

**COMPOSITE
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 (MGA).

between:

SEC GP Inc. (as represented by Colliers International), COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

**C. J. Griffin, Presiding Officer
J. Joseph, MEMBER
P. McKenna, MEMBER**

This is a complaint to the Composite Assessment Review Board (CARB) 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: 068054998

LOCATION ADDRESS: 117 – 5th Avenue SW

HEARING NUMBER: 65946

ASSESSMENT: \$749,700,000.

This complaint was heard on 17th day of August, 2012 at the office of the Assessment Review Board located at Floor Number 3, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 10.

Appeared on behalf of the Complainant:

- C. Hartley

Appeared on behalf of the Respondent:

- H. Neumann
- A. Czechowskj

Procedural Matters:

[1] The Complainant suggested, as matter of expediency, that all of the evidence, argument and questions relating to the two issues to be addressed in this Hearing be carried forward from the preceding Hearing (#66004) as it is essentially identical to that to be produced for this Hearing. The Respondent agreed with this suggestion. Accordingly the CARB will carry forward the germane evidence, argument, questions and responses from Hearing #66004 (CARB Decision 1451-2012-P) and apply same to this Hearing.

Property Description:

[2] A detailed description of the property was not provided by either party; however, the CARB was able to discern, largely from the Income Approach Valuation (Exhibit C1 pgs. 13 & 14) that the subject is a class 'AA' twin tower office building located within the downtown core area. The property, now known as *Suncor Energy Centre*, is one of the premier office complexes in the City and contains a total of 1,725,122 assessed Sq. Ft. of which 1,703,673 Sq. Ft. is the office component, 13,097 Sq. Ft. is the main level retail component, 2,477 Sq. Ft. is the 2nd floor retail component, 4,786 Sq. Ft. is the food court. 379 Sq. Ft. is a food outlet, 16 Sq. ft. is assigned to an Automated Teller Machine (ATM) and 694 Sq. Ft. is the storage component. There are 856 underground parking stalls.

[3] The property has been valued, for assessment purposes, through application of the Income Approach with the following inputs:

<u>Category</u>	<u>Rentable Area</u>	<u>Rental Rate</u>	<u>Typical Vacancy</u>
Office	1,703,673 Sq. Ft.	\$25.00/Sq. Ft.	1.00%
Retail 2 nd Level	2,477 Sq. Ft.	\$35.00/Sq. Ft.	2.00%
Retail Main	13,097 Sq. Ft.	\$35.00/Sq. Ft.	2.00%
Food Court	4,786 Sq. Ft.	\$130.00/Sq. Ft.	2.00%
Food Outlet	379 Sq. Ft.	\$100.00/Sq. Ft.	2.00%
ATM	16 Sq. Ft.	\$150.00/Sq. Ft.	2.00%
Storage Space	694 Sq. Ft.	\$12.00/Sq. Ft.	2.00%
Parking	856 Stalls	\$6,000/Stall	2.00%

Vacant Space Shortfall	@	\$18.00/Sq. Ft. office
	@	\$20.00/Sq. Ft. retail
	@	\$50.00/Sq. Ft. food court, food outlet & ATM
	@	\$ 5.00/Sq. Ft. storage
Non-Recoverable Allowance	@	2.00%
Capitalization Rate	@	6.25%

Issues:

[4] There are a number of interrelated issues outlined on the Assessment Review Board Complaint form; however, at the Hearing the Complainant reduced the issues to be considered by the CARB to:

1. The applied typical office rent rate is incorrect at \$25/Sq. Ft. and would be more accurate at \$23.50/Sq. Ft.
2. The assessed capitalization rate of 6.25% is too low and would be a more accurate indication of market value at 6.50%.

Complainant's Requested Value: \$682,960,000. (Exhibit C1 pg. 17)

Party Positions:

Complainant's Position

[5] The Complainant contends that a more appropriate office rental rate for the subject property would be \$23.50/Sq. Ft. In support of their requested rental rate the Complainant introduced (Exhibit C1 pg. 19) a list of nine (9) leases signed between April 1/10 and June 1/11. All leases are from 'AA' Class buildings, are triple net and all are of a term of three (3) years or greater in length. The leases are for spaces ranging from 1,850 Sq. Ft. to 20,329 Sq. Ft. and the indicated lease rates range from a low of \$20.00/Sq. Ft. to a high of \$26.00/Sq. Ft. with an indicated weighted mean for all the leases of \$23.02/Sq. Ft. and an indicated median for those leases of \$24.00/Sq. Ft. The Complainant indicated that the median of those leases for 10,000 Sq. Ft. or greater is \$23/Sq. Ft. and the mean for those same leases is \$22.22/Sq. Ft. This information forms the basis for the Complainant's request for \$23.50/Sq. Ft.

