

**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:

***The Standard Life Assurance Company of Canada (as represented by Altus Group Ltd.),
COMPLAINANT***

and

The City Of Calgary, RESPONDENT

before:

***C. McEwen, PRESIDING OFFICER
B. Jerchel, MEMBER
R. Deschaine, 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: 067045203

LOCATION ADDRESS: 800 6 AV SW

HEARING NUMBER: 64548

ASSESSMENT: \$24,780,000

This complaint was heard on 22nd day of July, 2011 at the office of the Assessment Review Board located at Floor Number 3, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 11.

Appeared on behalf of the Complainant:

- D. Chabot

Appeared on behalf of the Respondent:

- D. Grandbois
- R. Fagen

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

There were no procedural or jurisdictional matters.

Property Description:

The subject property is a 1972, B- office tower located in the west end of downtown Calgary (DT2). The subject has eighteen floors and an assessed office area of 175,184 square feet.

Issues:

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

1. Is the assessed office rent rate too high?
2. Should the assessed office vacancy rate be increased?

Complainant's Requested Value:

\$19,000,000

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

At the commencement of the hearing the Complainant withdrew issue 1 and asked that the requested assessment be adjusted from \$17,530,000 to \$19,000,000.

The Complainant argued that the subject property suffers from chronic vacancy and requested that the office vacancy rate be increased from 13% (typical) to 23% for the purposes of assessment. In support, the Complainant provided a CresaPartners Class B Office Vacancy Summary for the time period between the second quarter of 2008 and the fourth quarter 2010. The subject property, included within the survey, indicated the following vacancy rates over this time period (Schedule A):

SCHEDULE A

800 6 AVE SW	Q2 2008	Q4 2008	Q2 2009	Q4 2009	Q2 2010	Q4 2010
Vacancy Rate	12.31%	19.11%	20.40%	22.56%%	36.81%	35.82%

The Complainant argued that the data indicated three years of heightened vacancy well above the city's typical vacancy rate of 13%. The Complainant further argued that the subject vacancy rate worsened over time and was almost 37% at the valuation date. The average of the year end vacancy rates (2008, 2009 and 2010) was 25.83%. The Complainant argued that the typical vacancy rate applied by the city did not recognize the actual, significant, long term vacancy problem within the subject property.

The Respondent argued that the typical vacancy rate for DT2 B-class buildings was calculated using the actual vacancy data provided on the Assessment Request for Information (ARFI) for twenty-two DT2 B-class buildings (R1, p.37). The average vacancy rate (weighted) was 10.68%. This result was tested against third party studies and, ultimately, the typical vacancy rate for D2 B-class buildings was established at 13%. The Respondent argued that chronic vacancy was neither well-defined nor legislated but, if the Board accepted the Complainant's interpretation of chronic vacancy as three consecutive years of atypical vacancy, then the Complainant's table of subject vacancy rates came up short, showing just two years. The Respondent also argued that the subject property demonstrated strong leasing activity in 2009 and 2010 and, in support, provided a 2011 Rental Analysis (R1, p.28) of DT2 B-class buildings. The table indicated that the subject had leased approximately 45,000 square feet of office space in the two years leading up to the valuation date. The Complainant also argued that the Income Approach to Value cannot be adjusted by a single actual input without a thorough analysis of the remaining inputs. In this case, the Complainant accepted the remaining inputs at their typical value while adjusting the vacancy rate to actual. The Complainant argued that such an inconsistent approach to the inputs of the Income Approach to Value flaws the final calculation.

The Board finds the Complainant's evidence and argument support the requested vacancy rate of 25%. The Board accepts the vacancy data provided by the Complainant as strong evidence that a chronic vacancy issue exists with the subject property. Schedule A provides three, yearend data points, unchallenged by the Respondent, that convince the Board that the subject vacancy rate accelerated from 2008 to 2010 and ended the 2010 valuation year at 35.82%. The average vacancy rate of 25.83% during that period reasonably supports the requested rate of 25%. The Board does not accept the Respondent's DT2 B-class Vacancy Rate analysis as the input was shown to be flawed. Through questioning, the Respondent admitted errors in the analysis as it contained a mix of both DT1 and DT2 buildings. In addition, although the subject property leased out 45,000 square feet of space in 2009 and 2010, the building still suffered atypical vacancy rates above 29% on average during that time period. The Board also accepts the adjustment of the Income Approach to Value by a single, actual input as the Respondent has not provided any market evidence that the Complainant's requested value is incorrect.

Board's Decision:

The assessment is reduced to \$19,000,000.

DATED AT THE CITY OF CALGARY THIS 9th DAY OF AUGUST 2011.



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.*