

**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(4).

between:

Altus Group Ltd., *COMPLAINANT*

and

The City Of Calgary, RESPONDENT

before:

J. Noonan, *PRESIDING OFFICER*

D. Cochrane, *MEMBER*

D. Morice, *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:	200760551
LOCATION ADDRESS:	10774 42 St SE
HEARING NUMBER:	56417
ASSESSMENT:	\$28,000,000

This complaint was heard on the 14th day of July, 2010 at the office of the Assessment Review Board located at the 4th Floor, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 3.

Appeared on behalf of the Complainant:

- D. Chabot, *Sr. Consultant, Altus Group*

Appeared on behalf of the Respondent:

- T. Woo, *Associate Assessor, The City of Calgary*

Property Description:

The subject is located at 10774 42 St SE, Calgary. It is assessed as an office/warehouse, a new category for 2010, at a typical lease rate of \$18 per sq. ft. for both the office and warehouse components. The assessed value is \$28,000,000. There is an undeveloped second floor and recreational space in the basement of the office portion which the parties have agreed values. As a result of this agreement, the suggested assessment would be \$27,790,000. The office footprint is 42,887 sq. ft. and the warehouse is 74,832 sq. ft., the two portions connected by a hallway or corridor. The property is owner-occupied and was built in 2006.

Issues:

From a lengthy list of grounds for appeal identified on the Complaint Form, the Board heard evidence and argument on the following points:

1. Is the subject appropriately assessed as an office/warehouse?
2. Should the property be granted an increase in vacancy allowance from 6% to 9.5%?

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

Issue 1: The Complainant raised sufficient doubts or questions as to the comparability of this property to others identified in the new office/warehouse category to satisfy the CARB that the office and warehouse portions ought to be calculated separately with the typical parameters, or best estimates of those parameters.

The Respondent showed six comparables in this new use class, four in the NE quadrant and two in the SE, ranging from 9098 sq.ft. to 61,847 sq.ft. with 10-15 year term lease rates ranging from \$16.93 to \$25. One lease appeared to be a build-to-suit lease arrangement. The subject property has 117,719 sq.ft of development at grade, of which some 64% is warehouse, or 47% if one includes the not-yet-developed second floor office currently used and assessed as storage. The comparables had as low as 13% warehouse, or no breakdown of space type was available. It was unclear to the Board what were the criteria for choosing to include the subject in the new office/warehouse category.

For business assessment purposes the warehouse and office components were valued separately using typical warehouse and suburban office rates in both 2009 and this year. Last year, the property assessment was developed using separate office and warehouse rates.

In the absence of better explanation of the new blended rate for office/warehouse, the CARB determined that a similar approach was appropriate. The Board decided the \$21 typical suburban office Class A lease rate should be used for the main floor office space and a \$7 rate for the warehouse. The Board heard no evidence to suggest the office was other than Class A, and the evidence of both parties and LARB decisions supported the \$7 warehouse rate. The other warehouse parameters for the income approach were developed from the oral evidence of the parties: the Board heard that another panel had approved a 7.5% cap rate for another warehouse property, the same as had been used for the subject's assessment, and for operating shortfall, the typical \$12.50 for office space was used, and a \$5 rate was suggested for the warehouse.

Issue 2: Vacancy Allowance

The Complainant referred to the City's Southeast Office Vacancy Study and pointed out to the Board examples of incorrect data, the exclusion of some office space that was assessed on roll numbers incorporating other development, and the inclusion of some office space that was atypical. The most substantial problem was the exclusion of some 104,000 sq.ft. of vacant space from an improvement of 108,000 sq.ft. at 1220 59 Ave SE. Including that space and making modest corrections to the City data, but not excluding those spaces the Complainant thought atypical, the conclusion was a vacancy rate of some 9.25%. The Complainant introduced vacancy estimates from Avison Young, Colliers and CBRE, all showing higher rates in the Q2-Q3 2009 period. Also introduced were 2 recent ARB decisions reached on very similar evidence to that presented here, both concluding a 9.5% vacancy rate for southeast offices.


The Respondent defended the Vacancy Study which was developed from ARFI information for 92 buildings with a total of 3,953,735 sq. ft., of which 243,359 sq. ft. was reported vacant, or 6.16%. Eight properties totalling some 300,000 sq. ft. had been excluded as ARFIs for those properties had not been returned or were incomplete. It would be wrong to selectively include data from just one of the missing eight, as the numbers would be distorted. The Respondent observed that the third party vacancy estimates included space available for sub-lease, and so were high estimates.

The CARB heard that even excluding the sub-lease areas from the third party estimates, the resulting figures were much closer to the requested 9.5% than the City's 6%. The block of vacant space at the 59 Ave property should be considered, despite the absence of an ARFI, as this significant vacant space would impact the localized market. Accordingly, this panel concurs with the decisions reached by two previous panels and sets the vacancy allowance at 9.5% for the office portion of the subject. The Board declined to extend this allowance to the recreation and storage space, in recognition that these spaces had been generously treated with the application of reduced lease rates. The CARB heard no evidence of the vacancy for warehouse property, and so decided to leave unchanged the 6% vacancy for the warehouse portion.

Board Decisions on the Issues:

The Board reduces the assessment to \$17,800,000

DATED AT THE CITY OF CALGARY THIS 4th DAY OF August 2010.

for 
J. Noonan
Presiding Officer

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.*