and LARB 74410B-2014 noting that "to balance the somewhat conflicting interests of obtaining an increased, but current sample" for AA class downtown office and AA- class downtown office space, the LARB had selected leases from the five most recent quarters preceding the July 1, 2013 valuation date. The Complainant submitted that it had used the same methodology to prepare its 2014 Class A office space lease analysis.

[12] The Complainant, on page 132, provided Table 5 noting that the Respondent's Class A 2014 Lease Study contained eighty five (85) leases representing total net rentable area (NRA) of 1,048,597 sf. The Complainant submitted that the addition of Q2, 2012 leases would increase the number of leases to 109 and the NRA to 1,229,096, and reduce the weighted mean lease rate from \$30.33 psf to \$29.58 psf. The Complainant requested a lease rate of \$29.50 psf be applied in the Income Approach to Value to determine the market value for assessment purposes.

[13] The Complainant, on page 140, provided a table titled 2014 A DT1,8 OFFICE RENTAL SUMMARY as prepared by the Respondent. The table contains details of eighty six (86) leases with lease commencement dates in the period July 1, 2012 to July 2, 2013. The lease rates range from \$14.00 psf to \$46.00 psf with a weighted mean lease rate of \$31.02 psf. The Complainant submitted the Summary includes four (4) leases that commenced on July 1, 2013, that should not be included.

[14] The Complainant, on pages 153 to 155, provided a table titled DOWNTOWN OFFICE NET RENTAL RATES noting there are three (3) leases that were missed by the Respondent in its Summary that should be included. The Complainant concluded that if the 4 leases that commenced on July 1, 2013 were excluded in the Summary and the 3 leases that were missed were included in the Summary, the remaining 85 leases would yield a weighted mean lease rate of \$30.33 psf. In response to a question, the Complainant advised that if the 4 leases that commenced on July 1, 2013 were not excluded in the Summary, the weighted mean lease rate would be \$30.39 psf. The calculation was not challenged by the Respondent.

[15] The Complainant, on page 277, provided a table titled DOWNTOWN OFFICE RENTAL RATES. The table contains details of twenty four (24) leases with commencement dates ranging from April 1, 2012 to June 1, 2012 (Q2, 2012). The Complainant concluded that if the evaluation period was expanded to include those leases the resultant 109 leases would yield a weighted mean lease rate of \$29.58 psf, in support of its request for an assessed lease rate of \$29.50 psf.

**Respondent's Position:**

[16] The Respondent's Disclosure is labelled R-1.

[17] The Respondent, on pages 125 through 127, provided a table titled 2014 A DT1&8 Office Rental Analysis. The table contains details of 85 leases with commencement dates in the period July 1, 2012 to July 1, 2013. The lease rates range from \$14.00 psf to \$46.00 psf with a weighted mean lease rate of \$31.20 psf. The Respondent acknowledged that the table contains 4 leases with commencement dates on July 1, 2013. The Respondent noted the lease rate applied in the 2014 assessment was \$31.00 psf and that there was a lease in the subject property that had been signed on March 1, 2013 for \$35.00 psf.

[18] The Respondent referred to the Complainant's request to include 3 "missed" leases noting they were excluded because CARB74665P-2014 had found that the leases were agreed to in 2011 which is outside the evaluation period.

[19] The Respondent, on page 39, provided a table titled Recent Sales Transaction Compared with Altus 2014 Parameters. The table compares the assessment to sale ratio (ASR) of 5 sales to the Predicted ASR of those same 5 sales if the Complainant's requested rental rate was utilized. The Respondent's ASRs ranged from 0.99 to 1.04 and the median ASR was 1.00 while the Predicted ASRs ranged from 0.87 to 1.00 and the median Predicted ASR was 0.96. The Respondent concluded the assessed rental rate produced a superior result.

**Complainant's Rebuttal Position:**

[20] The Complainant's Rebuttal is labelled C-3.

[21] The Complainant submitted that CARB74665P-2014 erred by not including the Nu Vista lease in its analysis and that ARB 0586/2010-P had included "new leases with a start date occurring during the subject one year assessment cycle". Further, the Respondent has included other leases in its rental study that were agreed to prior to the assessment period.

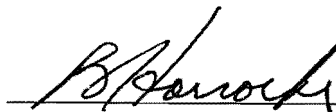
**CARB's Findings:**

[22] The CARB finds the Respondent's sample size more than adequate for determining a typical office rental rate. The eighty-five (85) leases included in the Respondent's office rental analysis represent approximately 10% of the available 'A' class office space in DT1. The four (4) leases with start dates of July 1, 2013 should be included in the analysis. The lease rates range from \$32.00 psf to \$39.00 psf and if examined separately are likely a good indicator of the range of market value on the evaluation date. The 85 leases produce a weighted average lease rate of \$31.20 psf which supports the assessed lease rate of \$31.00 psf. The 3 leases identified by the Complainant as missed should be included in the analysis as the commencement dates fall within the time period of the rental rate analysis. The resulting weighted mean lease rate would be \$30.39 psf which still supports the assessed rate of \$31.00 psf.

**CARB's Reasons for Decision:**

[23] The CARB finds the Respondent's ASR of 1.00 more compelling evidence than the predicted ASR of 0.96 which results from applying the Complainant's requested rental rate of \$29.50 psf.

DATED AT THE CITY OF CALGARY THIS 10 DAY OF SEPTEMBER 2014.

  
B. Horrocks

Presiding Officer

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

<b>NO.</b>	<b>ITEM</b>
1. C1	Complainant Disclosure
2. R1	Respondent Disclosure
3. C3 (21 pages)	Complainant Rebuttal 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.*

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<b>Property Type</b>	<b>Property Sub-Type</b>	<b>Issue</b>	<b>Sub-Issue</b>
Office	High Rise	Income Approach	Office rental rate