

**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:

Steven C. Kashuba, 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: 124192204

LOCATION ADDRESS: 9705 Horton Rd SW

HEARING NUMBER: 58978

ASSESSMENT: \$8,780,000

This complaint was heard on the 5th day of August, 2010 at the office of the Assessment Review Board located at Floor Number 4, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 4.

Appeared on behalf of the Complainant:

- *D. Chabot*

Appeared on behalf of the Respondent:

- *B. Duban*

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

No procedural or jurisdictional matters presented.

Property Description:

The subject property is located in the SW quadrant of the City at 9705 Horton Road SW. The land use description for the property is I-2, a General Light Industrial classification which permits a maximum gross floor area equal to one times the lot area for all permitted uses except office uses which are limited to 50% of the lot area. The lot area consists of 1.75 acres upon which are located two 2-storey buildings with a total net rentable area of 54,581 square feet. The buildings are occupied with tenancy characterized by predominantly local businesses. The current assessment is \$8,780,000.

Issues:

1. The rental rate is too high and should be reduced, and
2. The vacancy rate allowance should be increased to 9.5%.

Complainant's Requested Value: \$5,970,000

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

Issue #1, The rental rate is too high and should be reduced

Position of Complainant

The Complainant submitted that the rental rates applied by the Respondent to Recreational Space, Office Space Below Grade, and Office Storage Space at \$9.00 per square foot (1-C, page 10) are not at issue; however, at issue is the application of a rental rate of \$16 per square foot for 48,083 square feet of office space.

In support of their request to reduce the rental for this particular area from \$16 per square foot to \$12 per square foot the Complainant submitted a copy of their leasing activity which reflected leasing values ranging from \$10 to \$16 per square foot (pages 15 -30 of Exhibit 1-C). A summary of the subject's leasing activity indicates an average of \$14.55 per square foot. However, the start dates for these leases ranges from January 1 of 2007 to July 1 of 2009 and, if an upward

adjustment were made to these values, a rental rate of \$16 per square foot for the current year is not unreasonable.

Position of Respondent

In defending the use of a \$16 per square foot rental rate, the Respondent submitted the Assessment Request for Information Form which was completed by the Complainant. The Respondent noted that although some of the older leases may have been signed for values somewhat less than \$16 per square foot, the newer leases reflected values in close proximity to that used in the Respondent's pro-forma to determine the assessment. To further support their position, the Respondent submitted a 2010 Calgary Suburban Office Net Rental Rates, Operating Costs, and Non-Recoverable Table which indicated that for SW Calgary the Net Rent (office and retail) for B-Class Buildings was in the range of \$14 to \$20 per square foot.

As for equity comparables, the Respondent presented four equity comparables located in the same quadrant of the City. Each of the properties was assessed at \$16 per square foot thereby supporting the lease rate applied to the subject property. In addition, the Respondent provided a list of thirteen office lease comparables in SW and SE Calgary in support of the \$16 lease rate applied to the subject property.

Finally, the Respondent submitted a land titles document which showed that the subject property was sold in 2008 for \$9,200,000, which supports the current assessment value.

The decision of the board as regards Issue #1

The board finds the Respondent's submission to be persuasive. In particular, the board notes that the lease rates for the SW quadrant of the City, wherein the subject property is located, do support the \$16 per square foot lease rate. The board did not receive sufficient information from the Complainant to challenge the classification of the buildings nor the lease rate.

In particular, the board notes that the subject property did sell in 2008 for an amount in excess of its current assessment.

Issue #2, The vacancy rate allowance should be increased to 9.5%

Position of Complainant

The Complainant submitted a report from Avison Young, Calgary Office Market Report, Second Quarter 2009 to support their request for a vacancy rate allowance of 9.5%. As well, the Complainant submitted a CB Richard Ellis Report which reflected the Market View for Calgary Suburban Offices, and a Colliers International Report which, in general, reported that *overall suburban vacancy rate in Q2 2009 stands at 10.98%, up from 9.19% in Q1 2009 and that double digit vacancy is a result of the completion of several new buildings...*

To further support their request for a 9.5% vacancy rate allowance, the Complainant submitted two recent CARB decisions (ARB 0505/2010-P and ARB 0790/2010-P), both of which supported a vacancy allowance rate of 9.5% for SE and SW Calgary.

Position of Respondent

Having regard for recent CARB decisions on the question of a vacancy rate allowance for the South Quadrant of the City, the Respondent withdrew any objection to the use of a 9.5% vacancy allowance for the subject property.

The decision of the board as regards Issue #2

The board is persuaded by the evidence submitted by the Complainant in their request to increase the vacancy allowance from 6% to 9.5%. As a result, the board has considered the evidence presented by both parties and concludes that a reduction to the assessment amount is warranted.

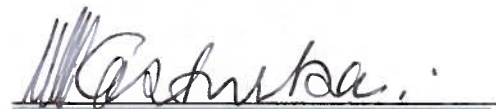
Board's Decision:

It is the decision of the board to reduce the assessment of the subject property for 2010 from \$8,780,000 to \$8,426,000.

Reasons:

The board accepts the Respondent's evidence that a lease rate of \$16 per square foot when using the income approach to valuation for office complexes in South Calgary is fair and correct. This rate is supported by equity comparables and the sale of the subject property in 2008. However, the board finds that a vacancy rate allowance of 9.5% should be applied to the subject property in that this rate is supported by various third party reports as well as recent decisions of Composite Assessment Review boards.

DATED AT THE CITY OF CALGARY THIS 26 DAY OF August 2010.



Steven C. Kashuba
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.*