

**CALGARY
ASSESSMENT REVIEW BOARD
DECISION WITH REASONS**

In the matter of a complaint against the 2011 property assessment as provided by the *Municipal Government Act*, Chapter M-26, Revised Statutes of Alberta 2000 (the *Act*).

between:

***Airstate Ltd., COMPLAINANT
(represented by Colliers International Realty Advisors)***

and

The City Of Calgary, RESPONDENT

before:

***Mr. F. W. Wesseling, PRESIDING OFFICER
Mr. A. Zindler, MEMBER
Mr. I. Fraser, 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:	071107106
LOCATION ADDRESS:	525 28 ST SE
HEARING NUMBER:	61326
ASSESSMENT:	\$11,740,000

This complaint was heard on the 5th day of August, 2011, at the offices of the Assessment Review Board located at 4th Floor, Boardroom 12, 1212 – 31 Avenue NE, Calgary, Alberta.

Appeared on behalf of the Complainant:

- *Mr. S. Meiklejohn* *Agent, Colliers International Realty Advisors*

Appeared on behalf of the Respondent:

- *Ms. C. Neal* *Assessor, City of Calgary, Assessment Business Unit*

Property Description:

[1] The subject property, located at 525 28 ST SE and known as **Radisson Centre**, is a multi-tenanted office facility. The property has been assessed using the Income Approach to Value and is comprised of a parcel size of 4.51 acres and improved with two buildings comprising 68,043 square feet of office building rentable area and 18,972 square feet in the adjacent retail building, both constructed in 1981, as reported on the Assessment Summary Report [page 23, Complainant's submission, Exhibit C-1]. The resultant total assessment is \$11,913,600 which includes an exempt portion having an assessed value of \$164,000. The net assessed value of the subject has been rounded to \$11,740,000.

Issues:

[2] In section 4 of the Assessment Review Board Complaint (the 'form') the Complainant checked Box 3 indicating the assessment to be the matter of complaint. In section 5 of the form the Complainant requested the assessment be reduced from \$11,740,000 to \$7,450,000. At the Hearing the Complainant amended the requested assessment to \$7,375,973 based on a "market" value and in the alternative \$8,678,396 based on "equity". Attached to the form is an extensive list of 'Reasons for Complaint / Grounds for Appeal' and are repeated as pages 8–11, Exhibit C-1. The areas in dispute between the parties are illustrated in the following Table 1:

Table 1: Comparison of assessment parameters: As Assessed; "Market" Request; "Equity" Request.

Assessment Parameters	As Assessed	"Market" Request	"Equity" Request
Net Rental Rate	\$15.00/SF	\$11.00/SF	\$12.00/SF
Vacancy Allowance	10.00%	14.00%	12.00%
Operating Costs	\$12.50/SF	\$12.50/SF	\$12.50/SF
Non-recoverable Costs	2.00%	2.00%	2.00%
Capitalization Rate	8.75%	8.75%	8.75%
Resultant Values:	\$11,913,600	\$7,479,113	\$8,799,752
Includes exempt portion	(\$136.91 / SF)	(\$85.95 / SF)	(\$101.13 / SF)

Note: Parameters in **bold** illustrate changes requested by the Complainant for each request.

Regarding Brevity:

[3] The Complainant's submission [Exhibit C-1 and C-2] contains a total of 185 pages and the Respondent's submission contains 100 pages. In the interest of brevity the Board will only refer to the materials dwelt on by the parties and considered most relevant.

Position of the Complainant:

[4] "Market" Request:

In support of the requested reduction of the assessed rental rate from \$15.00 to \$11.00 per square foot, the Complainant provided, amongst other things, the tenant rent roll as at March 10, 2011 [page 35, Exhibit C-1] for the subject property. The rent roll identifies 30 tenants. Based on the contract rent as of March 10, 2011 the total income as reported is \$1,169,640. The same schedule reports the weighted average contract rent to be \$13.44 per square foot. The schedule also reports the subject property to be 100.00% occupied. The most current leasing occurred in 2009 whereby three of the four leases display a rate of \$18.00 per square foot and one lease at \$10.00 per square foot.

[5] In support of the requested increase in the requested vacancy allowance from 10.00% to 14.00% the Complainant presented a schedule [page 84, Exhibit C-1] which reports that the vacancy rate for southeast class 'B' properties in the second quarter of 2010 to be 14.11%.

