

**CALGARY
COMPOSITE 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:

Linnell Taylor Assessment Strategies, COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

Steven C Kashuba, PRESIDING OFFICER

Alfredo Wong, MEMBER

Ike Zacharopoulos, 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: 071134407

LOCATION ADDRESS: 2611 – 3 Avenue SE

HEARING NUMBER: 55996

ASSESSMENT: \$22,400,000

This complaint was heard on 31st day of August, 2010 by the Composite Assessment Review Board at the office of the Assessment Review Board located at Floor Number 3, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 12.

Appeared on behalf of the Complainant:

- *David Sheridan*

Appeared on behalf of the Respondent:

- *Christina Neal*

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

No procedural or jurisdictional matters presented.

Property Description:

Located in the SE sector of the City at 2611 – 3 Avenue SE, the subject is a three-storey suburban office building. Built in 1998, the subject is a three-storey, single-tenant office building located in a predominantly light industrial Meridian Park district of Calgary. The floor area of the building is 95,225 square feet. The current assessment is \$22,400,000.

Issues:

1. The assessment of the subject property is too high when utilizing an income approach to value and applying a vacancy rate of 15% and a capitalization rate of 7.5%.

Complainant's Requested Value: \$18,520,000

Position of Complainant

It is the position of the Complainant that the Respondent's use of a vacancy allowance of 9% is not supported by third party reports. In support of their position, the Complainant presented statistics from CB Richard Ellis (1-C, page 4) which would indicate a vacancy rate of 15.5% for the third quarter of 2009, a Colliers International report which reflects a vacancy rate of 14.86% as at June 30, 2009, and an Avison Young report which reflects a vacancy rate of 15.76% for the third quarter of 2009. By using market information and applying a vacancy rate allowance of 15% in their Pro-Forma, the Complainant concluded that the current assessment is too high and should be reduced to \$18,520,000.

Additionally, the Complainant submitted that since the subject is an 11-year-old three-storey structure located in a predominantly industrial area and classified as a Class A building, a capitalization rate of 8.25% should be applied as opposed to the Respondent's application of a capitalization rate of 7.5%. In support of this, the Complainant presented four sales (1-C, page 10) which occurred in 2009 and which have a median capitalization rate of 7.9%. The Complainant argued that a capitalization rate at a minimum of 8.0% is considered appropriate for the subject, given its physical aspects of age and location. By applying a vacancy rate allowance of 15% and a capitalization rate of 8.0% in their Pro-Forma, the Complainant was able to support their request for a reduction in the assessment amount to \$18,520,000.

Position of Respondent

The Respondent applied a vacancy rate of 9.0% in their Pro-Forma (1-R, page 19) and a capitalization rate of 7.5% to arrive at an assessment of \$22,400,000. In support of their position, the Respondent presented a City of Calgary Suburban Office Capitalization Study (1-R, page 21) which shows that for five sales of properties which occurred in 2008 the median capitalization rate is 6.86% and 6.86% for three of the most recent sales.

In addition, the Respondent presented a GCA Commercial Q2 2009 Office Report which also supported the use of a 7.5% capitalization rate (1-R, pages 27 – 29) and a City of Calgary NE Quadrant Suburban Office Vacancy Study – 2010, which supports their use of a vacancy rate allowance of 9% for the subject property in their Pro-Forma.

Decision of Board as Regards Issue #1

The board places little weight upon the Complainant's request for the application of a vacancy rate of 15% in that their support for this rate came from independent third party reports, which do not necessarily reflect the vacancy rates found in the NE quadrant of the City. In addition, this particular vacancy rate may not necessarily reflect the characteristics of the subject property nor similar properties in the same sector of the City.

As for the evidence presented by the Respondent, the board places considerable weight upon their application of a vacancy rate of 9% and a capitalization rate of 7.5%, both of which are supported by recent sales of properties in the same sector of the City and through a study of vacancy rates as found in the NE Quadrant of the City.

Board's Decision:

It is the decision of the board to confirm the assessment of the subject property for 2010 at \$22,400,000.

Reasons

The board is persuaded by the evidence presented by the Respondent which supports the use of a vacancy rate allowance of 9% and a capitalization rate of 7.5% in determining the assessment of the subject property for 2010. As for the evidence presented by the Complainant, the board finds that the third party reports as regards vacancy and capitalization rates are not sufficient to reflect the characteristics of the subject property and therefore cannot be utilized to determine assessment value.

DATED AT THE CITY OF CALGARY THIS 8 DAY OF September 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.*