

**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:

Airstate Ltd. (as represented by Altus Group Limited), COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

I. Weleschuk, PRESIDING OFFICER

H. Ang, MEMBER

D. Morice, MEMBER

This is a complaint to the Calgary Composite 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:	100014307
LOCATION ADDRESS:	1110 60 Ave. S.E.
HEARING NUMBER:	68575
ASSESSMENT:	\$21,090,000

This complaint was heard on 19th day of September, 2012 at the office of the Assessment Review Board located at Floor Number Four, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 2.

Appeared on behalf of the Complainant:

- D. Chabot

Appeared on behalf of the Respondent:

- M. Ryan
- D. Gioia

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

- [1] There were no procedural or jurisdictional matters raised by either party. Neither party objected to the panel before them. The merit hearing proceeded.

Property Description:

- [2] The subject property is located at 1110 60 Ave. S.E. in the Burns Industrial District, north of Glenmore Trail and west of Deerfoot Trail. The property consists of a three-storey, multi-tenanted office building with underground parking, and is referred to as Riverview Atrium II. The building was constructed in 1997 and is assigned a Quality rating of A-. The property is zoned as Industrial-General.
- [3] The property consists of 94,726 square feet (SF) of office space and 100 underground parking spaces. The office space is assessed at a rental rate of \$17/SF (southeast quadrant office rate), with an 8% vacancy rate, \$12.50/SF operating cost allowance, 1% non-recoverable factor, and a capitalization rate of 7.00%. When the typical factors are applied, the 2012 assessment is \$21,090,000 as indicated in the 2012 Property Assessment Notice and Non-Residential Properties-Income Approach Valuation sheet.

Complainant's Requested Value:

\$18,630,000

Issues:

The issues relate to determining the correct 2012 assessment for the subject property. The specific issues raised are:

1. What rental rate should be applied to the office space?

Issue 1: Rental Rate for Office Space**Complainant's Evidence**

- [4] The Complainant's position is that the rental rate of \$17/SF applied by the City to all southeast suburban office space is not appropriate for the subject property, as the subject is located in an area which achieves rental rates lower than the typical southeast quadrant rates. The Complainant stated that suburban offices, located in an area with a mix of light industrial, office and commercial properties including Manchester Industrial, Burns Industrial, Highfield Industrial, Alyth Industrial, and East Fairview Industrial (southeast industrial area), are a unique subset of the southeast quadrant and have a rental rate that is typically in the order of \$15/SF. The basis of the complaint is to demonstrate that the appropriate rental rate for the subject is \$15/SF and not the \$17/SF used in the 2012 assessment.
- [5] The Complainant presented a number of previous Composite Assessment Review Board (CARB) decisions from the 2012 assessment year where the rental rate for suburban offices in this "southeast industrial" area were reduced for assessment purposes to \$15/SF.
- [6] The Complainant presented a summary of five leases from three similar office properties (two located in the Highfield Industrial District and one located in Manchester Industrial District) signed between March 2010 and March 2011 (page 32, Exhibit C1) that showed a weighted average of \$14.58/SF, median of \$15.00/SF and average of \$14.80/SF. All three buildings are Quality Class A or A- and all are assessed at \$17/SF (though some are under appeal). Rent rolls were not presented to support the summarized data, but photographs of the buildings were presented.
- [7] The Complainant argued that location is a key factor in how the City stratifies data. Quarry Park, located in the southeast, has its own unique set of factors for assessment purposes because it is a unique market area. The Complainant suggested that the "southeast industrial" area is another such unique market area and should be treated as such for assessment purposes.
- [8] The Complainant presented a calculation of the assessment using all the factors as applied by the City in the 2012 assessment, except changing the rental rate assigned to the office space from \$17/SF to \$15/SF (page 23, Exhibit C1). This change results in an assessment of \$18,631,460.17, truncated to the requested assessment of \$18,630,000.

Respondent's Evidence

- [9] To support the \$17/SF rate used in the assessment, the Respondent presented the Assessment Request for Information (ARFI) for the subject property dated May 15, 2011 (pages 10-13, Exhibit R1). This rent roll indicated rental rates at \$15/SF and \$20/SF, however most of the leases were dated. It appears that the only recent leasing activity involved a renewal at \$15/SF (portion of Unit 100), however there is considerable space in the building achieving a rental rate of \$20/SF.
- [10] The Respondent presented a table of A- suburban office lease comparables for the southeast quadrant (page 15, Exhibit R1) that showed a mean rental rate of \$16.91/SF, median of \$17/SF and range between \$14 to \$23.16/SF. None of these comparables included properties located in Quarry Park.

Complainant's Rebuttal Evidence

- [11] In rebuttal, the Complainant presented a list of four previous 2012 CARB decisions for similar office buildings located in the "southeast industrial" area where the rental rate was reduced from \$17/SF to \$15/SF (page 3, Exhibit C2).
- [12] The Complainant used the comparable rental rate evidence presented by the Respondent on page 15 of Exhibit R1 and calculated a weighted average of \$15.65/SF. The Complainant argued that this demonstrates that even the Respondent's own data supports a rental rate of \$15/SF.
- [13] The Complainant presented rent rolls for some of the rental rate comparables presented by the Respondent to demonstrate that certain rental rates were not correct. (In this presentation, the Complainant attempted to introduce new evidence rather than just address the Respondent's evidence. The Respondent objected, the Board upheld the objection and did not allow new evidence to be introduced by the Complainant via the rebuttal presentation.) The Complainant presented the table of rental rate comparables originally presented by the Respondent, but corrected by the Complainant, which results in a mean of \$15.72/SF, median of \$15.00/SF and weighted average of \$14.90/SF (page 26, Exhibit C2).

Conclusions of the Board in this Matter

- [14] The Board notes that it is not bound by previous CARB decisions. The documentary evidence presented at previous CARB hearings may or may not be the same as presented at this hearing, and the presentation and interpretation of that evidence may also be different. The Board considered the previous CARB decisions presented but did not rely on them to make this decision. This decision is based on the evidence and argument presented to this Board in this matter, and its merit.

- [15] The Board notes that the only issue in dispute is the rental rate for the office space. Neither party challenged any of the other factors used to calculating the subject 2012 assessment using the income approach. Therefore, the Board must assume that those factors are correct for the purpose of calculating the 2012 assessment regardless of what "typical" rental rate is assigned to the subject property.
- [16] The Board considered the rental rate data presented by both parties for the subject and comparable properties, and the mathematical analysis applied to that data. The Board is persuaded by the analysis presented by the Complainant. Specifically, the weighted average rental rate appears to be the most representative approach to deriving a "typical" rental rate for similar suburban offices in the "southeast industrial" area. The Board concludes that the appropriate rental rate for the office space in the subject property for the 2012 assessment calculation is \$15/SF.

Board's Decision

- [17] For the reasons discussed above, the Board concludes that the 2012 assessment be based on a rental rate for office space at \$15/SF. Therefore, the Board recalculated the 2012 assessment, resulting in a value of \$18,630,000. The Board reduces the 2012 assessment to \$18,630,000.

DATED AT THE CITY OF CALGARY THIS 3 DAY OF October 2012.



Ivan Weleschuk
Presiding Officer

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

NO.	ITEM
C1	Complainant's Disclosure
R1	Respondent's Disclosure
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.*