

**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-26.1, Section 460(4).

between:

Altus Group Ltd, COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

D. H. Marchand, PRESIDING OFFICER

S. Rourke, MEMBER

P. Pask, MEMBER

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

ROLL NUMBER:	067055103
LOCATION ADDRESS:	703 – 6th AV SW
LEGAL DESCRIPTION:	Plan A1, Block 33, Lots 14-20
HEARING NUMBER:	59994 (Britannia Building)
ASSESSMENT:	\$38,130,000

This complaint was heard August 25-26, 2010 at the office of the Assessment Review Board located at 4th Floor, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 11.

Appeared on behalf of the Complainant; *Altus Group Ltd.*: D. Genereux
G. Worsley

Appeared on behalf of the Respondent; *City of Calgary*: D. Lidgren
A. Czechowskyj
E. Borisenko - observing

Description and Background of the Property under Complaint:

The subject is identified with a sub-property use code CS1025-office/Retail. The subject's land use designation is Downtown Business District. The land area consists of 19,696 square feet. There are 131,521 square feet of rentable area. The property is known as the Britannia Building or the Bantrel Building in City's downtown commercial core and has been assessed within the "B" group of offices.

Prior to the opening of the hearing the Complainant advised that the 15 points filed as Grounds for Appeal within the subject's Assessment Review Board Complaint form under *Section 5 – Reason(s) for Complaint* are now covered by the objectives set out in their evidence submission.

Based on these objectives **two requested assessment amount** were offered for the CARB's consideration:

1st request: An Assessment at market based on Altus Groups' "B" Class office buildings which would.	2nd request: An Assessment that is equitable with similar type "C" Class office buildings.
Reduce the office rental rate from \$26.00 to \$18.00 psf.	Reduce the office rental rate from \$26.00 to \$22.00 psf.
Leave the retail rental (Lower) rate unchanged at \$21.00 psf.	Leave the retail rental (Lower) rate unchanged at \$21.00 psf
Increase the vacancy allowance to 15.0% from 8.0%	Increase the vacancy allowance to 10.0% from 8.0%
Increase the capitalization rate to 9.0%	The capitalization rate of 8.5% instead of 8.0%
The request is based on revising the rental rates for the office spaces, an increased vacancy allowance, and an increased capitalization rate. The assessment requested is \$20,593,500.	The request is based on "C" class rather than "B" modelled parameters used by the Municipality. The assessment requested is \$29,522,000.

Note: The exhibits submitted and marked as C-2, C-3, C-4, C-5, R-2 and R-3 for this hearing are common to two other files under complaint and heard by the same panel members. They are file 58455 (Hanover Place) and file 57924 (Norcen Tower).

POSITION OF THE COMPLAINANT**1) Subject's Office Rental Rate:**

The Complainant is requesting an office rate of \$18.00 based on their analysis of "B" class rentals. Reference file 58455, the Hanover Place file, where some 41 lease rates from 12 offices complexes were asked to have consideration given too. The rates range from \$12.00 to \$38.00 per sq. ft. and the median rate is \$18.20. The Complainant provided a February 2010 rent roll together with an e-mail from the Senior Property Manager of Artis REIT, indicating an early lease renew from \$38.00 to \$15.00 effective April 1, 2009 within the subject had taken place.

Alternatively the Complainant is requesting an office rate equitable to "C" office assessed properties at \$22.00 per sq. ft.

2) Subject's Vacancy Allowance Rate:

The Complainant is requesting a vacancy allowance of 15% for the complex. Reference to the material filed with the Hanover Place-file 58455, showing a range of 16.15% to 22.03 was made. The Complainant credits the increase in vacancy to an added amount of office space to the downtown core in late 2009. This is substantiated by a Collier's report titled CBRE 2009 Year End Review, wherein, it is stated that the overall vacancy as of September 2009 is 12.6%.

Alternatively the Complainant is requesting a vacancy allowance of 10% rate equitable to other "C" office assessed properties.