[6] The Complainant explained that all of their evidence relating to the capitalization rate argument is identical to that produced for Hearing # 66004 (CARB Decision 1451-2012-P) therefore, as agreed it is carried forward and becomes applicable for this Hearing as well. The Complainant did add that, with no market evidence to suggest otherwise, the Complainant accepts the City's (Respondent) position that Class 'AA' capitalization rates should be 0.5% lower than Class 'A' or 'A-'.

Respondent's Position

[7] The Respondent/Assessor made the CARB aware that the request of the Complainant, if granted, would result in an assessed value that would equate to approximately \$395/Sq. Ft. of building area versus the current assessed value of approximately \$434/Sq. Ft. While the Respondent acknowledged that there are many factors to be considered, the value per Sq. Ft. does serve as a good general guide. The Respondent referred the Board to (Exhibit R1 pg. 116) a summary of sales of 'A' and 'B' class office buildings which were recorded in 2011 and 2012 and suggested that the indicated sales prices per Sq. Ft. show very little, if any, support for the Complainant's requested value in the range of \$395/Sq. Ft. for an 'AA' class office building. The sales summary for each of the sales is also provided (Exhibit R1 pgs. 117 – 153). The Respondent acknowledged that some of the sales are post-facto to the valuation date but pointed out that if the Complainant's requested rental rate were applied to any of the sales, together with their requested 6.5% capitalization rate, in no case would the indicated sales price be achieved.

[8] The Respondent/Assessor acknowledged that, as outlined in the Procedural Matters, that his evidence and argument for this Hearing is identical to that presented in Hearing # 66004 (CARB Decision 1451-2012-P) and, as agreed by both parties, same is carried forward and become applicable to this Hearing as well.

Complainant's Rebuttal:

[9] The Complainant explained that, as outlined in the Procedural Matters of this Hearing, the Rebuttal evidence and argument is the same as presented in the preceding Hearing #66004 (CARB Decision 1451-2012-P) and, as agreed, it is to be carried forward and becomes applicable to this Hearing as well.

Board's Decision:

[10] The assessment is **confirmed** at \$749,700,000.

Decision Reasons:

[11] The Assessor provided some seventeen lease comparables that were used to establish the basic rental rate to be applied in the valuation of 'AA' class downtown located office buildings. The Complainant contended that this list needed to be refined to exclude lease terms of less than three years as same may not be truly indicative of market rent; however, the Complainant did not provide any substantive evidence to support this contention. The CARB has been presented with examples of previous decisions of both this Board and the *Municipal Government Board* where the matter of which leases should be given consideration and which should not, appear, over time, to be inconsistent causing confusion to both parties. The CARB is of the judgment that all new leases, including renewals, should be included in an analysis to determine market rent. If a particular lease should, for whatever reason, not be included in such an analysis, then the Complainant can rebut same by providing a copy of the lease in their rebuttal evidence. Accordingly the CARB accepts the Assessor's analysis for market rent as being the more accurate indicator and the office rental rate appropriate for the subject property is accepted as being \$25/Sq. Ft. The CARB also notes that the Complainant's own evidence (Exhibit C2 pg. 5) where the Complainant's list of lease comparables provides support for the Assessor's applied rate of \$25/Sq. Ft.

[12] In terms of the capitalization rate issue, the CARB find the analysis provided by the Assessor to be more convincing as it included the analysis of all three sales (Gulf Canada Sq. plus Scotia Centre twice) as opposed to the Complainant's analysis of just one of the Scotia Centre sales. The CARB does not find any satisfactory reason to eliminate one of the sales from the analysis. The CARB is further convinced by the Assessor's capitalization rate analysis as their conclusions are well supported by the sales prices of the various buildings and this is not the case with the conclusion of the Complainant's capitalization rate analysis. In the final analysis the CARB is concerned with the final assessed number and the relationship of that number to market value. In this case the CARB is of the judgment that the assessed value requested by the Complainant is not representative of the market value for that property as it is considerably lower than the sales evidence would indicate.

DATED AT THE CITY OF CALGARY THIS 25 DAY OF SEPTEMBER 2012.



C. J. Griffin,
Presiding Officer

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

NO.	ITEM
1. C1	Complainant Disclosure
2. C2	Complainant's Rebuttal
3. R1	Respondent Disclosure
4. R2	Respondent Transfer Document #051208617
5. R3	Respondent MGB Notice of Decision

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.*

For MGB Administrative Use Only

<i>Decision No. 1454-2012-P</i>			<i>Roll No. 068054998</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 Building	Cap. Rate/Rent	Office Rent	Typical Rent