

**CALGARY  
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 (the Act).

between:

***Brookfield Properties (BHT) Ltd., as represented by Colliers International Realty Advisors Inc., COMPLAINANT***

and

***The City Of Calgary, RESPONDENT***

before:

***S. Barry, PRESIDING OFFICER  
E. Bruton, MEMBER  
D. Morice, MEMBER***

This is a complaint to the Calgary 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:

<b>ROLL NUMBER:</b>	<b>068249200</b>
<b>LOCATION ADDRESS:</b>	<b>850 2 ST SW</b>
<b>HEARING NUMBER:</b>	<b>65944</b>
<b>ASSESSMENT:</b>	<b>\$109,720,000</b>

This complaint was heard on the 29th day of August, 2012 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, Colliers International Advisors Inc.*
- *A. Farley, Colliers International Advisors Inc.*

Appeared on behalf of the Respondent:

- *A. Czechowskyj, City of Calgary*

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

[1] The Complainant requested that all evidence, argument, questions, rebuttal and summary related to the merits from hearing 65945 (CARB 1643/2012-P) be carried forward to this hearing. The Respondent agreed and made the same request with respect to his material. Only new, site specific matters are raised in this written decision.

[2] The Board notes that the Complainant did not have the complete Respondent's disclosure document R1. The Board's file was complete and there was no explanation for how this occurred. Nevertheless, it was agreed by the Parties that the remedy was to determine which pages were missing and copy them for the Complainant. Upon review of the documentation, the Complainant agreed that a deferral of all or part of his Rebuttal to another day was not required.

**Property Description:**

[3] The property under complaint is a 14 storey office building constructed in 2009 and known as Bankers Court. It is located at 850 2 ST SW, in the DT1 district, a block east of Bankers Hall and connected to that building through the +15 walkway system. The total assessable building area is 263,145 square feet (sq.ft.) of which 256,582 sq.ft. is office space. It is classed as an A (New) building and has been assessed using the Income Approach to value with a rental rate of \$25 per sq.ft. for the office space and 6.75 per cent as a capitalization rate (cap rate).

**Issues:**

[4] The Complainant identified two issues:

1. Should the assessed rental rates of \$25 per sq.ft. be reduced to \$23 per sq.ft.?
2. Should the cap rate be increased to 7.0 per cent?

There was no complaint with respect to the valuation method or with the value of any of the other components or variables used in the income approach.

**Complainant's Requested Value:**

[5] On the Complaint Form, the requested assessment was \$63,400,000. This request was revised in the Complainant's disclosure C1 to \$98,690,000.

**Board's Decision in Respect of Each Matter or Issue:****Issue 1: Rental Rate**

[6] The Complainant argued that the assessed rental rate is not consistent with recent market activity. In support of that assertion, the Complainant referenced various rent equity comparables for AA, A and A- buildings which identified a number of 2011 leases ranging from \$20 to \$26 per sq.ft. The Complainant contended that the best comparable to the subject is the Ernst & Young Tower located some 7 blocks north of the subject within the Eau Claire District. It was his argument that Ernst & Young, like the subject, is of reasonably recent construction and that both are attached to larger AA buildings. The equity chart for Eau Claire that was provided to the Board showed 2011 leases ranging from \$23 to \$26 per sq.ft. plus one April 2010 lease at \$20.

[7] In his Rebuttal document, C2, the Complainant provided additional rental equity comparables with some buildings in DT2 and of different building classifications, including A-. He introduced another comparable as being similar to the subject in year of construction, size and configuration – Sun Life Plaza which, from the chart provided, is an A- building. An extensive rent roll from Amec Place, also classed A- was included along with partial rent rolls for other A- buildings.

[8] The Respondent emphasized that the subject is classed as an A (New) building and provided an Assessment Request for Information (ARFI) for it that was dated May 11, 2011. The ARFI shows office leases starting as early as August 1, 2009 through to February 1, 2011, with terms between 10 and 15 years with rates ranging from \$26 to \$34.50 per sq.ft. A detailed rent roll with step increases was included in support of the ARFI. Additional partial rent rolls for some A (New) and A class buildings were also provided.

[9] The Respondent further noted that the requested rental rate falls between classes A (Original) at \$22 per sq.ft. and A (New) at \$25 per sq.ft.

**Issue 1: Board Decision and Reasons**

[10] The Board did not support the request to reduce the assessed rental rate to \$23 per sq.ft.

[11] The Board did not find a good correlation between the subject and the Complainant's declared best comparable, the Ernst & Young building. The latter is some distance geographically from Bankers Court in a different market area of the Downtown and is almost a decade older. There was no complete rent roll given for Ernst & Young but in evaluating the partial data submitted, especially looking at a reasonable valuation period of July 1, 2010 to July 1, 2011, it would appear that the median rents are \$24.50 per sq.ft.

[12] Again, using the other AA rental comparables provided by the Complainant, and restricting its review to leases within the valuation period, the Board found the median rate was \$25. The Board noted the full rent roll for the subject, as provided by the Respondent, and found that the rents being achieved support the assessment.

### **Issue 2: Capitalization Rate**

[13] The Parties carried forward their cap rate arguments and evidence from the previously referenced hearing 65945 (CARB 1643/2012-P). There was no new material presented that the Board deemed to be of significance in better understanding the issues and reaching its decision. The Board's findings and reasons in that decision are reproduced below with new paragraph numbering.

[14] There was much discussion and little clarity in the distinction between the methodologies used by the Parties. A detailed cap rate study was not in evidence. Neither Party provided a detailed analysis supported by the complete rent rolls specific to the buildings in question along with the related vacancy rates or operating costs. With so few sales, three between two buildings, it was not possible to adequately weigh the two arguments.

[15] However, inasmuch as the cap rate is, to some extent, a measure of risk, a ratio between the sales price and income, then the Board can find no compelling reason to adjust the cap rate upward for these premises. The Board has already found that the rents in place are high and of long duration. The Board did not allow for a reduction in the assessed rental rates and can find no evidence that the assessed cap rate is inadequate to properly express the income to market value ratio.

### **Board's Decision:**

[16] The 2012 Assessment is confirmed at \$109,720,000

DATED AT THE CITY OF CALGARY THIS 24<sup>th</sup> DAY OF Sept 2012.

  
S. Barry  
Presiding Officer

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

<b>NO.</b>	<b>ITEM</b>
1. C1	Complainant's Disclosure
2. R1	Respondent's Disclosure
3. C2	Complainant's 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.*

## For MGB Administrative Use Only

Decision No.: 1645/2012-P		Roll No.: 068249200		
Subject	Property Type	Ppty Sub-type	Issue	Sub-Issue
CARB	Office	High Rise	Income Approach	Rental Rate Cap Rate