

**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:

L. Wood, PRESIDING OFFICER

R. Deschaine, MEMBER

R. Cochrane, 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: 067090803

LOCATION ADDRESS: 902 11 AVENUE SW

HEARING NUMBER: 58252

ASSESSMENT: \$9,840,000

This complaint was heard on 24th day of September, 2010 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:

- Mr. B. Neeson

Appeared on behalf of the Respondent:

- Mr. D. Lidgren

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

There were no procedural or jurisdictional matters raised by the parties during the hearing.

Property Description:

The subject property, known as Cohos Evamy & Partners building, is a two and a half storey office building located in the Beltline district. The building has a net rentable area of 42,631 sq ft and is situated on a 0.83 acre parcel. It is of vintage quality, constructed in 1922. There are 81 parking stalls associated with this site. It is assessed as a class B+ office.

Issue: (as indicated on the complaint form)

1. The office market rental rate should be \$16.50 psf.

Complainant's Requested Value: \$8,650,000

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

The Board notes that there were several statements on the appendix to the complaint form; however, it will only address those issues that were raised at the hearing.

1. **The office market rental rate should be \$16.50 psf.**

The Complainant submitted that the office space within the subject property (28,421 sq ft) which has a market net rental rate of \$20 psf should be reduced to \$16.50 psf (Exhibit C1 pages 152-153). The Complainant indicated that the assessed rental rate of \$20 psf is the only issue in contention before the Board (Exhibit C1 pages 10 & 11).

The Complainant submitted the Assessment Request for Information (ARFI) dated April 12, 2010 for the subject property (Exhibit C1 pages 17-19). Shell Canada Limited ("Shell") leased the entire building (42,631 sq ft) at \$20 psf starting on March 1, 2007 for a 7 year term. During the valuation period, the lease rate had increased to \$22 psf. The Complainant stated that Shell did not move into the building. He indicated Shell has been trying to sub-lease the space but has been unsuccessful due to the sharp decline in the market since early 2007. The Complainant submitted a class B rental rate analysis and indicated that the decline in office rental rates continued into 2009 (Exhibit C1 pages 20- 71).

The Complainant submitted that this is a vintage building, with one third of the space below grade or sub-basement, and neither Altus nor Avison Young would consider this type of building B+ class (Exhibit C1 page 21). He submitted a Beltline Rental Report indicating 27 leases from 9 buildings that commenced in July 1, 2008 to February 1, 2010. The lease areas ranged from 797- 24,829 sq ft and were achieving rents between \$11- \$29 psf (Exhibit C1 page 21). The Complainant then isolated the leases to those that commenced during 2009 to suggest the median rental rate was \$16.50 psf (Exhibit C1 page 70).

He also provided 11 equity comparables that had office space of 16,204- 240,697 sq ft and was assessed at \$17 psf (Exhibit C1 page 71). He specifically referenced the properties located at 525 11 Avenue SW and 1324 17 Avenue SW which are similar in size to the subject property as the best equity comparables.

The Respondent submitted the assessment for the subject property was based on the income approach to value. He presented the Master Rent Roll for the subject property, which included rental increases, in support of the assessed market net rental rate of \$20 psf (Exhibit R1 pages 20 & 21). He also noted that the office space below grade (14,210 sq ft) was assessed at a market net rental rate of \$8 psf (Exhibit R1 pages 14 & 15).

He submitted 14 equity comparables of south west offices in the Beltline district, including the subject property, that have a market net rental rate of \$20 psf (Exhibit R1 page 22). The buildings are 3- 16 stories, with assessed office areas that ranged from 32,048- 188,477 sq ft, constructed between 1920- 1982 and were assessed as B+ class. The equity comparables were assessed between \$230 psf to \$285 psf, with the subject property at the lower end of the range at \$234 psf. He indicated the comparable located at 809 10th Avenue SW is similar to the subject property in age, size and assessed value (Exhibit R1 page 22).

The Respondent also provided 36 office lease rates for the Beltline region of class B+ offices that commenced during the valuation period in support of the market net rental rate of \$20 psf (Exhibit R1 page 37). The leased areas ranged between 1,401- 69,114 sq ft and were achieving rents between \$13- \$32 psf. He submitted that the median rate as of July 1, 2009 was \$20 psf which he suggested was reasonable considering the recent decline in rental rates. He isolated 13 leases that are located in close proximity to the subject property that were achieving lease rates between \$13- \$28 psf to show that they are not performing any less than others in the Beltline area (Exhibit R1 page 38).

The Respondent submitted two sales comparables to further support the assessment of the subject property: firstly, the sale of Central Park Plaza located at 340 12 Avenue SW in October 2008 for \$38,300,000 or \$317 psf (Exhibit R1 pages 41- 43). Secondly, the sale of Highstreet House located at 933 17 Avenue SW in April 2009 for \$14,500,000 or \$295 psf which was also used in the Complainant's comparables (Exhibit R1 pages 45- 48; Exhibit C1 page 21). He indicated that this building is close in size to the subject at 49,193 sq ft.

The Board was not convinced that the Complainant proved why the subject property's classification as a B+ office building was incorrect. He led the Board through the different classes as assigned by the City of Calgary, Altus and Avison Young for the same buildings and stated that the process is subjective when accounting for the discrepancies in ratings (Exhibit C1 page 21). It was unclear to the Board what criteria the Complainant was relying on to change the rating from a B+ to a B.

The Board reviewed the Complainant's Beltline Class B Rental Rate Analysis, particularly those rental rates that occurred during the valuation period (Exhibit C1 page 70). It noted that half of the

lease comparables that the Complainant provided were post facto. If one disregarded the post facto rental rates, then the median rate would be significantly increased upwards, thereby supporting the market net rental rate of \$20 psf used in the assessment of the subject property.

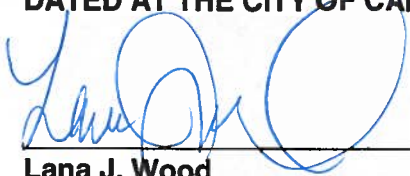
When reviewing the Respondent's lease comparables and equity comparables, the evidence overwhelmingly supported the market net rental rate of \$20 psf. Moreover, the overall assessed rate of \$234 psf was further substantiated with the two sales comparables presented by the Respondent.

As such, the Board was not convinced that the Complainant provided sufficient evidence to bring the assessment in dispute.

Board's Decision:

The decision of the Board is to confirm the 2010 assessment for the subject property at \$9,840,000.

DATED AT THE CITY OF CALGARY THIS 10th DAY OF NOVEMBER 2010.



Lana J. Wood
Presiding Officer

APPENDIX A**DOCUMENTS RECEIVED AND CONSIDERED BY THE ASSESSMENT REVIEW BOARD:**

NO.	ITEM
Exhibit C1	Evidence Submission of the Complainant
Exhibit R1	City of Calgary's Assessment Brief

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.*