

**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:**

***BG Preeco 8 Ltd (as represented by Altus Group Limited), COMPLAINANT***

**and**

***The City Of Calgary, RESPONDENT***

**before:**

***M. Vercillo, PRESIDING OFFICER***

***A. Wong, MEMBER***

***I. Fraser, 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 2011 Assessment Roll as follows:

**ROLL NUMBER: 200283539**

**LOCATION ADDRESS: 31 SUNPARK PZ SE**

**HEARING NUMBER: 64287**

**ASSESSMENT: \$7,610,000**

This complaint was heard on the 30<sup>th</sup> day of August, 2011 at the office of the Assessment Review Board located at Floor Number 4, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 11.

Appeared on behalf of the Complainant:

- S. Sweeney-Cooper

Appeared on behalf of the Respondent:

- A. Jerome

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

The Calgary Composite Assessment Review Board (CARB) derives its authority to make this decision under Part 11 of the Act. During the hearing, a preliminary matter was raised by the Respondent stating that she was seeking an increase to the assessment under appeal based on an error in applying the rental rate of \$20.00 to the entire rentable area of the subject property.

**The Complainant** claimed that she was notified of this preliminary issue on Monday, August, 29, 2011, just one day prior to this hearing and therefore objects to this issue being brought forward.

**The Respondent** presented a document entitled "City of Calgary Assessment Explanation Report" that was entered as "Exhibit R2" during the hearing. The Respondent is requesting to increase the assessment under appeal by \$60,000 due to an error in the rental rate that should have been applied to the entire space of the subject. Unfortunately, the error was only noticed just a few days prior to the hearing date.

**The CARB** finds the following with respect to this jurisdictional issue:

- The Respondent failed to disclose her requested adjustment in her disclosure at least fourteen days before the hearing date in accordance with the "*Matters Relating Assessment Complaints Regulation*" (MRAC) section 8(2)(b).

### **Board's Decision:**

The CARB **will not allow** the Respondent to present any evidence with respect to this preliminary issue.

With the above in mind, the CARB proceeded to hear the merits of the complaint, as outlined below.

### **Property Description and Background:**

The subject property is a suburban office property located in the "Sundance" community of SE Calgary. According to the information provided, the property contains one building that was constructed in 2003 with a net rentable area of 125,238 square feet (SF). The building is situated on a 5.97 acre or approximately 260,172 SF site and is zoned Industrial - Business.

According to the information provided by the Respondent, the subject is considered an A+ class medical/dental building and is assessed using the Income Approach to value using a market rental rate of \$20.00 per SF on 120,073 SF of medical space and \$19.00 per SF on the remaining 5,165 SF of office space, a 10% vacancy rate, operating costs of \$12.50, a 2.00% non-recoverable rate and a 7.5% capitalization rate (cap rate). The total assessed value calculated for the subject is \$27,307,933 of which \$19,690,000 is exempted for property taxation due to the exempt status of the majority of the tenants that occupy the building's spaces.

**Issues:**

There were a number of matters or issues raised on the complaint form; however, as of the date of this hearing, the Complainant addressed the following issues:

- 1) The office space should be segregated and the rental rate applied to the Income Approach to value should be \$15.00 per SF to be equitable at market.
- 2) The current assessment does not account for atypical vacancy deficiencies present in the subject property as of the state and condition date.

**Complainant's Requested Value:**

\$5,680,000 on the complaint form revised to \$2,590,000 at this hearing.

