



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:

Sun Life Assurance Company of Canada, (as represented by MNP LLP), COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

R. Fegan, PRESIDING OFFICER

E. Bruton, BOARD MEMBER

R. Kodak, 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:	068034693
LOCATION ADDRESS:	140 4 AV SW
FILE NUMBER:	75096
ASSESSMENT:	\$341,720,000

This complaint was heard on the 24th day of June, 2014 at the office of the Assessment Review Board located at Floor Number 3, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 9.

Appeared on behalf of the Complainant:

- G. Worsley, (Agent, MNP LLP)

Appeared on behalf of the Respondent:

- K. Gardiner, (Assessor, City of Calgary)
- J. Young, (Assessor, City of Calgary)

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

[1] No procedural or jurisdictional matters were raised.

Property Description:

[2] The subject property is a two tower office complex built in 1980 and located in downtown Calgary. The total area of the two towers is 619,546 square feet. The north tower has an average floor plate of 11,283 square feet and the west tower has an average floor plate of 11,675 square feet. Each tower has 28 floors. The property is Classified as an "A-" building for property assessment purposes. There are 7,289 square feet of retail space on the first level and 1,032 square feet of retail space on the second level. There are 354 underground parking stalls.

Issues:

[3] The issues in this complainant are; office rental rate, retail rental rate, office vacancy rate, retail vacancy rate and operating expense allocation.

Complainant's Requested Value: \$317,880,000 (exhibit C-1, page 7)

Board's Decision: The Complaint is denied and the assessment is confirmed.

Position of the Parties

Complainant's Position:

[4] The Complainant argued that the location of the subject property adversely affects its ability to attract tenants at market rent in both the office and retail space categories.

[5] The Complainant provided two rental analyses on pages 50 and 51 of exhibit C-1. One covered the period from July 01 2012 to March 01 2013 and the other covered the period from

August 01 2012 to March 01 2013. The tables contained the same rental data except the second table excluded the month of July 2012.

[6] The Complainant provided a retail rental study for Class "A-" buildings which included the Gulf Canada Square building (currently assessed as an "A" building).

[7] The Complainant provided a vacancy rate study for Class "A-" buildings in DT-1. The average of this study was 2.38% (exhibit C-1, page 53).

[8] The Complainant provided an operating cost analysis (exhibit C-1, pages 202 – 233) which indicated a range of operating expenses from \$19.77 to \$21.68. The data was taken from three buildings including the subject.

Respondent's Position:

[9] The Respondent provided a rental analysis (exhibit R-1, page 71) of Class "A-" buildings indicating a weighted average rent of \$30.29.

[10] The Respondent also pointed out some leasing activity that had been omitted from the Complainant's analysis which if included would increase the weighted average rental rate (exhibit R-1, page 33)

[11] The Respondent argued that Gulf Canada Square is not an "A-" building and should not be included in the "A-" rental analysis.

[12] The Respondent provided an office vacancy study for Class "A-" buildings in DT-1, (exhibit R-1, page 77). This study indicated an average vacancy rate of 1.99%.

[13] The Respondent provided a copy of an operating cost summary done by CRESA PARTNERS (exhibit R-1, page 95).

[14] The Respondent pointed out to the Board that despite the Complainant's contention that Gulf Canada Square was comparable to the subject, the valuation of Gulf Canada Square provided by the Complainant (exhibit C-1, page 106) uses valuation parameters that are significantly different than those used in the requested assessment for the subject property.

Board's Reasons for Decision:

[15] Location; the Board reviewed the maps and aerial photographs provided by both parties and did not agree with the Complainant that the subject was located in an inferior location.

[16] Office Rental Rate; the Board reviewed the office rental analyses provided by the Complainant and noted that one set of leasing within Gulf Canada Square appeared to be an outlier. There were fourteen entries of relatively small areas all with the same lease commencement date (January 01, 2013) and a lease rate of \$14.00 per square foot (exhibit C-1, page 51). Apart from these leases the average rental rate was in the \$30.00 range. No explanation for the \$14.00 rate was provided by the Complainant.

[17] The Board accepted the Respondent's office rental analysis which did not include Gulf Canada Square. The Board found that Gulf Canada Square was not comparable to the subject.

[18] The Board accepted the Respondent's retail rental analysis which did not include Gulf Canada Square. The Board found that Gulf Canada Square was not comparable to the subject.

[19] Office Vacancy; the Board accepted the vacancy rate study done by the Respondent. The difference between the two studies was not significant (1.99% versus 2.38%). The Board noted that the Complainant's study included Gulf Canada Square which the Board has already concluded is not comparable to the subject property.

[20] Operating Expenses; the Board found that the operating expense report provided by the Respondent was taken from a much larger sample of buildings than that of the Complainant and hence the Board accepted the operating expense allocation used by the Respondent.

[21] Accordingly the Board determined that no revision to the assessment was warranted.

DATED AT THE CITY OF CALGARY THIS 23rd DAY OF July 2014.

R. Fegan.

R. Fegan

Presiding Officer

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

NO.	ITEM
1. C1	Complainant Disclosure
2. C2	Complainant Rebuttal
3. 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.*

CARB Identifier Codes

Decision No.		Roll No.		
<u>Complaint Type</u>	<u>Property Type</u>	<u>Property Sub-Type</u>	<u>Issue</u>	<u>Sub-Issue</u>
CARB	Commercial	Office	Market Value	Rental Rates

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