

**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:

STAMPEDE NOMINEE INC. (as represented by ALTUS GROUP), COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

R. Glenn, PRESIDING OFFICER

B. Jerchel, MEMBER

B. Bickford, 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:	067027995
LOCATION ADDRESS:	833-4 AVE SW
HEARING NUMBER:	68210
ASSESSMENT:	\$ 24,460,000

This complaint was heard Tuesday, the 10th day of July, 2012, at the offices of the Assessment Review Board which are located on the fourth floor at 1212-31Ave NE, Calgary Alberta, in Boardroom 2.

Appeared on behalf of the Complainant: S. W. Meiklejohn, Agent

Appeared on behalf of the Respondent: R. Fegan, Assessor

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

No issues of procedure or jurisdiction were raised at the hearing.

Property Description:

The subject is a 12 storey B Class office building built in 1981, with 155,815 SF of office space, no retail space, and 86 stalls of underground parking, zoned DT 2 and located on the northwestern edge of the downtown core in Calgary, currently assessed at: \$ 24,460,000, or, \$159.49/SF.

Issues:

Whether the amount of the assessment on the subject property is correct, with regard to:

- A. The physical condition and characteristics of the subject building, especially considering the class to which the subject is assigned.
- B. The valuation procedure, that is, the assessment parameters, especially considering the rental rate and capitalization rate used.
- C. The Market Value used in the subject assessment, especially in light of equity and fairness considerations.

Complainant's Requested Value:

The Complainant seeks a reduction in the subject assessment to \$ 14,210,000, or, \$91.19/SF.

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

Complainant's Position

- (1) The Complainant begins their argument by suggesting that there were errors in the assessment parameters which the Respondent relied on. These errors included:

- A. The rental rate used for office space was \$14/SF but should have been \$10/SF.
 - B. The vacancy rate used was 14%, but should have been 15%.
 - C. The capitalization rate used was 7.5%, but should have been 9%.
 - D. The building is a Class B, but should be a Class B-.
- .
- (2) The Complainant requests that their argument and evidence from a previous matter , file number 66910 (CARB# 1026-2012-P) apply to this matter because their argument (although not the exact numbers) will be very similar. The Board agreed to also consider the Complainant's previous argument and evidence when considering this matter.
 - (3) The Complainant commences by suggesting that building characteristics, not income should determine the building class. Another tenet of their argument is that the subject assessment is much higher than last year.
 - (4) They go on to state that the Respondent has not considered the subject location. The subject is on the western fringe of the downtown core. The parking ratio is one stall per 1800/ SF of office space.
 - (5) The Complainant presents a lot of verbal opinion, but not much solid evidence to support those opinions. They state that "basically, 2012 assessments are in a trough". They reiterate that "risk increases as income goes down and vacancy goes up"
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 - (6) The Complainant provides a 2010 rent roll, but little from 2011. The Complainant also provides some rent comparables, but the median rent figure from their list of comparables simply confirms the subject assessment. Their comparison of B Class buildings in the DT 1 zone also seems to confirm the subject assessment rent figures.
 - (7) The Complainant also provides information on C Class buildings in Zones DT1 and DT 2. These would have helped to confirm the Complainant's position had the subject been of the same class. These documents did not convince the Board that the Complainant's requested rent figures were correct.
 - (8) The Complainant provides a Historical Office Vacancy Chart for the period of 2007 up to 2011 for the Board's consideration. Once again, this information only serves to confirm the subject assessment. The Complainant's Brief goes on to present more than 20 pages of documentation on operating costs and parking, which is not relevant to any of the argument they present..
 - (9) They carry on to present documentation regarding a summary of the capitalization rate for B Class properties for the assessment years 2008 up to 2012, citing a lack of sales for the dearth of information which they provide. They argue cap rates have increased because risk in the market place has increased dramatically while rental rates have fallen. They then go on to offer their own 2012 "corrected" cap rate chart, as well as other cap rate documents from other sizable Canadian cities which purport to support the Complainant's position, but do not in the Board's view do so.

- (10) The Complainant argues "we are still in recovery mode " and "things are starting to improve". They carry on to argue that the most significant parameter when assessing a building of this type is age.
- (11) The Complainant admits under cross examination that there are only a few buildings in downtown Calgary which have an assessment lower than the subject, and most of the buildings which have the same or a lower assessment are significantly smaller.

