

**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 Reality Advisors, COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

***Board Chair, J.P. Acker
Board Member 1, J. O'Hearn
Board Member 2, T. Usselman***

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: 054009204

LOCATION ADDRESS: 3030 2 Avenue S.E.

HEARING NUMBER: 57329

ASSESSMENT: \$24,980,000

This complaint was heard on the 28th day of September, 2010 at the office of the Assessment Review Board located at Floor Number 4, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 2.

Appeared on behalf of the Complainant:

- *Scott Meiklejohn*

Appeared on behalf of the Respondent:

- *Christina Neal*

Property Description:

The subject property is a 1977 vintage low rise, suburban office building. The 112,123 square foot building is located on a 318,096 square foot parcel and is fully leased to a single tenant. A large surface parking lot serves the building and the exclusive use is included in the tenant's lease.

Issues:

Property is incorrectly assessed based on its classification as an 'A' office building when it should be classified as a 'B' building and the vacancy allowance applied is only 9% when an 11% rate is indicated in the northeast Calgary suburban office building market.

Complainant's Requested Value: \$ 14,080,000

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

Classification

The assessor values suburban office buildings using the income approach. Different factors apply for each of the three classifications, A, B or C. The subject is classified as a 'A' class building thus attracting a rental rate of \$20.00 per square foot, an 7.5% Capitalization Rate and a vacancy allowance of 9%.

The Complainant argues that the building should be classified as a 'B' class thus attracting a lower rental rate of \$18.00 per square foot. He provided comparables demonstrating class A buildings such as the Gilder and Stantec buildings commanded higher rental rates, provided better parking facilities, were newer buildings and built to different standards.

The Respondent indicated that building classes for assessment purposes are set according to the rental rates achieved and by the location of properties. No detail was provided on the stratification by location, but data supporting a rental rate of \$24-\$27 per square foot for 'A' class, \$17-\$19 per square foot for 'B' class and \$12-\$14 per square foot for 'C' class buildings was provided to the Board.

The parties both provided information that the subject was fully leased to a single tenant at a rental rate of \$19.00 per square foot.

The Board notes that the rental rate of \$19.00 per square foot includes a substantial amount of parking and is therefore persuaded that the building should properly be classified as a 'B' class building on the basis of its rental rate which falls within the 'B' class stratification and completely

outside of the 'A' building range. Insofar as no data was provided to the Board on how locational factors are applied in the classification of suburban office buildings, the Board relied on rental rate as a definitive measure.

Vacancy Rate

The Complainant argued that the vacancy rate in Calgary Northeast should be set at 11%. Supporting data support his argument insofar as the city's rental rate survey did not include all properties with vacant space but did include, incorrectly, owner-occupied buildings with vacant space that was not intended to be offered to the market.

The Respondent provided the city's study in support of a 9% vacancy rate amended by a different group of properties and indicated that with the amendments, the rate should be 9.5%.

As to the vacancy rate applied, the Board found the Complainant's evidence and argument to be supportive of an 11% vacancy allowance. There was no argument on the Capitalization Rate of \$8 which is the standard applied for a 'B' class building.

Board's Decision:

By applying the Suburban Office Class 'B' factors to the subject property; \$18.00 per sq. ft. rental rate, 11% vacancy rate and 8% Capitalization Rate, the assessment is set at \$20,080,000

DATED AT THE CITY OF CALGARY THIS 6 DAY OF October 2010.



J. P. Acker

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.*