

**COMPOSITE
ASSESSMENT REVIEW BOARD
DECISION WITH REASONS
REVISED**

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 (MGA).

between:

***London Life Insurance Company*
(as represented by *Colliers International*), COMPLAINANT**

and

The City Of Calgary, RESPONDENT

before:

**C. J. Griffin, Presiding Officer
A. Wong, MEMBER
E. Reuther, MEMBER**

This is a complaint to the Composite Assessment Review Board (CARB) 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: 071135305

LOCATION ADDRESS: 325 – 25th Street SE

HEARING NUMBER: 66479

ASSESSMENT: \$41,720,000.

This complaint was heard on 2nd day of October, 2012 at the office of the Assessment Review Board located at Floor Number 4, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 6.

Appeared on behalf of the Claimant:

- T. Howell

Appeared on behalf of the Respondent:

- G. Good
- C. MacMillan

Property Description:

[1] The subject is, according to the *Property Assessment Detail Report* (Exhibit R-1 pg. 8), a 167,841 Sq. Ft., A+ quality, suburban office building that was constructed in 2002 and which is located in the Meridian Industrial/Business area of the city. The underlying site is reportedly 3.00 acres in size. The property has been valued for assessment purposes on the basis of the Income Approach with the following parameters having been applied:

Northeast Office Space	167,840 Sq. Ft.	@	\$19/Sq. Ft.
Enclosed Parking Stalls	367 Stalls	@	\$960/stall
Vacancy:			
Parking		@	2.00%
Office		@	11.00%
Operating Cost Recovery	Office	@	\$12.50/Sq. Ft.
	Parking	@	0.00%
Non Recoverable Allowance		@	1.00%
Capitalization Rate		@	7.00%

Issues:

[2] There are a number of interrelated issues outlined on the Assessment Review Board Complaint form; however, at the Hearing the Complainant reduced the issue to be considered by the CARB to:

1. The assessed office rental rate of \$19/Sq. ft. is too high and \$18/Sq. Ft. is requested.
2. The assessed capitalization rate of 7.00% is too low and would be more reflective of market value if it were increased to 7.25%.

Complainant's Position

[3] The Complainant contends that the assessed rental rate of \$19/Sq. ft. is not indicative of market rent and provided (Exhibit C-1 pgs. 8 & 9) a list of eight (8) leases from A+, A2 and A- properties that are deemed comparable to the subject. These properties are all, with one exception, located in the northeast sector of the city. The one exception is located in the southeast sector of the city. The lease comparables have commencement dates that range from February 2010 to August 2011 and the spaces in question range from 3,690 Sq. ft. to 64,168 Sq. Ft. The indicated average rental rates range from \$13.50/Sq. Ft. to \$19.50/Sq. Ft. Three of the properties feature underground parking while the remaining properties feature surface parking. The year of construction for these comparable properties ranges from 1999 to 2009. This information forms the basis for the Complainant's request for an \$18/Sq. Ft. rental rate.

[4] In terms of their capitalization rate argument, the Complainant produced (Exhibit C-1 pg. 17) a summary of the 2012 City of Calgary Suburban Office Capitalization Rate Study which features five (5) A Class suburban office property sales. These properties were sold between August 2010 and March 2011 and the indicated capitalization rates range from a low of 5.21% to a high of 7.60% with an indicated median of 6.91%. The Complainant contends that all of these sales, with one exception, relate to portfolio sales and, in keeping with previous practices

of the Assessor, this should exclude them from being analyzed for such purposes. The one excluded sale relates to the property located at 14505 Bannister Road SE which has an indicated capitalization rate of 7.31%, which, when rounded down to the nearest quarter point, supports their requested 7.25% capitalization rate. In support of their contention that four of the referenced sales involve portfolios, the Complainant produced (Exhibit C-1 pgs. 18 - 25) sales summaries from the *RealNet* data base that do provide such indications.

Respondent's Position

[5] The Respondent informed the CARB that while the subject property is technically located within the southeast sector of the city, it shares most of the characteristics and valuation indices of properties located in the northeast sector of the city and is considered, by the Assessor, to be in the northeast inventory.

[6] In support of the assessed \$19/Sq. Ft. rental rate, the Respondent introduced (Exhibit R-1 pg. 16) their *2012 Lease Comparables* which features 14 comparables all from A+ suburban office properties. These comparable leases have commencement dates ranging between September 2010 and July 2011. The leased areas range from 1,048 Sq. Ft. to 15,961 Sq. Ft. and indicate a weighted mean of \$18.84/Sq. Ft. The Respondent contends that this information supports the application of the assessed rental rate of \$19/Sq. Ft.

[7] Insofar as the 2012 capitalization rate study is concerned, the Respondent explained that a number of portfolio sales had been utilized for analysis purposes as they constitute the majority of the sales from within the subject property class. The Respondent provided (Exhibit R-1 pgs. 33 – 46) Affidavits of Value relating to the various sales wherein the value of the individual building in question, albeit from a portfolio sale, is identified and advised the CARB that it is these values that were utilized by the Assessor to derive the indicated capitalization rates. The Respondent did advise the CARB that the Affidavit of Value (Exhibit R-1 Pgs. 51 – 53), which was supposed to relate to the sale of the property located at 4311 – 12 Street NE, was not the correct one but asserted that they did have same in their files and it had been used for the analysis of that particular sale. In addition to the foregoing the Respondent produced (Exhibit R-1 pg. 62) a copy of a *Canadian Cap Rate Survey Q2 '11* as produced by the National Investment Team of *CB Richard Ellis* which indicates capitalization rates for 'A' Class suburban offices in Calgary range from 6.25% to 7.00%. The Respondent advised the CARB that such 3rd party studies are only utilized by the Assessor as a check of their internal analysis, but pointed out that same does support the assessed rate of 7.00%.

Board's Decision:

[8] The assessment is **confirmed** at: **\$41,720,000.**

Decision Reasons:

[9] The CARB is of the judgment that the lease comparables presented by the Respondent are much more representative of a typical rental rate for the property type being assessed. While the Complainant provided evidence to suggest the typical rental rates being achieved by the subject property would be a more appropriate indication, the CARB finds that same would not be indicative of a rental rate deemed typical for the subject's class of property and it is the latter that the Assessor is mandated to utilize.

[10] The Complainant produced no evidence to support their requested 7.25% capitalization rate. While they did attempt to discredit the sales utilized by the Respondent, the CARB found the Affidavit of Value evidence of the Respondent to be an acceptable explanation of how the capitalization rate analysis had been completed.

[11] It is the responsibility of the Complainant to bring forward convincing evidence for the CARB to consider if an assessment is to be varied. It is not enough to simply state that the analysis of the Respondent is incorrect as that does not, in the judgment of the CARB, complete the case for the Complainant unless evidence is presented to convince the CARB that an alternative value is more indicative of market value.

DATED AT THE CITY OF CALGARY THIS 18 DAY OF OCTOBER 2012.



C. J. Griffin,
Presiding Officer

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

NO.	ITEM
1. C-1	Complainant's Submission
2. R-1	Respondent's 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. 2042-2012-P</i>		<i>Roll No. 071135305</i>		
<u>Subject</u>	<u>Type</u>	<u>Issue</u>	<u>Detail</u>	<u>Issue</u>
CARB	Office	Market Value	Capitalization Rate	Sales Analysis