

**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-26.1, Section 460(4).

between:

Altus Group Ltd., COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

Paul G. Petry, PRESIDING OFFICER

John Mathias, MEMBER

Robert Kodak, MEMBER

This is a complaint to the Calgary Assessment Review Board in respect of Property assessment prepared by the Assessor of The City of Calgary and entered in the 2010 Assessment Roll as follows:

ROLL NUMBER: 113004105
LOCATION ADDRESS: 7180 – 11 Street S.E.
HEARING NUMBER: 59513
ASSESSMENT: \$3,500,000

This complaint was heard on 7 day of June, 2010 at the office of the Assessment Review Board located at Floor Number Floor, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 4.

Appeared on behalf of the Complainant:

- *D. Chabot*
- *B Ryan*

Appeared on behalf of the Respondent:

- *A Jerome*
- *T Woo*

Property Description and Background

The subject property is a 21,518 square foot suburban office building located at 7180 – 11 Street S.E. Calgary. The major tenant had vacated the property prior to the July 1 valuation date and the property according to the Respondent's records was 100% vacant at that time. The assessment for the subject building shows that in applying the capitalized income approach the Respondent has allowed for vacancy at 6% and has included income from 24 parking stalls at the rate of \$100. per month. The parties advised the CARB that their evidence and arguments respecting the issues noted below would be the same for a number of other complaints being brought forward in this set of hearings.

Issues:

1. Is the vacancy allowance of 6% typical of vacancy in the south east sector of the City for this property type?
2. Is the parking rate of \$100 per month excessive for subject given what is typical for this property type in the south east sector of the City?

Several other issues were raised in the Complainant's complaint filed with the Assessment Review Board (ARB) on March 4, 2010. The only issues that the parties brought forward in the hearing on June 7, 2010 before the Composite Assessment Review Board (CARB) are those referred to above, therefore the CARB has not addressed any of the other issues initially raised by the Complainant.

Board's Decision in Respect of Each Matter or Issue:

Issue 1 – Vacancy Allowance

The decision of the CARB is to apply a vacancy allowance of 9.5%.

Issue 2 – Parking Income

The decision of the CARB is to confirm the parking rate of \$100 per month.

Reasons for the Decision:**Vacancy Allowance**

The Complainant argued that the 6% vacancy allowance used by the Respondent is not reflective of the level of vacancy being experienced by properties similar to the subject in south Calgary as of the valuation date July 1, 2009. The Complainant proposed that this allowance should be 10% and introduced a number of third party reports in support of this recommendation. These reports were published by Avison Young, CB Richard Ellis and Colliers International and showed vacancy rates for suburban office space in the S.W and the S.E range from a low of 7.9% in Q2 to a high of 20.3% in Q3 of 2009. The majority of data reported showed vacancy rates in excess of 10% for mid year 2009. The Complainant's also provided 2008 third party reported vacancy rates to show that in 2008 the Respondent's assessed 3% closely matched these reports that year where in the current year there is a significant spread. The Complainants had also completed their own study of suburban office vacancy in south Calgary which included 27 comparables showing a median vacancy rate of 9.66% as of July 1, 2009. The Respondent had pointed out that the Complainant's data included a building showing vacancy at 100%, however this building was still under construction as of July 1, 2009. In rebuttal to the Respondents information the Complainant has prepared a further vacancy review document wherein the building under construction had been removed and ten other comparables had been added. This information captured approximately 54% of the total suburban office space in the southeast as reported by the Respondent and produced a vacancy rate of 9.68%. This value was determined by totalling the available space in all of the comparable properties listed (2,142,574 sq. ft.) and dividing that number into the total vacant space in those buildings (207,395 sq. ft.) at July 1, 2009.

