

**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:**

***Colliers International Realty Advisors, COMPLAINANT***

**and**

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

**before:**

***R. Mowbrey, PRESIDING OFFICER***

***A. Blake, MEMBER***

***D. Pollard, 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: 068134600**

**LOCATION ADDRESS: 1122 4<sup>th</sup> St. SW**

**HEARING NUMBER: 57876**

**ASSESSMENT: \$30,120,000**

This complaint was heard on the 8th day of September, 2010 at the office of the Assessment Review Board located at 3<sup>rd</sup> Floor, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 3.

Appeared on behalf of the Complainant:

- S. Meiklejohn

Appeared on behalf of the Respondent:

- D. McCord

**Property Description:**

[1] The subject property, known as 'Stanley Tech Centre' located at 1122 4<sup>th</sup> Street SW in the Beltline district of southwest Calgary, is a 14 story office tower built in 1981. The subject has been assessed as having 124,645 square feet comprised of 2,269 square feet designated as retail space and 122,376 square feet designated as office space and 68 parking stalls. The total assessment of \$30,120,000 equates to \$241.65 per square foot of assessed building area.

[2] The subject assessment has been determined using the Income Approach to Value. While there is common ground between the parties as to the method of determining the assessed value, the parties disagree as to several of the input parameters to be used in the determination of the assessed value.

[3] The Complainant's requested value is \$22,280,000, being \$178.75 per square foot of assessed building area.

**Issues:**

1. What is the correct rental rate to be applied to the office portion of the building?
2. What is the correct rate to be applied to be applied in the determination of the non-recoverable operating costs?
3. What is the correct capitalization rate to be applied to the net operating income?

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

1. **What is the correct rental rate to be applied to the office portion of the building?**

[4] The Complainant argued that the subject property should be assessed using a rental rate of \$17.00 per square foot instead of the \$20.00 per square foot as applied by the Respondent in determining the Gross Potential Income. The Complainant produced evidence for the Board that showed a *post facto* lease applicable to the subject property indicating a lease rate of \$15.00 per square foot (Exhibit C-1 page 8). The Complainant stated that while the lease is *post facto*, the negotiation of the lease typically occurs 3 to 6 months prior to the lease being signed. In addition, the Complainant advised the Board that a competitive building immediately across the street from the subject property had 3 leases for \$16.00, \$18.75, and \$18.00 per square foot which supports the requested value of \$17.00 per square foot as being reasonable on July 1<sup>st</sup>, 2009 (Exhibit C-1 page 8). The Complainant produced a rent roll from the owner as at December 31, 2009. (Exhibit C-1 pages 11-15).

[5] The Respondent produced lease evidence to the Board showing a number of leases signed between July 1<sup>st</sup> 2008 and July 1<sup>st</sup> 2009. There were 9 leases signed in this period having a mean of \$21.89, a median of \$23.00 and a weighted average of \$20.62 per square foot. The Respondent noted the comparable building across the street had 3 leases in the one year period that had a mean of \$28.17, a median of \$28.00 and a weighted average of \$27.00 per square foot. Combining the two buildings produced a weighted average of \$23.87 per square foot (Exhibit R-1 page 39). The Respondent noted that 3 of the 4 leases relied on by the Complainant were *post facto* and that the Respondent would not have that information available for assessment purposes in the current year. Three of the leases were renewals for long term tenants and the fourth lease was a sub lease, whereas the head lease was for \$23.00 per square foot.

[6] The Board was persuaded by the Respondent's lease analysis (Exhibit R-1 page 39) detailing 12 leases in the year prior to valuation date being July 1<sup>st</sup> 2009. These 12 leases produced a weighted average of \$23.87 PSF, which supports the assessment of \$20.00 PSF.

[7] The Board was further persuaded by the Complainant's own lease evidence of the subject property, showing a mean of \$19.95 and a median of \$19.00 per square foot which approximated the assessed value of \$20.00 per square foot. The Board put little weight on the one *post facto* sub lease of \$15.00 per square foot as representative of the subject property as the head lease continues to pay \$23.00 per square foot. The Board accepts the assessed rate of \$20.00 per square foot to be well supported.

