

**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:

Dundee Canada (GP) Inc. (as represented by Colliers International Ltd.), COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

C. McEwen, PRESIDING OFFICER

J. Mathias, MEMBER

S. Rourke, 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: 049017809

LOCATION ADDRESS: 2891 SUNRIDGE WY NE

HEARING NUMBER: 61424

ASSESSMENT: \$19,430,000

This complaint was heard on the 7th day of July, 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:

- C. Hartley
- A. Farley

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 is an 87,759 square foot, A+ quality, three storey, suburban office building located in the Sunridge district of NE Calgary. The subject improvement, named The Yellow Pages Building, was constructed in 2000 and provides general office space to the NE marketplace. The subject property is assessed using the Income Approach to Valuation with a \$21 per square foot rental rate, 12% vacancy, \$12.50 per square foot operating cost, 2% non-recoverable and a capitalization rate of 7.50%.

Issues:

Is the subject property assessment higher than market value and, therefore, inequitable to comparable properties?

Specifically, is the assessed rental rate too high?

Complainant's Requested Value:

\$11,860,000 based on \$13.50 per square foot.

Board's Findings and Reasons in Respect of Each Matter or Issue:

The Complainant argued that the subject property has been classified incorrectly as an A+ building and, therefore, assessed at a rate higher than market value. In support, the Complainant described the characteristics of an A+ building including age, location, quality of construction, parking infrastructure and amenities. The Complainant then compared the characteristics of the subject property to the A2 and A- property types and argued their similarity. The Complainant also provided a table containing the entire inventory of A2 and A-suburban office buildings in NE Calgary, referring specifically to the A2 building located at 5055 11 ST NE as the best comparable to the subject. The Complainant also provided a Tenant Roll from the subject property indicating current lease range from \$10-\$24 per square foot with a

median lease rate of \$17 per square foot. In addition, the Complainant provided photographs of the A2 comparable properties.

The Respondent provided a table of six A+ comparables assessed at \$21 per square foot. In addition, the Complainant provided a table containing ten NE lease comparables indicating a range of \$13.50-\$36 per square foot, a mean of \$21.83 per square foot and a weighted mean of \$23.55 per square foot. The Respondent argued that the lease comparables supported the assessed rate of \$21 per square foot which had been applied equitably to all like properties. The Respondent also provided a RealNet report for the subject property indicating the sale of the subject property on January 26, 2007 for \$25,800,000, well above the current subject assessment.

The Complainant argued in rebuttal, that the Respondent's lease comparable analysis was skewed by two leases in the Medallion Business Centre at 1925 18 AVE NE. The Respondent's lease comparable table reports the leases at \$36 and \$35 per square foot while the Lease Summary for that property indicates the rents at \$24 per square foot. The Complainant argued that the discrepancy was due to the Respondent reporting a gross lease for a department of the Government of Canada rather than a net lease as is the norm. When the correct numbers are provided, the mean of the Respondent's lease comparable table drops from \$21.83 per square foot to \$19.57 per square foot, the weighted mean falls to \$20.42 per square foot from \$23.55 per square foot and the median becomes \$19.50 per square foot.

The Board accepts the Complainant's argument that the subject property has been misclassified as an A+ building and is more similar to the A2 and A- inventory of NE Suburban Office buildings. The subject's age, modest exterior, lack of amenities and surface parking support this finding.

The Board provides little weight to the 2007 sale of the subject property. The Board notes that the sale occurred near the top of the market and that the sale was part of a portfolio sale involving three other properties located in three different provinces. The value assigned to the subject represented only 11.78% of the entire transaction. The Board can only speculate on the actual value attributed to an individual property within a portfolio sale and so refrains from doing so.

The Board accepts the comparable property located at 5055 11 ST NE as the best comparable provided by either party based on age, size, exterior finish and amenities. This comparable is assessed at \$18 per square foot.

The Board also accepts the revision of the Respondent's A+ Lease Comparable Table and the recalculation of the median lease rate to \$19.50 per square foot which, again, supports a rate of \$18 per square foot for a building of lesser quality.

In summary, the Board finds that the relevant evidence before supports a reclassification of the subject property from A+ to A2 and an assessment rate of \$18 per square foot.

Board's Decision:

The assessment is reduced to \$16,400,000.

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

C. McEwen

C. McEwen
Presiding Officer

APPENDIX "A"**DOCUMENTS PRESENTED AT THE HEARING
AND CONSIDERED BY THE BOARD:**

NO.	ITEM
1. C1	Complainant Disclosure
2. R1	Respondent Disclosure
3. C2	Complainant Rebuttal

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.*