The Respondents argued that the method and calculations applied by the Complainant to determine typical vacancy is not appropriate and that the correct method is to determine the vacancy level expressed as a percentage for each comparable building and then determine the median vacancy value for the array of comparables. In so doing the method reduces the impact of highs and lows thereby giving a truer picture of the typical vacancy experienced within the sample. The Respondent submitted a vacancy study prepared by the City of Calgary which included 92 suburban office buildings in south Calgary. The available rentable space in these buildings totalled to 3,953,735 sq. ft. and the vacant space in these buildings was reported to be 243,359 sq. ft.. The median vacancy rate for this study was 0% and the mean value was reported as 5.98%. The Respondents indicated that the median of 0% is the best indicator of value; however other information led them to apply a 6% vacancy rate for south Calgary suburban offices this year. The Complainant introduced several examples of buildings included in the Respondent's study that appeared not to be suburban office but perhaps retail or industrial in nature. The Complaint also argued that the Respondent did not provide the actual vacancy data for any of their comparables and therefore there was no way for the Complainant or the CARB to test this information. The Respondent indicated that this information is treated as confidential, however the Complainant argued that vacancy information should not be viewed as confidential as all owners advertise their vacant space and share this information openly. The Respondent argued that the market reports are not reliable and that the Respondent's review of the Complainant's initial study, along with the addition of eight other buildings in the southeast,

provides a median value of 6.26% supporting the assessed value of 6%.

The CARB reviewed the methodology applied by the parties in their respective vacancy studies and favours the Complainant's approach. The Respondent's method in this case produced a median of 0% and yet the Respondent did not rely on that value but rather adopted a vacancy allowance of 6%. The Respondent's methodology may have produced a meaningful value if the data in the array represented annualized vacancy for each property rather than a snapshot value at a particular point in time. The approach applied by the Complainants is a similar approach to that used by the third party reporting agencies and provides a good picture of overall vacancy levels for the group of properties in the sample at a particular point in time, in this case July 1, 2009. The CARB finds that the Complainant's more inclusive rebuttal document which included the Respondent's additional 8 buildings and two other buildings, to be persuasive. The Respondent's information also was found not to be sufficiently transparent to determine why there is such a wide variance between the results of this study and that of the third party reports and that of the Complainant. The CARB placed greatest weight on the Complainant's rebuttal document representing 54% of the suburban office buildings reported by the Respondent. This information produced an average vacancy level for the total rentable area of the buildings in the study of 9.68%. The vacancy value is solidly supported by the third party reports provided by the Complainant. The CARB therefore decides to apply a 9.5% vacancy allowance for this property and others in this set of Complainants where the parties have relied on the same evidence.

Parking Rate

In this case the Respondent had applied a typical parking rate of \$100 per month for the 24 stalls on the subject site. The Complainant submitted that the current charge for parking at the subject is only \$40 per month and argued that the typical charge for suburban parking would be more in the area of \$75 per month. In support of this the Complainant brought forward lease information and other documentation to show that for the five buildings reviewed the actual parking charges range from no charge at all to a high of \$78.75. Two of the five charged \$75 per month and the Complainant proposed that the CARB adopt that value for purposes of the assessment for the subject and other similar properties under complaint in these hearings.

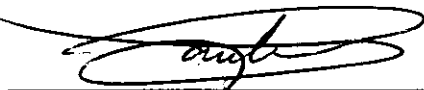
The Respondent provided the CARB with their parking rate study of 48 suburban office buildings. This information showed a median rate of \$109 per month and an average rate of \$114 per month. Based on this study the Respondent had adopted a value of \$100 per month as the typical parking rate for the year under complaint.

The CARB reviewed both party's parking evidence and found that the Respondent's evidence provided the most reliable basis from which to derive a typical rental rate for parking in the suburban office market. The CARB makes the observation that while Respondent's data represents rates from all quadrants of the City, it appears that there may not be significant variance based on quadrant. The Respondent has chosen a slightly conservative value of \$100 based on this study and the CARB accepts this value as the correct rate for the 2009 assessment year.

Decision

Based on a careful review of all the evidence and argument advanced in this case and in light of the findings and reasons above the CARB reduces the assessment of the subject property to \$3,260,000.

DATED AT THE CITY OF CALGARY THIS 16th DAY OF June 2010.



Paul G. Petry
Presiding Officer

PGP/ek

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.*