

**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:

***Y. Equities Inc.,
(as represented by Altus Group Ltd.), COMPLAINANT***

and

The City of Calgary, RESPONDENT

before:

***L. Wood, PRESIDING OFFICER
T. Usselman, MEMBER
P. Pask, 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:	200786333
LOCATION ADDRESS:	332 6 AV SW
HEARING NUMBER:	68434
ASSESSMENT:	\$86,020,000

This complaint was heard on the 3rd day of October, 2012 at the office of the Assessment Review Board located at Floor Number 4, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 5.

Appeared on behalf of the Complainant:

- Mr. S. Meiklejohn Agent, Altus Group Ltd.

Appeared on behalf of the Respondent:

- Mr. A. Czechowskyj Assessor, City of Calgary

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

[1] There are six complaints that were scheduled before the Board on October 1 – 5th, all of which relate to downtown office high-rises. The complaint filed for the property located at 407 2 ST SW (file #67968) was subsequently withdrawn later that week before the Board. The parties indicated that the issues pertaining to the office rental rate, vacancy rates and the capitalization rate would be similar for all of the complaints, and had requested that their evidence and argument be cross referenced to the "Scotia Centre" file. The Board agreed with the parties' request and designated file #67931 as the "master file", and would reference those exhibits contained in that file to the remaining complaints that are before the Board.

[2] At the commencement of the hearing, the Complainant submitted that he would not be pursuing issues in the case at hand in relation to sections 299 & 300 of the MGA. The Complainant also withdrew the issue pertaining to the capitalization rate that was initially raised in his complaint and agreed to the subject property's assessed capitalization rate of 6.75%.

[3] During the course of the hearing, the Respondent asked if he could present CARB 1645/2012-P in support of his argument. This decision was not disclosed in accordance with section 8(2)(b) of *Matters Relating to Assessment Complaints Regulation* AR 310/2009 ("MRAC"). The Complainant indicated that he did not object to the Board receiving this decision. The Board therefore allowed the Respondent to present the decision at the hearing.

[4] No additional procedural or jurisdictional matters were raised by the parties during the course of the hearing.

Property Description:

[5] The subject property is a 14 storey downtown office high rise, located in the Downtown Commercial Core, commonly known as Centrium Place. The building was constructed in 2008 and has a total area of 223,769 sq. ft. There are 73 parking stalls associated with this property. The building is situated on 0.46 acres of land and the land use designation is Downtown Business District. The property was assessed with an A-new quality rating.

Issues:

[6] The issues were identified at the hearing as follows:

- (a) The assessed office lease rate should be reduced from \$25.00 psf to \$23.00 psf.
- (b) The assessed vacancy rate for the office space should be increased from 1.0% to 5.0%.

Complainant's Requested Value:

[7] The Complainant had originally requested an assessment of \$66,430,000 or \$297 psf for the subject property which was then revised at the hearing to \$74,370,000 or \$332 psf.

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

- (a) The assessed office lease rate should be reduced from \$25.00 psf to \$23.00 psf.

[8] The Complainant submitted six lease rates from the subject property which included both office and retail rates, all of which were used in the Complainant's analysis (Exhibit C1 page 43). The leases had commenced in 2007 and 2008. The leased areas ranged between 680 – 99,049 sq. ft., for 10 – 12 year terms and rates between \$30.00 – \$42.72 psf. Based on those leases, the Complainant derived a mean of \$33.56 psf; and a median of \$32.00 psf. The Complainant submitted that the subject property's lease rates included tenant improvement allowances to demise the space. He also noted that these leases were signed during the height of the market. The Complainant indicated that the typical lease rate is \$23.00 psf which is based on the model that the Respondent had used in prior years (Exhibit C1 page 39).

[9] The Respondent submitted eleven lease rates from Le Germain and Bankers Court to support the current office lease rate of \$25.00 psf (Exhibit R1 page 27). The leases had commenced in 2010 and 2011. The leased areas ranged between 1,552 – 99,373 sq. ft., for 5 – 15 year terms, and rates between \$26.00 - \$35.00 psf. Based on those leases, the Respondent derived a mean of \$30.82 psf; a median of \$31.00 psf; and a weighted mean of \$28.07 psf. The Respondent further refined his analysis to include only the 2011 leases, in which he derived a mean of \$31.10 psf; a median of \$31.50 psf; and a weighted mean of \$26.84 psf.

[10] The Board finds that there was insufficient evidence to bring the assessed office rental rate into question. The Board finds that the Complainant failed to provide any evidence showing the breakdown of the tenant improvement allowance included in the subject property's lease rates. The Board also finds there was no market evidence or Third Party Reports provided by the Complainant to indicate the typical office market rent for A-new buildings, similar to the subject property. The Board notes that the only market evidence the Complainant provided were leases for A-old quality buildings (Exhibit C1 pages 55 & 56). The Board notes that the Third Party Reports indicate in Q2 2011 the downtown office net rental rates were between \$23.00 - \$27.00 psf (Exhibit R1 page 26). The current assessed rate falls within that range.

(b) The assessed vacancy rate for the office space should be increased from 1.0% to 5.0%.

[11] The Complainant requested that a vacancy rate of 5.0% be applied to the office area for the subject property. This is supported by Cresa Partners' historical review of vacancy rates for Class A office buildings in which they determined that the average vacancy rate for the past five years was 5.0% (Exhibit C1 page 65).

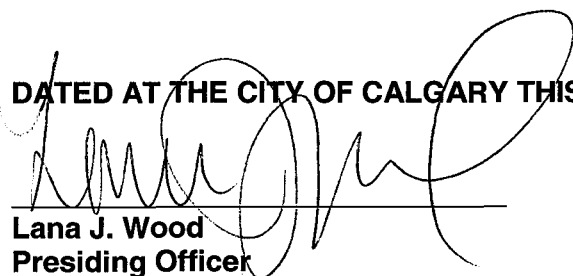
[12] The Respondent submitted four downtown equity comparables in support of the vacancy rate of 1.0%: Penn West Plaza (639,461 sq. ft.); Bankers Court (263,145 sq. ft.); the subject property, Centrium Place (223,767 sq. ft.); and Le Germain (89,832 sq. ft.) (Exhibit R1 page 34). With the exception of Le Germain, which has a 12.80% vacancy rate, the remaining comparables, including the subject property, have a 0% vacancy rate. Based on these four properties, the overall vacancy rate is 0.95%.

[13] The Board finds that the Complainant failed to provide any market evidence to support a change in the subject property's assessed vacancy rate of 1.0%. The Board noted the subject property's actual vacancy rate is 0%. The market analysis provided by the Respondent also shows that A-new downtown office buildings overall have a very low vacancy rate for office space. The Board finds that analysis indicates that the 1.0% vacancy rate applied to the subject property's office space is reasonable.

Board's Decision:

[14] The decision of the Board is to confirm the 2012 assessment for the subject property at \$86,020,000.

DATED AT THE CITY OF CALGARY THIS 11th DAY OF December 2012.


Lana J. Wood
Presiding Officer

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

NO.	ITEM
1. C1	Complainant's Evidence (Part 1 of 2)
2. C2	Complainant's Evidence (Part 2 of 2)
3. R1	Respondent's Evidence

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 ADMINISTRATIVE USE

Subject	Property Type	Property Sub -Type	Issue	Sub – Issue
CARB	Office	High Rise	Income Approach	Net Market Rent/ Lease Rates Vacancy Rate