3) Subject's Capitalization Rate:

The Complainant is requesting a retail Capitalization Rate of 9.0% to reflect the subject's 1958 construction era, its surface parking, and other "C" office type features in the Downtown Core.

Alternatively the Complainant is requesting an 8.5% Capitalization Rate equitable to other "C" office assessed properties.

POSITION OF THE RESPONDENT**1. Subject's Office Rental Rate:**

The Respondent provided an April 16, 2009 Assessment Request for Information (ARFI) showing the rental rates for the subject complex. Two current leases within the subject property from late 2008 were \$34.00 and \$32.00 per sq. ft respectively. Also provided to show equity in the assessment were 21 offices space rents from DT2 "B" offices where all were assigned a rate of \$26.00 per sq. ft.

ARB 0100/2010-B and ARB 0105/2010-B were also provided in support of the \$26.00 rate as this rate was the confirmed rental rate for space in the subject complex.

2. Subject's Vacancy Allowance Rate:

The Respondent referenced the summary of the Hanover file 58455 wherein "B" class

buildings had their overall vacancy concluded at 4.97%. Also provided were the third party reporting's for the 2nd and 3rd quarters by CresaPartners which indicates vacancy rates for the subject at 6.82% for both periods.

3. Subject's Capitalization Rate:

The Respondent provided its previous year's rate calculations based on five "B" class office and two "A" class sales. The conclusions reached for 2009 were modified upwards to reflect the local economic changes between 2008 and 2009 years. The assessment capitalization rate was increased from 7.25% - 7.5% to 8.0% for all the "B" classed office complexes. The Respondent advised that the subject complex was renovated in 1995. The Respondent submits that ARB 1131/2010-P applies to the subject as the property in the order is a similar property.

Findings:

- The CARB finds a \$26.00 per square foot office rental rate to be a reasonable typical market rate for the subject's office space.
- The CARB finds the vacancy allowance of 8% is a reasonable adjustment to be applied within the subject's assessment models calculations.
- The CARB finds the capitalization rate of 8% a reasonable rate to capitalize office complexes income of this class in the subject's downtown district.

Decision:

The CARB denies the complaint and confirms the assessment in the sum of **\$38,130,000**

Reasons:

The CARB is being asked to reduce the assessment by 46% or in the alternative reduce the assessment by 22.5%. This is a significant range in values that is being requested. Testimony at the hearing indicated that the subject sold in April of 2007 for \$39,500,000.

The CARB reviewed the evidence of office rental rates provided by both parties; the Complainant is focused to "C" comparables leases and the evidence is not persuasive. The subject's current asking rate is \$33.00 per sq. ft. through Colliers International. The Respondent's rates from "B" complexes are similar to the subject, indicating a range of rates from \$15.00 to \$34.00.

The CARB reviewed the evidence of vacancy rates provided by both parties, as each are using what they are considering to be similar complexes in their analysis. Evidence provided relative to the subject's vacancy at 4.67% and 6.82% below the 8.0% used by the Municipality is given weight.

In ARB 1131/2010-P the CARB previously concluded that 8.0% is a reasonable capitalization rate for a property similar to the subject. The CARB hearing and deciding this complaint was not persuaded to distinguish a different conclusion.

DATED AT THE CITY OF CALGARY THIS 28 DAY OF September 2010.



D. H. Marchand
Presiding Officer

APPENDIX "A"

DOCUMENTS RECEIVED AND CONSIDERED BY THE CARB:

- C-1** ***Evidence Submission of the Complainant***
- C-2** ***Submission of the Complainant Regarding Class "B" and Class "C" Buildings***
- C-3** ***Addendum #1 to C-2***
- C-4** ***Addendum #2 to C-2***
- C-5** ***Complainant's Rebuttal***
- R-1** ***Assessment Brief of the Respondent***
- R-2** ***Additional Assessment Brief of the Respondent***
- R-3** ***Copy of ARB 1131/2010-P from the 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.*