

**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

623244 Alberta Ltd.
(as represented by Colliers International Realty Advisors Inc.), COMPLAINANT

and

The City Of Calgary, RESPONDENT

before

L. Yakimchuk, PRESIDING OFFICER
J. Lam, MEMBER
J. Massey, 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 2012 Assessment Roll as follows:

ROLL NUMBER: 067241208

LOCATION ADDRESS: 630 3 Av SW

FILE NUMBER: 67687

ASSESSMENT: \$85,950,000

This complaint was heard on September 4 and 5, 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 Realty Advisors Inc.*
- *A. Farley, Colliers International Realty Advisors Inc.*

Appeared on behalf of the Respondent:

- *A. Czechowskyj, City of Calgary Assessor*

Property Description:

[1] The subject property is a downtown 2 (DT2) “A-” office building commonly known as the Shaw Building. It has been assessed at a market rental rate of \$20.00 per square foot (\$20/sf) for an assessment value of \$85,950,000 (\$297.87/sf).

Issues:

[2] As a DT2, “A-” Building, is this property assessed equitably with a market rent of \$20/sf? Is a capitalization rate (cap rate) of 6.75% consistent with a stable income stream for this property?

Complainant’s Requested Value: \$65,250,000

Board’s Decision in Respect of Each Matter or Issue:

Evidence and Arguments

[3] The Complainants, C. Hartley and A. Farley, on behalf of Colliers International, presented an Income Approach assessment for the subject property based on a \$16/sf rent rate and 7.00% cap rate. They argued that the Income Approach is the best way to assess a property which is income producing. With the Income Approach, the Complainant found a reduced value of \$65,258,861 or \$226.16/sf.

[4] The Complainants further argued that \$16/sf is more representative of what this “A-”, DT2 building can achieve, based on a list of comparable building rentals. They presented a list of comparable rentals (C1, p19) signed from January 1, 2010 to July 1, 2011, selected from a list of 2012 downtown Office “A” class Rent Equity Comparables. The list excluded lease renewals, and leases shorter than three years, based on the assumption that such leases would not be representative of normal market behaviour. The weighted mean of the comparable leases presented to the board by Colliers was \$15.65/sf.

[5] Using two recent DT1 sales of “A” office buildings, Colliers calculated two cap rates (7.28% and 4.88%). They chose to remove the lower cap rate because the rents achieved by the building in that sale appeared atypical for the market. Using the first sale, with a cap rate of 7.28% for an “A” building, they estimated a cap rate for Class A buildings at 7.0% and accepted that the cap rate for an “AA” building would be 0.5% lower. (C1 p.33)

[6] The Respondent, A. Czechowsky, City of Calgary presented an Income Approach assessment using \$20/sf rent rate and 6.75% cap rate, which resulted in an assessed value of \$85,950,000.

[7] To support the \$20/sf rent rate, the Respondent provided Assessment Requests for Information (ARFIs) for Downtown "A-" buildings, indicating a range of rents from \$15/sf to \$44/sf were achieved by these offices. (R1 p53-56). As well, an ARFI for the subject building showed a rent rate of \$20.62/sf for 74,205 sf, \$18.00/sf for 22,386 sf and \$18.00/sf for 15,783 sf. The leases for the subject were not arm's length leases.

[8] To support the 6.75% cap rate, the Respondent used the sales of separate 50% titles to the Scotia Centre and the sale of Gulf Canada Square (post facto). The cap rates achieved through these sales was 6.02% and 7.36% for the 50% shares of the Scotia Centre and 6.39% for the post facto Gulf Canada Square sale.

[9] Market Sale values for these buildings were \$347/sf and \$318/sf.

[10] In Rebuttal, the Complainant presented the AMEC rent roll, which included details of incentives for each lease, and demonstrated that the vacancy rate in 2010 for this DT2 "A-" building was 5.69% and in 2011 was 7.61%.

[11] The City vacancy rate applied to the assessment calculations was 9%.

Board Findings

[12] The Board reviewed the ARFIs provided by the City of Calgary and the rent roll information provided by Colliers International. Using the City's ARFIs, the Board found a weighted average rent rate of \$18.60/sf. Excluding the one and two year leases from the calculations resulted in a value closer to the \$20/sf used by the Respondent. The data from the AMEC leases provided by the Complainant further supported a rent rate of \$20/sf.

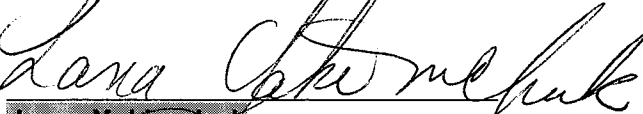
[13] The Sale Prices of two "A" class office buildings in DT1 further supported the assessment and cap rate presented by the Respondent. The Market value for these buildings was \$347/sf and \$318/sf. The assessed value for the subject building was \$297.87/sf and the requested value was \$226.16/sf.

[14] The Board decided that the Market value of the subject "A-" DT2 office building would be less than the value achieved by the two "A" DT1 buildings. However, the Income Value calculations indicated that it would not be as great a difference as the Complainant was proposing. The Respondent had supported the argument for a \$20/sf rent and 6.75% cap rate with comprehensive ARFI listings for DT2 "A-" buildings. Therefore, the Board accepted the Respondent's assessed value.

Board's Decision:

[15] The Board confirms the assessment at \$85,950,000.

DATED AT THE CITY OF CALGARY THIS 5th DAY OF October 2012.



Lana Yakimchuk
Presiding Officer

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

| NO. | ITEM |
|------------|------------------------|
| 1. C1 | Complainant Disclosure |
| 2. C2 | Complainant Rebuttal |
| 3. R2 | Respondent Disclosure |

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. 1729-2012-P

Roll No. 067241208

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|----------------|-----------------|--------------|-----------------|----------------|
| Subject | Type | Issue | Detail | Issue |
| CARB | Office Building | Single DT | Income Approach | Rent, Cap rate |