

**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-26.1, Section 460(4).

**between:**

***Altus Group Limited, COMPLAINANT***

**and**

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

**before:**

***H. Kim, PRESIDING OFFICER***

***K. Coolidge, MEMBER***

***J. Mathias, MEMBER***

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

<b>ROLL NUMBER:</b>	<b>067022509</b>
<b>LOCATION ADDRESS:</b>	<b>630 4 Ave SW</b>
<b>HEARING NUMBER:</b>	<b>59956</b>
<b>ASSESSMENT:</b>	<b>\$20,920,000</b>

This complaint was heard on the 14<sup>th</sup> day of September, 2010 at the office of the Assessment Review Board located at the 4<sup>th</sup> Floor, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 1.

**Property Description:**

The subject is a five storey office building in the DT2 zone of downtown Calgary, constructed in 1978, known as the Paramount Building (previously known as Merland Centre). It consists of 67,898 SF of office space and 47 parking stalls on a 18,741 SF parcel. It is variously classified as a B or C building in industry ratings. The Respondent classifies it as a B building, and it is

assessed on the income approach based on \$26/SF office, \$3,600/annum parking with office vacancy at 8%, operating costs of \$16 and vacancy shortfall of 2%. The resulting net operating income is capitalized at 8% to arrive at the assessment.

**Issues:**

The Complainant identified several issues on the Complaint forms, but at the hearing the three issues argued and considered were:

1. The rental rate for the offices should be decreased to \$18.50 from \$26
2. The vacancy allowance applied to the subject property should be increased from 8% to 16%
3. The capitalization rate should be increased to 8.5% from 8%

**Complainant's Requested Value:** \$15,180,000

**Board's Decision in Respect of all Matters or Issues:**

The general evidence and argument presented were substantially the same as those presented for other class B buildings in hearings earlier in the day and the previous day. The site specific details for the subject building presented by the Complainant were three calculations of value: based on a lease rate of \$18.50, a cap rate of 8% and a vacancy rate of 16%. The requested assessment was based on a lease rate of \$18.50/SF. The Respondent's site specific evidence was the Assessment Request for Information (ARFI), showing that it was fully leased and that 87% of the building was leased at \$35/SF from December 1, 2007 stepping up to \$37/SF in December 2012. Two other spaces were leased at \$31 and \$32/SF with start dates of July 1, 2008. The lease rates achieved and the zero vacancy more than support the assessment.

**Decision and Reasons:**

The Board considered the ARFI information, but finds that the high rents and zero vacancy achieved in the subject is more likely due to fortuitous timing than characteristics inherent to the property. For assessment purposes the income parameters used should be those typical for comparable buildings. The Board decided on the three issues for a Class B building in close proximity to the subject and detailed the reasons in CARB 1576/2010-P. For the same reasons, the Board find that \$24/SF is a better reflection of market rent for comparable buildings than the \$26 used in the assessment, that the assessed vacancy allowance of 8% was reasonable, and that the capitalization rate should be increased to 8.5% from 8.0%.

**Board's Decision:**

The complaint is allowed, in part, and the assessment is reduced to \$18,250,000 based on \$24/sq. ft. office rental rate, 8.5% capitalization rate and no changes to any other parameters.

DATED AT THE CITY OF CALGARY THIS 1 DAY OF OCTOBER 2010.



H. Kim  
Presiding Officer  
APPENDIX "A"

**APPENDIX "A"****DOCUMENTS RECEIVED AND CONSIDERED BY THE BOARD:**

<b>NO.</b>	<b>ITEM</b>
C1	Complainant Forms
C2	Complainant's general argument for Class B and Class C
C3	Complainant's vacancy rate, rental rate and capitalization rate analysis and classification of buildings
C4	Appraisal texts, previous board orders, third party reports
C5	Complainant's Site Specific submission
R1	Respondent's submission
R2 to R10	Precedent CARB orders for office buildings

**APPENDIX 'B'****ORAL REPRESENTATIONS****PERSON APPEARING      CAPACITY**

Giovanni Worsley	Altus Group Limited, Complainant
Dan Lidgren	Assessor, City of Calgary, Respondent
Andy Czechowskyj	Assessor, City of Calgary, Respondent

*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.*