

**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 Limited, COMPLAINANT***

**and**

***The City Of Calgary, RESPONDENT***

**before:**

***L. Loven, PRESIDING OFFICER***

***R. Roy, MEMBER***

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

**ROLL NUMBER: 112001409**

**LOCATION ADDRESS: 6700 MacLeod Trail S.E.**

**HEARING NUMBER: 59919**

**ASSESSMENT: \$33,200,000**

This complaint was heard on the 30<sup>th</sup> day of July, 2010 at the office of the Assessment Review Board located at Floor Number 4, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 9.

Appeared on behalf of the Complainant:

- C. Van Staden, representing the Altus Group Limited, on behalf of Macleod Equities Inc.

Appeared on behalf of the Respondent:

- B. Duban and R. Fegan, representing the City of Calgary

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

Both the Respondent and the Complainant confirmed to the Board that they had no procedural or jurisdictional matters to be raised.

**Property Description:**

The subject property consists of a 99,919 square foot seven story high rise office building with main floor retail known as Sovereign Centre located at 6700 MacLeod Trail S.E. in suburban Calgary, constructed in 2001. The property is assessed at 13,282 square feet of retail space, 86,637 square feet of office space, and 220 parking stalls. The total assessment is \$33,200,000.

**Issues:**

1. The assessed rental rate applied to the subject's office and retail space at \$26 per Square foot should be lowered to \$23.
2. The assessed vacancy rate applied to the subject property at 6% is too low and should be raised to 9.5%

At the hearing, the Complainant confirmed issues regarding capitalization rate and parking revenue would not be addressed

**Complainant's Requested Value:** \$27,080,000

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

**Issue 1.**

The Complainant submitted a list of fourteen 2008/2009 leases for Class A buildings located in the SE quadrant with a mean and median of \$21.18 and \$21.50, respectively; and nine 2007 leases for a new building located on Railway Street SE, in East Fairview showing a lease rate of approximately \$21.50 per square foot. The Complainant then resubmitted, in its rebuttal, twenty-six 2007 leases in the SE quadrant showing a mean range of \$21.70 and \$21.64 per square foot respectively. The Complainant also provided a Master Rent Roll for the subject property as of August 31, 2008, noting the net rent rate for five leases signed in 2007 in the range of \$14.50 to \$15.50.

The Respondent submitted eleven leases for Class A/A+ buildings, ten of which were located in the SW quadrant, showing a median and average rent rate of \$24.60 and \$25.71 respectively. The Respondent also provided an Assessment Request for information, dated March 10, 2010, noting the annual rental rate crossed out and hand written rates. The Board notes the hand-written rates match the future annual increases listed in the Master Rent Roll. The Respondent further submitted a table of Calgary Suburban Office Net Rental Rates showing a rental rate of \$18.50 to \$25.00 and \$22.00 to \$25.00 per square foot for Class A buildings in the SE and SW, respectively.

Based on the Board's consideration of the above evidence, the Board finds the Complainant's requested rate of \$23 to be supported by the market information of the Complainant, and to some degree the Respondent, in that the Board did not hear any evidence or argument that the subject property was a Class A+ property. Furthermore, the requested rate is within the range provided by the Respondent.

## **Issue 2.**

The Complainant submitted third party market reports showing a vacancy for Q2 South ranging from 11.1% to 11.9% to a high of 14.8% for South Central, and 8.2% to 13.4% for Q3 and a high of 20.3% for South Central. The Complainant notes this is up from a 3% vacancy rate for the South in 2008. The Complainant further submitted a Suburban Office Vacancy Study for 29 addresses in the South showing a median vacancy of 9.66%.

This evidence was countered by the Respondent's southeast suburban office study (not including 51 owner occupied or under-re-development properties) of 23,953,735 square feet of assessed area showing 243,359 square feet vacant as of July 1, 2009, giving a median vacancy of 0.00% and a mean of 5.98%; and, a southwest suburban vacancy study of 2,835,919 square feet (not including owner occupied properties) with 182,579 square feet vacant showing a median of 2.66% and a mean of 8.12%.

In rebuttal the Complainant submitted: a copy of ARB 0629/2010-P that finds a vacancy of rate of 9.5% should be applied to southeast office buildings but places no weight on the third party reports supporting the 9.5% vacancy allowance requested by the Complainant; and ARB 0790-2010-P confirming the SE vacancy rate at 9.5%; and, cites several other ARB decisions increasing the vacancy rate for SE addresses to 9.5%. The Board notes that it is not bound by previous Board decisions, that is, each hearing is *de novo*; and, previous Board decisions are not considered as evidence but may be relied upon to support an argument.

The Board finds that in its consideration the above evidence and argument the Board supports the Complainant's requested vacancy rate of 9.5%

In summary, the Board heard no further evidence regarding vacancy short fall or operating costs.

The valuation method applied in this instance is the Income Approach. The use of this approach to value is contextually allowed in the legislation. The Complainant did not advance any argument or evidence to support the contention that an error had been made in the application of the Income Approach in preparing these assessments.

**Board's Decision:** For the reasons set forth above, and as summarized below, the assessment of the subject property is hereby adjusted as follows:

	Area (sf)	Rent/Rate	Income	Value
Office	86,637	\$ 23.00	\$ 1,992,651	
Retail	13,282	\$ 23.00	\$ 305,486	
Other			\$ -	
Subtotal	99,919		\$ 2,298,137	
Vacancy		9.5%	\$ 218,323	
OC (VS Short Fall)		\$ 12.50	\$ 118,654	
Non Recoverable		2%	\$ 45,963	
Parking	220	\$ 1,200.00	\$ 264,000	
NOI			\$ 2,179,197	
Cap Rate		7.5%	\$ 2,298,137	29,055,966
Assessment				29,050,000

DATED AT THE CITY OF CALGARY THIS 13<sup>th</sup> DAY OF SEPTEMBER 2010.

  
**L.R. Loven**  
 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.*