

**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 (MGA).

**between:**

**Cardel Construction Ltd.  
(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: 201276821**

**LOCATION ADDRESS: 180 Quarry Park Blvd. SE**

**HEARING NUMBER: 65772**

**ASSESSMENT: \$31,580,000.**

This complaint was heard on 5<sup>th</sup> 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 Complainant:

- A. Farley

Appeared on behalf of the Respondent:

- C. MacMillan
- G. Good

**Property Description:**

[1] The subject is, according to the *Property Assessment Detail Report* (Exhibit R-1 pg. 8), an 'A+' quality suburban office building which contains approximately 103,872 Sq. Ft. The property has a Year of Construction (YOC) of 2009. The underlying site is reportedly 5.85 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:

Office Space	102,644 Sq. Ft.	@	\$ 24/Sq. Ft.
Storage Space	248 Sq. Ft.	@	\$ 3/Sq. Ft.
Enclosed Parking Stalls	66 Stalls	@	\$1080/stall
Vacancy:			
	Parking	@	2.00%
	Office	@	8.00%
Operating Cost Recovery	Office	@	\$12.50/Sq. Ft.
	Storage	@	\$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 market rents are too high and not reflective of market rent.
2. Portions of the subject property have been incorrectly assessed as office space when they are in fact theatre, banquet and storage spaces.

**Complainant's Requested Value: \$24,270,000.** Truncated (Exhibit C-1 pg. 9)

**Party Positions:****Complainant's Position**

[3] The Complainant contends that the assessed rental rate of \$24/Sq. ft. is not indicative of market rent and provided (Exhibit C-1 pgs. 12 - 18) a copy of an executed lease for 21,795 Sq. Ft. of third floor office space in the subject building. This lease is, according to the testimony of the Complainant, the only new lease pertaining to the subject building since it was built. The Complainant also pointed out that the referenced lease, at \$20/Sq. Ft., was accepted by both parties on August 10/11, slightly more than one month after the July 1/11 valuation date. As this is the only leasing activity in the subject, the Complainant maintains it is the best evidence as to the market rent and it forms the basis for the requested rental rate of \$20/Sq. Ft..

[4] In terms of their complaint regarding the incorrectly assessed areas within the subject building, the Complainant introduced (Exhibit C-1 pgs. 20 – 22) copies of the building floor plans identifying the various areas of the building, the use associated with those areas and the actual

area involved. Referring to the main floor, page 20 of the Exhibit, there is an indication of a show home warehouse/storage area occupying 6,344 Sq. Ft., a theatre occupying 3,644 Sq. Ft. and a banquet facility occupying 2,200 Sq. Ft. The Complainant went on to explain that the property owner does not generate any income from either the theatre or banquet space, but rather offers the space for use by various groups in return for a donation to the Food Bank. The Complainant produced (Exhibit C-1 pg. 10) a copy of an email from the property owner's Chief Financial Officer verifying this situation. Additionally, the Complainant introduced (Exhibit C-1 pgs. 30 – 50) a series of photographs showing the both the exterior and interior of the building and the uses in place for the various areas. It is the contention of the Complainant that the theatre and banquet space should be assessed as recreational space and that the assessed storage space needs to be increased to reflect the actual situation in terms of space associated with this use. In support for their request, the Complainant provided (Exhibit C-1 pgs. 24 – 28) copies of the *Non-Residential Properties – Income Approach Valuation*, as prepared by the Assessor, for two properties containing recreational space and the assessed rental rates associated with that space. One of the foregoing properties indicates an assessed rental rate of \$12/Sq. Ft. for the recreational space above grade while the other property shows an indication of \$8/Sq. Ft. for recreational space below grade. The Complainant contends that the foregoing provides support for the Board to reduce the assessment as requested.

