



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:

***HOOPP Realty Inc./Les Immeubles HOOP Inc./The Great-West Life Assurance Company.
C/O GWL Realty Advisors Inc (as represented by MNP LLP), COMPLAINANT***

and

The City Of Calgary, RESPONDENT

before:

<i>K. Thompson,</i>	<i>PRESIDING OFFICER</i>
<i>H. Ang,</i>	<i>BOARD MEMBER</i>
<i>P. Pask,</i>	<i>BOARD MEMBER</i>

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: 067049502

LOCATION ADDRESS: 605 5 Av SW

FILE NUMBER: 75247

ASSESSMENT: \$193,100,000

This complaint was heard on the 30 day of June, 2014 at the office of the Assessment Review Board located at Floor Number 4, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 6.

Appeared on behalf of the Complainant:

- G. Worsley *Agent, MNP LLP.*

Appeared on behalf of the Respondent:

- K. Gardiner *Assessor, City of Calgary*

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

[1] No procedural or jurisdictional issues were brought forward. The Board continued with the merits of the complaint.

Property Description:

[2] This property is classified for the purpose of assessment as a Class A- downtown office building with some retail on the bottom two levels. This property is commonly known as Fifth and Fifth and was built in 1970. The property is located at 605 5 Ave SW in the downtown core (DT2 sub market area) on a 0.83 acre site.

[3] The property is assessed as having :

- 1) Office - 454,536 square feet (sf) @ \$22.00 per square foot (psf)
- 2) Retail level 1 - 7,287 sf @ \$24.00 psf
- 3) Retail level 2 - 4,315 sf @ \$24.00 psf
- 4) Food Court - 3,063 sf @ \$125.00 psf
- 5) Parking - 242 stalls @ \$5700 per stall

[4] The subject property is assessed using the income method of valuation and has a capitalization rate of 5.75% and an office vacancy rate of 3.50%.

Issues:

The typical office rental rate for the subject property would better reflect market at \$19.00 psf with a vacancy rate of 2.50%.

Complainant's Requested Value: \$172,170,000

Board's Decision:

[5] Assessment is confirmed at \$193,100,000.

Legislative Authority, Requirements and Considerations:

[6] By 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).

Position of the Parties

Complainant's Position:

[7] The Complainant presented information on the property, assessment calculations maps and photographs of the subject property, [C1, pg 8-20].

[8] Two of the subject property's current leases were presented representing 28% of the total office space. The average lease rate of the September 2012 and February 2013 leases was \$18.00 psf with a weighted mean of \$17.23 psf. The Complainant submitted that this was the best indicator of value for the subject property (as per CARB decisions 2397/2011 and 70747/2013).

[9] The Complainant contends that the City incorrectly included First Alberta Place in the rental analysis of the A- downtown office buildings. According to the Complainant First Alberta Place is generating rents that are far greater than the other A- buildings and should be part of the Class A rental analysis. To demonstrate the Complainant submitted three charts [C1, pg 23-24]. The first showed the office leasing analysis for the A- offices excluding First Alberta Place, the second showed the First Alberta Place lease analysis, and the third showed the Class A office leasing in DT2. The lease rate analysis results were as follows:

Type of lease Analysis	# leases	Range psf	Mean psf	Median psf	Weighted Mean psf
Class A- (excluding First Alberta Place)	10	\$17.00-\$27.00	\$21.66	\$19.81	\$19.10
First Alberta Place	7	\$23.50-\$34.00	\$29.50	\$29.00	\$27.65
Class A	9	\$22.00-\$33.00	\$29.17	\$30.00	\$28.50

[10] Supporting evidence for the reclassification of First Alberta Place was presented by the Complainant in the form of a chart comparing the other three Class A physical characteristics, [C1, pg 43]. Supporting documentation for the Class A buildings was included along with photographs, property summary reports and calculations, [C1, pg 44-56].

[11] The Complainant argued that the City have reclassified office buildings based on rental information and submitted the Hanover building as an example [C1, pg 58-94]. This showed the Hanover Building as a Class B building in 2013 and a Class A building in 2014. A list of the current leases in the Hanover Building was submitted showing a weighted mean lease of \$36.00 psf and a median of \$37.00 psf [C1, pg 94]. A number of third party real estate reports and the City's 2014 Class A DT1,8 Office Rental Summary were submitted, all including the Hanover lease information for 2012 and 2013 [C1, pg 81-93].

[12] A recalculation of the A- class vacancy rate was submitted removing First Alberta Place

from the study and resulting in an office vacancy of 2.50% [C1, pg 25]. The Complainant used this vacancy rate to calculate the final requested value.

[13] The Complainant included a number of Court of Queen's Bench and board decisions.

Respondent's Position:

[14] The Respondent provided assessment details, calculations, maps and photographs of the subject property [R1, pg 6-13].

