

**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:

Altus Group Ltd., COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

L. Lundgren, PRESIDING OFFICER

J. Rankin, MEMBER

S. Rourke, 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:	902512300
LOCATION ADDRESS:	22 Aerial PI NE
HEARING NUMBER:	59912
ASSESSMENT:	\$68,990,000

This complaint was heard on the 16th day of Nov, 2010 at the office of the Assessment Review Board located at Floor Number 4, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 3.

Appeared on behalf of the Complainant:

- *D. Chabot* *Agent, Altus Group Ltd*

Appeared on behalf of the Respondent:

- *K. Buckry* *Assessor, City of Calgary*

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

There were no procedural or jurisdictional matters.

Property Description:

The subject property, known as the Westjet Campus, is a 5.41 acre parcel of land improved with a suburban office building comprised of 258,073 square feet of rentable area which includes a retail component. The development has 67 underground parking stalls. The subject is one of two Class A suburban office buildings located on land leased from the Calgary Airport Authority (CAA).

Issues:

1. Is the subject Westjet Campus equitably assessed with the Airport Corporate Centre?

During the course of the hearing, the parties agreed on the rentable area of 258,073 square feet and 67 underground parking stalls. The only issue remaining is the issue relating to equity.

Complainant's Requested Value: \$ 53,450,000

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

1. Is the subject Westjet Campus equitably assessed with the Airport Corporate Centre?

The Complainant argued that the subject is not equitably assessed with the Airport Corporate Centre because the subject is assessed using a rental rate of \$25.00 per square foot (psf) and the Airport Corporate Centre is assessed using a rental rate of \$20.00psf. The Complainant submitted that the two properties are similar in age and classification; the subject year of construction is 2008 and the Airport Corporate Centre year of construction is 2000. These two properties are the only Class A suburban office buildings on CAA land. The Complainant argued that the location of the Westjet Campus is inferior to the location of the Airport Corporate Centre because the Westjet Campus is further away from the hub of activity. As well, the Airport Corporate Centre is connected by an above grade pedway to the airport terminal building.

The Complainant also submitted that the subject property is assessed using the highest rental rate in the entire northeast market. The Complainant compared the year of construction, classification and assessed rental rate for each of three properties in the northeast:

PROPERTY	CLASSIFICATION	YEAR OF CONSTRUCTION	ASSESSED RENT
Subject	A	2008	\$25.00psf
5055 11 ST NE	A+	2000	\$20.00psf
2618 Hopewell PL NE	A+	2006	\$20.00psf
1925 18 AV NE	A+	2009	\$20.00psf

The Complainant concluded that the subject should be assessed using a rental rate of \$20.00psf because the most comparable property, the Airport Corporate Centre, and the three Class A+ buildings listed above are each assessed using a \$20.00psf rental rate. The Complainant noted that the subject business assessment was prepared using a \$20.00psf rental rate. Based on the foregoing equity comparables, the Complainant requested that a rental rate of \$20.00psf be used to calculate the subject property assessment.

The Respondent argued that the subject property is a unique property and that it is superior to all of the comparables cited by the Complainant, including the Airport Corporate Centre. The Respondent submitted that the subject, Westjet Campus, is an owner occupied suburban office building that consists of office and training space, a conference centre, full service cafeteria, retail store, and fitness facility. The development has a full basement that provides one level of underground parking and storage areas. The Respondent explained that the subject is a "green building". The construction design targeted the LEED Silver certification, which has innovative and sustainable design features that include geothermal heating, collection of rainwater from the roof to be used for landscape irrigation and a very high efficient building envelope to minimize the effect of weather on the building interior.

The Respondent understands that this complaint was filed on the issue of equity, however, the Respondent wishes to point out that the initial cost of the project was \$89,285,500. Since the original budget, additional features have been added that would result in a total project cost of in excess of \$100,000,000. The Respondent argued that as a result of the construction design, there are savings in operating costs. In support of this argument, the Respondent provided a copy of a Calgary Herald article, dated April 10, 2009, which states "Westjet's savings estimates are conservatively pegged at about \$200,000 in utility costs alone, due to the combined impact of ambient light, use of electricity and geothermal core for heating and cooling."

With respect to the issue of equity, the Respondent argued that the subject property is a green building and the Airport Corporate Centre is not. The Respondent presented twelve lease comparables in three suburban offices that are considered by the assessor to be "Green" building leases to demonstrate that green buildings rent for higher rates than ordinary buildings. The Respondent acknowledges that the twelve lease comparables may or may not be certified by LEED. The Respondent's green building lease comparables have an average rental rate of \$27.75psf and a median rental rate of \$27.50psf. It is noted that the Respondent did not provide the assessed rent for these comparables.

The Respondent presented a copy of the Colliers International Green Building for landlords report which states that "green buildings typically command rents that are at market or 10

percent above market; lease-up rates can be as much as 20 percent above market average."

In conclusion, the Respondent requested the Board to set the property assessment at \$66,400,000 based on the revised area and number of parking stalls as agreed to by the parties.

The Complainant made the following points in rebuttal. The subject Westjet Campus and the Bell Canada Building are not certified by LEED. The Complainant also submitted that the Respondent's nine lease comparables located at 600 Crowfoot Crossing NW are not on the list of LEED certified properties published on the website of the Canada Green Building Council. Finally, the Complainant was not aware of the Respondent's practice of grouping green buildings separately. The Complainant concluded that there is not enough evidence to show which buildings are green and whether the rental rates are higher for green buildings.

The Board finds that the subject Westjet Campus is superior to the Airport Corporate Centre in terms of the quality and design of construction. The subject property has geothermal heating, collection of rainwater from the roof and a high efficient building envelope, whereas, the Airport Corporate Centre does not. Owing to the fact that these properties are not comparable, the rental rates used to prepare the property assessments need not be the same. The Board also finds that the Complainant's three equity comparables in the northeast quadrant are not similar because there is no evidence that they are designed and constructed to the same standard as the subject property. For these reasons, the Board finds no inequity in the subject property assessment.

The Board sets the subject property assessment at \$66,400,000 based on the revised area of 258,073 square feet of rentable area and 67 underground parking stalls.

Board's Decision:

The property assessment is reduced to \$66,400,000.

DATED AT THE CITY OF CALGARY THIS 9 DAY OF December 2010.



L. Lundgren
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.*