[6] "Equity" Request:

In the alternative requested reduction, the Complainant argues that the assessor has drawn an arbitrary line along Memorial Drive as the demarcation between southeast and northeast properties. The subject property, being on the south side of Memorial Drive, should be more properly assessed in a similar manner with those properties on the north side of Memorial Drive – so argues the Complainant. He compared the subject property with a property known as the 'Intergraph Building' on the north side of Memorial Drive and kitty-corner to the subject property. The Complainant provided a summary rent roll for the "Intergraph Building" [page 49, Exhibit C-1] reporting a weighted average contract rent of \$14.00 per square foot and 100.00% occupied. He submits that the comparable and the subject property display similar characteristics regarding rent and vacancy yet for assessment purposes the comparable property enjoys more favourable assessment parameters than the subject. He requests that the subject also enjoy such favourable parameters; that is, a reduced rental rate from \$15.00 to \$12.00 per square foot, and an increased vacancy allowance from 10.00% to 12.00%.

[7] And finally, the Complainant provided [page 94, Exhibit C-1] a schedule listing 21 sales of suburban offices throughout the city having occurred during the period July 14, 2008 to March 2, 2010. These sales display a price range from \$151.24 to \$496.31 per square foot and a weighted average price of \$358.61 per square foot. For each sale he provided Assessment Summary Reports and 'RealNet' reports (a reporting agency) being the contents of Exhibit C-2.

Position of the Respondent:

[8] In support of the assessed parameters, the Respondent presented summary lease information [page 23, Exhibit R-1] reporting on 17 lease transactions for "Southeast B Quality Lease Comparable". The range of lease rates was \$10.00 to \$23.50 per square foot and the weighted average lease rate was shown to be \$15.13 per square foot. The Respondent identified other properties in the southeast which had been assessed with the same parameters as the subject [page 24, Exhibit R-1]. On pages 31-33 of Exhibit R-1, the Respondent identified 122 office properties which formed the basis for the determination of the assessed vacancy rate of 10.00%.

Board Decision:

[9] Much testimony and argument surrounded the questions as to the correct rental rate and correct vacancy rate to be attributed to the subject rentable area; the Board finds the Respondent's evidence on this matter to be more compelling and representative of a large number of properties in the southeast quadrant of the city both as to rental rates and vacancy rates. On appeal, the Board is concerned with how well the subject property assessment served the subject property. In this regard the following table sets out key facts regarding both the actual performance and assessed performance of the subject property.

Table 2: Comparison of actual performance and assessed performance.

	Actual Performance [Page 35, Exhibit C-1]	Assessed Performance [Pages 21-22, Exhibit C-1]
Potential Gross Income	\$1,169,640	\$1,305,225
Allowances:		
1. Vacancy	100.00% Occupied	(\$130,523)
2. Vacancy shortfall	N/A	(\$108,769)
3. Non-recoverable	(\$23,494)	(\$23,494)
Net Operating Income	\$1,146,146	\$1,042,439
Capitalized @ 8.75%	\$13,098,811	\$11,913,600

[10] From Table 2 the Board concludes that when all of the factors are considered and the assessed allowances are provided for, the resultant assessed Net Operating Income (\$1,042,439) is 9.00% lower than the actual Net Operating Income (\$1,146,146). There was no argument as to the applied Capitalization Rate of 8.75%.

[11] Further, whereas the assessment equates to a value of \$136.91 per square foot (\$11,913,600 / 87,015 SF), the requested 'market value' assessment [page 32, Exhibit C-1] equates to a value of \$85.95 per square foot (\$7,479,113 / 87,015 SF) and the requested 'equity value' assessment [page 33, Exhibit C-1] equates to a value of \$101.13 per square foot (\$8,799,752 / 87,015 SF) all being in contrast to the sales prices as noted in paragraph [7] above; the 21 sales reported by the Complainant reflect a sales price range of \$151.24 to \$496.31 per square foot.

[12] The Board concludes that the requested alternative values submitted by the Complainant are

neither supported by his own submission as reflected in Table 2 nor supported by market sale prices as reported on page 94, Exhibit C-1.

[13] Accordingly, the assessment of \$11,740,000 (net of the exempt area) is confirmed as being correct.

DATED AT THE CITY OF CALGARY THIS 24th DAY OF August 2011



F. W. Wesseling
Presiding Officer

Exhibits Received and Considered by the Board

Exhibit C-1: Complainant Submission
Exhibit C-2: Complainant Submission
Exhibit R-1: Respondent Submission

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.*

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<i>Decision No. 61326</i>		<i>Roll No. 071107106</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	Multi-blg	Location, market value, equity	Rental rate, vacancy rate