[15] With regard to the Complainant's evidence on third party classification rating of First Alberta Place, the Respondent contends that most third party marketing firms do not use class distinctions such as A and A-. Both the subject and First Alberta Place property is viewed as an A building by third party standards however the subject is viewed as an A- by the owners, [R1, pg 14-19]. The Respondent also states that Building Owners and Managers Association International (BOMA) do not recommend the publishing of classification ratings for individual properties, the Respondent states that everyone has different opinions and different interests [R1, pg 20].

[16] With respect to the Complainant's request to analyze the A- class typical rent without First Alberta Place, the Respondent stated that in Mass Appraisal there will always be a range of leases used to determine the typical rent for a class of properties. In addition, it isn't a correct process to change one component, or in this case two components. All the components used to determine market value are interrelated and therefore they must be looked at in their entirety. The Respondent gave an extensive and exhaustive analysis to show the effects of changing various components such as classifications [R1, pg 21-58]. The value of the subject when analyzed as Class B for example (with a thorough re-analysis on every component) comes out very close to the current value.

[17] The Hanover building was briefly addressed by the Respondent, who stated the decision to move that property to a new classification was based on more than rental rates. As well, the decision was made prior to the 2014 analysis and the change was included in all the analysis.

[18] A number of site specific requests, made by the Complainant on behalf of its clients, were introduced, [R1, pg 51-109].

[19] The Respondent stated that the City must determine typical rates and value the entire class on the determined typical rates, and the typical rates were determined based on analysis of all the properties in that class. The City did not have the luxury to alter specific components on one off properties.

[20] The Respondent compared the subject building's rate per square foot with the sales in both the A and B classes [R1, pg 111]. This shows Class A selling for a median value of \$471.11 psf, Class B selling for a median of \$407.24 psf. The subject is currently assessed at \$411.55 psf and the Complainant's request is for \$366 psf. The requested value of this Class A-property is lower than what the Class B properties are selling for. The Complainant in questioning did note the sales were dated, most were from 2012, with only one Class B in 2013.

[21] Six equity comparables were presented [R1, pg 130] along with a bar chart with office assessments/sf to show that values in the various classes were assessed in a logical manner.

[22] A large amount of information on the sales, titles, transfers, Board decisions were included [R1, pg 134-433].

[23] Respondent requested the assessment be confirmed.

Board's Reasons for Decision:

[24] The Board reviewed the evidence provided by both parties and will limit its comments to the relevant facts pertaining to this case.

[25] The Subject property seems to be a reasonable representation of assessment class and equitable to the surrounding properties. Nothing unique or underperforming was brought forward with regards to this particular property, which is in a good location. The subject property is in a well established economic zone in the downtown core and this subject's placement in this zone was not challenged by the Complainant. The subject property's capitalization rate was also not challenged.

[26] Both the Complainant and the Respondent used the income approach to value this property. Where the two parties differed was when it came to which typical rental rate should be used to calculate the NOI, to determine the market value. In particular the Complainant felt the City erred in including First Calgary Place in the Class A- rental rate analysis causing the typical rental rate for office space to be too high.

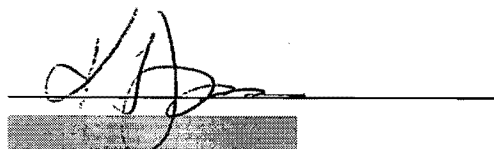
[27] The Board reviewed the evidence provided by both parties and in particular, gave consideration to the office rental analysis provided by the Complainant and compared that to the Respondent's analysis. The Board acknowledges that the leases for First Alberta Place are on the high end of the range of the City's 2014 A- lease analysis, but not to the extent that it would be considered an outlier in that sample. The Board notes that any analysis sets will always include highs and lows, the sample cannot simply be reduced by the extremes to determine new rates. Soon there would be no typical rate, as the sample would be reduced to one.

[28] Of particular note to the Board is the market evidence presented by the Respondent, while somewhat dated, shows the subject property's assessed rate per square foot well within the B and A class sale price per square foot range. As an A- class property that is what would be expected. The Respondent is mandated through legislation to develop typical factors for a group of properties and apply those consistently to arrive at market value and that appears to have occurred in this case.

[29] The Board notes that while it is not bound by previous Board Orders, it did consider those that were submitted but its decision is based on the evidence before it.

[30] The Board finds insufficient evidence to alter the office rental rate applied to this property. The assessment is confirmed.

DATED AT THE CITY OF CALGARY THIS 22 DAY OF July 2014.

A handwritten signature in black ink, appearing to be 'A. J.', is written over a horizontal line. Below the line is a grey rectangular stamp.

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.*

Property Type	Property Sub-Type	Issue	Sub issue
office	High rise	Income Approach	Office Rental Rate