### **Respondent's Position**

[5] In support of the assessed \$24/Sq. Ft. office rental rate, the Respondent introduced (Exhibit R-1 pg. 18) their *2012 Lease Comparables* which features four lease comparables all from the 'A+' properties located in the Quarry Park Business Park. The Respondent noted that Quarry Park is superior in comparison to other suburban Business Parks and it out performs the competition in terms of rental rates generated. The comparable leases have commencement dates ranging between August 2010 and December 2010. The leased areas range from 3,330 Sq. Ft. to 8,031 Sq. Ft. The lease rates range from \$23.95/Sq. ft. to \$25.75/Sq. Ft. and indicate a weighted mean of \$24.95/Sq. Ft. Additionally, the Respondent introduced (Exhibit R-1 pgs. 19 – 22) a copy of the *Assessment Request for Information* (ARFI) completed by the property owner, which shows the space associated with the \$20/Sq. Ft. lease introduced by the Complainant (Exhibit C-1 pgs. 12 - 18) does indeed have the lease rate as indicated but the lease also incorporated a generous tenant improvement allowance of \$26.35/Sq. Ft. It is the contention of the Respondent that the generous tenant improvement allowance explains the seemingly low rental rate of \$20/Sq. Ft. The Respondent contends that all of this information supports the application of the assessed rental rate of \$24/Sq. Ft.

[6] With regard to the space allocation and assessed rents associated with those spaces, the Respondent introduced (Exhibit R-1 pg. 23) a copy of the floor plan for the main floor of the subject building together with the space allocation for all three floors of the building. The foregoing indicates a total of 99,249 Sq. Ft. assigned to office space and 248 Sq. ft. assigned to storage space. The remaining areas of the building consist of a combination of stairs/elevators and mechanical areas. Additionally, the Respondent introduced (Exhibit R-1 pg. 24 – 27) pages from an appraisal of the property, completed in April 2009, which indicates a total net rentable area of 104,208 Sq. Ft. including the design centre and the Cardel Theatre. The Respondent contends that the foregoing information is supportive of the allocation of space utilized by the Assessor in preparation of the assessed value of the subject property.

**Board's Decision:**

[7] The assessment is **reduced** to: \$ 28,930,000.

**Decision Reasons:**

[8] The first issue for the CARB to consider in this case is that of the office rental rate. The CARB finds the lease comparables presented by the Respondent to be superior to single lease presented by the Complainant. While the Board agrees that a valid lease from within the subject property can be persuasive in terms of what might be considered typical rent for the subject building, it is the responsibility of the Assessor to assign a rental rate that is deemed typical for the property type, not the specific property. In consideration of the foregoing, the CARB agrees that the evidence put forth by the Respondent provides a much better indication as to the typical office rent for suburban office properties located in Quarry Park. In the matter of the typical office rent, the evidence and argument of the Respondent prevails and that of the Complainant fails.

[9] The second issue the CARB deals with in this complaint is the allocation of space and the assessed rental rates associated with said space. In this matter the CARB finds the evidence of the Complainant to be most convincing for a number of reasons. Primarily, the evidence of the Complainant is up to date while the evidence of the Respondent, it was learned through questioning, is based upon an inspection that predates the demising of the property space. The CARB notes that the floor plan introduced by the Respondent (Exhibit R-1 pg. 23) indicates an inspection date of November 3/09. The Respondent acknowledged that a recent inspection of the property has not been carried out to their knowledge. The CARB further noted that the appraisal information introduced by the Respondent (Exhibit R-1 pgs. 24 – 27) stems from an appraisal that was completed prior to the construction of the building being completed and, obviously, prior to the demising of the space. Accordingly, the evidence of the Respondent is considered by the CARB to be out of date and of no value to the Board in determining the correct assessed value for the subject property. In the matter of the space allocation and resulting assessed rental rates for that space, the evidence and argument of the Complainant prevails and that of the Respondent fails.

[10] The CARB also would like to bring to the attention of both parties that the Board has repeatedly advised that if an appraisal is to be introduced as evidence, it must be the **entire** appraisal report, not just excerpts from the appraisal report. Additionally, there may well be circumstances where the Board may require the appraiser who authored the report to be in attendance to respond to any questions the CARB may have of the appraisal.

DATED AT THE CITY OF CALGARY THIS 24 DAY OF OCTOBER 2012.

  
C. S. Griffin,  
Presiding Officer

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

<b>NO.</b>	<b>ITEM</b>
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.*

**For MGB Administrative Use Only**

<i>Decision No. 2049-2012-P</i>		<i>Roll No. 201276821</i>		
<u>Subject</u>	<u>Type</u>	<u>Issue</u>	<u>Detail</u>	<u>Issue</u>
CARB	Suburban Office	Market Value	Rental Rate	Space Allocation