Respondent's Position

- (12) The Respondent presents a chart of B Class rent equity comparables, which confirms the subject assessment's rent figures. They go on to present a chart of B Class vacancy equity comparables which demonstrate that the vacancy rate they used in the subject assessment may be a bit high. They carry on with a Downtown Office Capitalization Rate Chart as " reported by industry", which supports the subject assessment
- (13) The Respondent goes on to suggest that the crux of the matter is really the sale prices of other office buildings. The subject building is assessed for the purposes of market value at \$159.49/SF, whereas the requested value is \$91.19/SF. Of buildings sold in 2011, the average sale price for comparable buildings was \$302/SF. Whereas, the average sale price for superior class buildings sold in 2011 was \$478/SF.
- (14) The Respondent notes that the Complainant provided little sales information, claiming there had been no significant sales since May of 2008. The Complainant says that market value is not a significant factor here. They say that because there isn't much current sales information, one must "re-use old information and interpolate".
- (15) On cross-examination, the Respondent states that "as a final check regarding assessment, we look at the rental rate...we use rent as a test, but it is not the only determining factor".

Summary of Parties' Position's

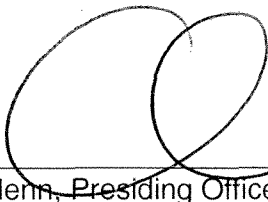
- (16) In summary, the Complainant suggests that some of the Respondent's sales are portfolio sales, in addition, some of the Respondent's comparables are Class A, and so they are not directly comparable.
- (17) The Complainant goes on to argue "our comparables are closest, in other words, they are more similar" to the subject. They say the market has changed, rent has decreased by 66%, vacancy has increased by 2%, and the cap rate has increased, and all these factors should be reflected in a lower assessment.
- (18) The Respondent summarizes by saying that market value is the main factor when preparing an assessment, and queries why a building owner would sell such a building for \$91.19/SF. They agree there has been a decline in the market but they state that it is much less dramatic than the Complainant suggests. The Respondent says they must rely on a mass appraisal approach, and they cannot go "sales chasing".
- (19) They carry on arguing that "some of our sales may be post facto, but they are much

closer" to the subject valuation date than the Complainant's comparables.

Board Decision:

- (20) To address the question of whether each of the assessment parameters suggested by the Complainant are in error, the Board makes the following findings:
- a. The Complainant has not adequately shown that the rental rate relied on by the Respondent is incorrect. The Complainant provides a 2010 rent role, but very little from 2011. They also provide some comparables, but the median figure from their comparables supports the original assessment. Also, the Complainant's rent figures were not from the same class.
 - b. The Complainant has not adequately shown that the vacancy rate relied on by the Respondent is incorrect. The vacancy rate from the Complainant's Historical vacancy chart simply confirms the Respondent's position.
 - c. The Complainant has not adequately shown that the capitalization rate relied on by the Respondent is incorrect. The Respondents cite a dearth of sales for their lack of information, yet the Respondent does not seem to suffer from the same problem in their evidence.
 - d. The Complainant argued that the subject should be in a lower class (B-), but they called no actual evidence was called in that regard.
- (21) The Board notes that the Respondent utilizes market value to a far greater extent in their evidence and argument. The Complainant hardly refers to market value at all. The Board finds this is an important factor which the Complainant should have addressed more directly.
- (22) Accordingly, the Borad finds that the onus required of the Complainant to show that the subject assessment is in error, or that it requires some adjustment to be fair and equitable, has not been met. The subject assessment is herewith confirmed in the amount of \$24,460,000

DATED AT THE CITY OF CALGARY THIS 14th DAY OF AUGUST, 2012



R. Glenn, Presiding Officer

APPENDIX "A"

**Documents presented at the hearing
and considered by the Board**

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| 1. C1 | Complainant Disclosure |
| 2. C2 | Supplementary Disclosure |
| 3. R1 | Respondents Disclosure |

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.*

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<i>Decision No.1025-2012-P</i>		<i>Roll No.067027995</i>		
<u><i>Subject</i></u>	<u><i>Type</i></u>	<u><i>Issue</i></u>	<u><i>Detail</i></u>	<u><i>Issue</i></u>
CARB	Office 5+ storey	Equity	Building Condition	Market Value