**2. What is the correct rate to be applied to be applied in the determination of the non-recoverable operating costs?**

[8] The Complainant stated that the non-recoverable operating costs should be \$15.34 per square foot as evidenced by the \$10.79 operating costs and the tax of \$4.57 for a total of \$15.36 per square foot based on the rent roll at December 31<sup>st</sup> 2009.

[9] The Respondent gave evidence to the Board that the allowance of \$12.00 per square foot for non-recoverable operating costs is typical for this type of building and this rate had been determined from a number of 'Assessment Request for Information' forms (the "ARFI's") as provided by property owners/managers for similar properties.

[10] The Board accepts the \$12.00 per square foot as typical and notes the Complainant's evidence regarding the non-operating cost is site specific.

**1. What is the correct capitalization rate to be applied to the net operating income?**

[11] The Complainant presented Beltline office sales to the Board showing capitalization rates of 8.02%, 7.46% and 8.07% (Exhibit C- page 18). The Complainant stated these sales were most comparable to the subject property in terms of location, vintage and direct competition. The Complainant advised the Board that the salient information on the three sales could be found on C-1 pages 19/20 sale 1, pages 29/30 sale 2, and pages 44/45 for sale 3. The Complainant is requesting an 8.5% capitalization rate to be applied in the determination of the assessment.

[12] The Respondent presented a 2010 Beltline capitalization rate study to the Board showing how the 2010 typical capitalization rate of 7.5% was determined. The Respondent noted that two sales were used to develop the capitalization rate. The Respondent advised the Board that sale

number 2 was the most comparable to the subject property (Highstreet House 933 17 AV SW). This sale was very close to the valuation date and the comparable property had a capitalization rate of 7.52%.

[13] The Respondent reviewed the Complainant's sales with the Board (Exhibit R-1 page 64) noting that the sale price per square foot was substantially higher than the assessment per square foot. Sale number 1 reports a sale price per square foot of \$321.38 versus its' assessed value of \$246.31 per square foot; sale number 2 reports a sale price per square foot of \$335.61 versus its' assessed value of \$234.92; and sale 3 reports a sale price of \$317.39 versus its' assessed value of \$285.07. The Respondent advised the Board that the owner on sale number 1 had reported to the Respondent that the capitalization rate was 4.82% on the ARFI regarding the sale of the property Exhibit R-1 page 67, sub. 25.

[14] The Respondent noted that the owner on sale number 2 had reported that the capitalization rate was 6.56% on the ARFI regarding the sale of the property (Exhibit R-1 page 70, sub. 25). The Respondent advised the Board that sale number 3 was common to both the Complainant and the Respondent (340 12 AV SW). The Respondent showed a capitalization rate of 6.45% and the Complainant showed a capitalization rate of 8.02%.

[15] The Board was persuaded by the Respondent's capitalization study (Exhibit R-1 page 42). The study showed how the typical capitalization rate was developed. In addition, the Board was persuaded by the sale that was common to both parties. While the Complainant showed 8.02%, the Respondent showed 6.45%, a third party source (RealNet) showed 6.8%.

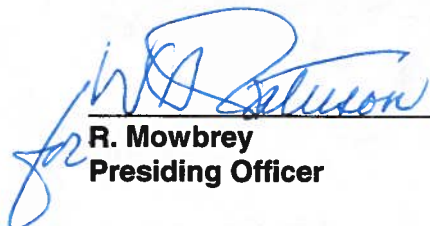
[16] The Board was persuaded by the sales price per square foot is substantially higher than the assessment per square foot as evidenced on R-1 page 64.

[17] In addition, there was no market evidence to show the Board that the \$178.75 per square foot as requested by the Complainant for the subject property in the Beltline district was fair and equitable. The Board was of the opinion that the \$178.75 per square foot requested by the Complainant would not be fair and equitable in comparison to other comparable properties.

**Board's Decision:**

The assessment of the subject property is confirmed at \$30,120,000.

DATED AT THE CITY OF CALGARY THIS 28 DAY OF SEPTEMBER, 2010.

  
\_\_\_\_\_  
**R. Mowbrey**  
**Presiding Officer**

**Exhibits received at the Hearing:**

C-1: Evidence of the Complainant (59 pages).

R-1: Evidence of the Respondent (184 page).

*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.*