

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

between:

***RONMORE HOLDINGS, COMPLAINANT,
Represented by Altus Group***

and

The City Of Calgary, RESPONDENT

before:

***Ted Helgeson, PRESIDING OFFICER
Joe Massey, MEMBER
Yvette 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 2011 Assessment Roll as follows:

ROLL NUMBER: 101014603

LOCATION ADDRESS: 5920 1A Street SW

HEARING NUMBER: 64401

ASSESSMENT: 11,920,000

This complaint was heard on Thursday, June 30th, 2011 at the office of the Assessment Review Board located at Floor Number 3, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 9.

Appeared on behalf of the Complainant:

- *D. Genereux*

Appeared on behalf of the Respondent:

- *T. Neal*

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

No procedural or jurisdictional matters were raised.

Property Description:

The subject property, known as "Sloane Square," is a one storey office building located two blocks east of Macleod Trail in the Manchester Industrial District. The building was constructed in 1978, and is classified as an "A-" class office building. Rentable area is approximately 70,694 square feet, and there is no underground parking.

Issues:

1. Has the subject property been incorrectly classified as an "A-" office building?
2. If the subject property has been classified incorrectly, what would constitute a fair and equitable assessment for the subject property?

Complainant's Requested Value: \$ 6,830,000

The Complainant's Position:

The assessment of the subject property is too high when compared to assessments of similar office buildings in the southwest. The proper class for the subject is "B". In previous years, including 2009, the subject was assessed as a "B" class building. When using the direct comparison approach, properties that are most comparable to the subject should be relied upon. When comparing the subject to "B" class buildings, the following were considered:

- (a) properties approximately five blocks from Macleod Trail and from 58th Avenue to Fishcreek Park,
- (b) 25 south central transactions totalling 77,427 square feet, and
- (c) buildings in the northwest that can be expected to lease for about \$12.50 per square foot, and

- (d) eleven comparable properties that indicate a mean and an average assessed value of \$137 per square foot.

The analysis revealed an average rental rate of \$12.56 per square foot, a median of \$12.50 per square foot, and a weighted average of \$12.50 per square foot. A rental rate of \$12.50 per square foot is appropriate for the subject property, and, with a "B" class cap rate of 8.75%, supports an assessment of \$6,830,000.

Furthermore, seven comparable properties, all within 3.7 kilometres of the subject, including 6020 1A Street, next door to the subject property, all show office rental rates of \$14 to \$15 per square foot, a median assessment per square foot of \$137, and an average assessment per square foot of \$137. These seven comparables have been assessed using an 8.75% cap rate. The subject property, on the other hand, assessed using an office rental rate of \$18 per square foot and a cap rate of 7.50%, shows an inequitable assessment of \$195 per square foot. Were the subject property equitably assessed at a rental rate of \$15 per square foot, with a cap rate of 8.75%, the assessment would be \$8,370,000.

The Respondent's Position

The subject property is an "A" class suburban office building. Suburban offices in Manchester have been categorized into the SE quadrant for the purpose of assessment. The subject was assessed equitably when compared to three "A" class suburban offices in the SE quadrant. The Complainant's argument is based on an analysis of 21 leases in "A" class buildings, three of which were outside the valuation period. The Respondent's analysis of "B" class buildings comprised 25 leases of suburban office space, all of which were inside the valuation period.

The subject property was assessed fairly with respect to the typical "A" quality office rate that was used in the income approach to value. There were thirteen new leases that commenced for "A" quality office space in the SE quadrant between July, 2009 and July, 2010, including two leases from the Complainant's evidence, and three leases from the subject property that were excluded from the Complainant's evidence. The median of these leases was \$18 per square foot, and the weighted mean was \$17.75 per square foot. The assessed office rent was \$18, and leases from the subject property fall within this range. An analysis of fourteen "B" quality lease comparables show a median of \$15 per square foot, and a weighted mean of \$14.62 per square feet. This compares well with the assessed rate of \$15 per square foot for "B" class buildings.

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

The Board was faced with the usual problem in distinguishing between "A" class and "B" class buildings, i.e., based on the evidence, the only significant difference between the two classes appeared to be their respective rental rates. That said, the Board noted that leases recently renewed, as shown on the rental roll for the subject property, show rental rates from \$10 to \$14 per square foot. In other words, "B" class rents. Furthermore, faced with the Respondent's equity comparables (from Midnapore), the Board found the property most comparable to the subject property, based on proximity (next door to the subject) and appearance (one storey), is 6020 1A Street S.W., a class "B" property. In the result, the Board determined that the subject property is a "B" class building, not an overly large adjustment in classification in view of the fact

that the subject was in the "A-" class. The assessment was reduced accordingly, based on the typical rental rate for "B" class buildings of \$15 per square foot.

Board's Decision:

The assessment of the subject property is reduced to \$8,370,000.

DATED AT THE CITY OF CALGARY THIS 5 DAY OF August 2011.



Presiding Officer

Exhibits:

C-1: Complainant's written argument.

R-1: Respondent's assessment brief.

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.*