

**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, Revised Statutes of Alberta 2000 (the Act).

between:

***WHITEROCK 2721 HOPEWELL PLACE CALGARY INC., COMPLAINANT,
as represented by ALTUS GROUP LIMITED***

and

The City Of Calgary, RESPONDENT

before:

T. Helgeson, PRESIDING OFFICER

J. Joseph, MEMBER

Y. Nesry, MEMBER

This is a complaint to the Calgary Assessment Review Board in respect of a property assessment prepared by the Assessor of The City of Calgary and entered in the 2012 Assessment Roll as follows:

ROLL NUMBER: 200776888

LOCATION ADDRESS: 2721Hopewell Place NE

HEARING NUMBER: 68284

ASSESSMENT: \$7,240,000

This complaint was heard on the 11th day of June, 2012 at the office of the Assessment Review Board located at Floor Number 4, 1212 – 31 Avenue NE, Calgary, Alberta, in Boardroom 3.

Appeared on behalf of the Complainant:

- *D. Chabot, M. Cameron*

Appeared on behalf of the Respondent:

- *C. Neal*

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

[1] From a cursory review of Exhibit C-1, the Complainant's "written argument," it appeared that an issue might be raised with respect to disclosure pursuant to s.299 of the Act, but the Complainant did not raise the issue during the hearing, hence it is not dealt with in this decision.

Property Description:

[2] The subject property is located on a site of 82,454 sq. ft. in the Horizon Industrial Park in northeast Calgary. Constructed in 2006, the subject has a floor area of 37,690 sq. ft., of which 27,161 sq. ft. is office space, and the remainder is warehouse space. The subject property has been assessed as an "A" class office/warehouse.

Issues:

[3] The Board found the determinant issues in this complaint to be as follows:

1. Is the classification of the subject property as an "A" class building incorrect?
2. If the classification of the subject property is incorrect, what is the correct classification?
3. What is the correct, fair and equitable assessment for the subject property?

Complainant's Requested Value: \$5,600,000

Regarding Brevity

[4] The Board will restrict its reasons to those items the Board finds relevant to the matters at hand. Furthermore, the Board's findings and decision in this matter reflect the evidence that was presented and examined by the parties before the Board at the time of the hearing.

Summary of the Complainant's Submission

[5] The subject property has been assessed as an "A" class office/warehouse building. We will show that the Respondent's assessment is not appropriate. We will demonstrate that the subject is not comparable to other buildings assessed as "A" class buildings. Although the

assessed rental rates have decreased in comparison to leases that were signed in 2007-2008 for "A" class buildings, the opposite is true for the subject. They have gone up.

[6] The building on the subject property was constructed in 2006, but the way the Respondent classifies these buildings, the year of construction does not matter. The subject property has only one lease, and that was signed in 2007, for a term of 15 years at \$13 per sq. ft. Lease rates since 2007 have gone down. The subject is a better fit with properties located at 1020 68th Avenue NE, 2536 3rd Avenue NE, and 919 72nd Avenue NE, all B class buildings, with assessed office rates of \$12 per sq. ft.

[7] The subject property sold in August, 2008, for \$7,350,000, and the Respondent has used that sale to defend its assessment. At the time of the sale, the subject was assessed as an industrial warehouse, and after the sale the Respondent changed the assessment to office/warehouse.

[8] When you look at the leasing, it is clear the subject does not fit in the "A" class category. We request that the subject property be assessed in the same way as the General Dynamics building. That building has a rentable area of 148,372 sq. ft., and a rental rate of \$13.50 per sq. ft. The subject should be assessed as a B class building, and there are time adjustments that apply. The rental rates should be reduced from \$14 per sq. ft. to \$12 per sq. ft., and the cap rate increased from 7.0% to 7.75%. These corrections would result in the requested assessment of \$5,600,000. Finally, had the subject property been treated the same way as other industrial properties, the sale price would have been adjusted by -17.3%.

Summary of the Respondent's Submission

[9] The Complainant relies on the subject property's lease signed in 2007 to dispute the quality of the subject property compared to other "A" class buildings. The lease is a lease-back. A sale/leaseback is based on the purchaser's financing costs, the tenant's credit-worthiness, or a market rate of return in the equity investment. That means the subject property's single lease is not a fair representation of market value as at the time of signing, and should not be compared with leases in other properties.

[10] The comparable property chart on page 26 of the Complainant's written argument (Exhibit C-1) represents equity and proper classification of "A" quality office/warehouses. The finish of the subject property is much better than is generally found in industrial buildings. Furthermore, the preponderance of rentable space in the subject, over 27,000 sq. ft., is devoted to offices.

[11] The year of construction, quality of finish, location, and comparable properties all support the assessment. 2728 Hopewell Place, directly across the street from the subject, is a good comparable. Constructed in 2000, the building contains a full fitness facility with showers, a high-tech warehouse area, conference rooms, a large lunchroom, an open plan with a lot of windows, and full HVAC system. Like the subject property, 2728 Hopewell Place is only minutes away from the airport.

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

[12] The Board found it difficult to relate the Complainant's comparables to the subject property. There was little evidence to demonstrate how the comparables were in fact comparable to the subject property. In the result, the Board was unable to find the subject property to be anything

other than an "A" class building, and the Complainant provided no evidence of \$12 per sq. ft. leases for properties similar to the subject property, i.e., "A" class buildings.

[13] On the other hand, the Respondent's evidence, with photographs of the subject property, showed that the subject property contained a building with design features and fit and finish characteristic of a superior quality building. Although the Respondent submitted only one comparable, 2728 Hopewell Place NE, it was a convincing one.

Board's Decision:

[14] The Board finds that the assessment of the subject property is correct, fair and equitable. Accordingly, the assessment is confirmed at \$7,240,000.

DATED AT THE CITY OF CALGARY THIS 10 DAY OF July 2012.



Presiding Officer

Exhibits

C-1, Complainant's Written Argument

R-1, Respondent's Assessment Brief

C-1, Complainant's Rebuttal

<u>Appeal type</u>	<u>Property type</u>	<u>Property sub-type</u>	<u>Issue</u>	<u>Sub-issue</u>
CARB	Office	Stand alone	Property Classification	Vacancy Rate

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.*