

**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

***Second Real Properties Limited
(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: 067056390
LOCATION ADDRESS: 801 6 Av SW
FILE NUMBER: 65987
ASSESSMENT: \$121,800,000

This complaint was heard on September 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 under appeal is a 424,600 square foot (sf) Downtown 2 (DT2) Class "A-" office building in the west portion of Calgary's downtown area. It is assessed at \$121,800,000 (\$286.88/sf) with a market rental rate of \$20.00/sf and a capitalization (cap) rate of 6.75%.

Issues:

[2] Is the Rent Rate for this building accurate at \$20/sf? Should the cap rate be higher than the assessed 6.75%? Is the parking rate accurate at \$475/stall.

Complainant's Requested Value: \$97,490,000

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 for the office portion of the building and 7.00% cap rate, with the remainder of the building and parking at the current assessment. 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 \$97,497,266 or \$229.62/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, p19-20) 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.31)

[6] The Respondent, A. Czechowskyj, City of Calgary, presented an Income Approach assessment using \$20/sf rent rate for offices and 6.75% cap rate, which resulted in an assessed value of \$121,800,000 (\$286.88/sf).

[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. (Summary: R1 p48).

[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] The Respondent also presented evidence to support a downtown parking rate of \$475/stall (R1 p137).

[11] 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%.

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

Board Findings

[13] 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.

[14] The Complainant suggested in the Summary of Evidence that the parking rate that was imposed for the assessment was too high, however their cap rate was calculated using that parking rate. The Respondent included support for that parking rate in evidence.


[15] The adjusted 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 \$286.88/sf and the requested value was \$229.62/sf.

[16] The Board decided that the Market value of the subject "A-" DT2 office building would be less than the sale value of 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 ARFI listings for DT2 "A-" buildings. Therefore, the Board accepted the Respondent's assessed value.

Board's Decision:

[17] The Board confirms the assessment at \$121,800,000.

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. 1761-2012-P

Roll No. 067056390

Subject	Type	Issue	Detail	Issue
CARB	Downtown Office	Single	Income	Rates