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

**ISSUE 1:      The office space should be segregated and the rental rate applied to the Income Approach to value should be \$15.00 per SF to be equitable at market.**

**The Complainant** requested that arguments made on this issue in Hearing #62781 be brought forward to this hearing and provided a document entitled "Evidence Submission of the Complainant" that was entered as "Exhibit C1". The Complainant along with Exhibit C1 provided the following evidence with respect to this issue:

- A table of comparable office properties to the subject, all in the SE quadrant of Calgary. The table compared 13 leased spaces of 7 comparable buildings that were assessed by the City of Calgary as either Class "A" or "A-" buildings. It was noted during questioning that the 4 buildings (10 leased spaces) classed as "A-" were being appealed by the Complainant to be re-classed as "B" class properties under separate appeals. The properties had lease start dates commencing within the assessment year except for 5 properties that had lease start dates of October, 2010. The lease rate of these properties had an average of \$14.43 per SF, a weighted average of \$15.37 per SF and a median of \$15.00 per SF. The Complainant concluded her analysis by arguing that the \$15.00 rental rate should be applied to all of the subject's office space in the Respondent's Income Approach to value.
- Summarized documentation including pictures of each comparable property used in the analysis above. It is noted that the assessment per SF of the comparable properties varied from \$131 to \$218 with a median of \$195.
- A July 1, 2010 rent roll indicating the spaces occupied and rental rates paid by the various tenants of the subject property. The rent roll indicated that a "non-medical/dental" tenant occupied approximately 5,165 SF was paying \$18.10 per SF.

**The Respondent** requested that arguments made on this issue in Hearing #62781 be brought forward to this hearing and provided a document entitled "Assessment Brief" that was entered as "Exhibit R1". The Respondent along with Exhibit R1 provided the following evidence with respect to this issue:

- A table of 4 equity comparable medical properties to the subject, three of which were in SE and one in SW Calgary. The table showed that all of the comparable buildings were assessed by the City of Calgary as "A+" buildings like the subject. The buildings had years of construction that ranged from 2005 to 2010, with assessed building sizes ranging from 7,424 SF to 75,000 SF. All of the properties were assessed using a market rental rate of \$20.00 per SF like the subject.
- A table of comparable office properties to the subject, all in the SE quadrant of Calgary. The table compared 8 leased spaces of 4 comparable buildings that were assessed by the City of Calgary as Class "A+" buildings. Three of the comparable buildings were also included in the Complainant's analysis above although none of the leased spaces or rates were used in the analysis. All of the properties had lease start dates commencing within the assessment year. The lease rate of these properties had an average of \$19.39 per SF, a weighted average of \$20.73 per SF and a median of \$18.55 per SF. In addition, a comparable medical property was provided with a lease rate of \$22.00 per SF. The Respondent concluded his analysis by arguing that the comparable lease rate of the medical property would justify the \$20.00 rental rate used in his Income Approach to value the subject.

**The CARB** finds the following with respect to this issue:

- The Respondent substantiated through his evidence that the rental rate used in his Income Approach to value the subject was equitable with other class A+ medical buildings.
- The Respondent's lease rate comparables were superior to those used by the Complainant because all of the comparables used by the Respondent were in class A+ buildings like the subject. The Complainant used lease rate comparables of buildings in which the majority were classed as A-.
- The lease rate paid by the subject's non-medical tenant is closer in value to the assessed office space rate of \$19.00 than the Complainant's requested \$15.00 office space lease rate.

**ISSUE 2:      The current assessment does not account for atypical vacancy deficiencies present in the subject property as of the state and condition date.**

**The Complainant** along with Exhibit C1 provided the following evidence with respect to this issue:

- A marketing page from July, 2011 indicating 28,293 SF space and is available for lease.
- A June 30, 2008 rent roll indicating the spaces occupied and rental rates paid by the various tenants of the subject property. The Complainant argued that the owner of the subject was given notice that the tenant would vacate a 33,552 SF space in approximately one year's time.
- A December 31, 2009 rent roll indicating the spaces occupied and rental rates paid by the various tenants of the subject property. The rent roll indicated that the 33,552 SF space was vacant.
- A July 1, 2010 rent roll indicating the spaces occupied and rental rates paid by the various tenants of the subject property. The rent roll indicated that 28,387 SF of the

33,552 SF space remained vacant.

- Argument that since the 33,552 SF space has remained largely vacant since the tenant of that space provided notice to vacate June, 2008, it should be considered "chronic" and therefore the Income Approach assessment should be adjusted to factor in the chronic vacancy by increasing the vacancy rate to 20% from 10 %.

**The Respondent** along with Exhibit R1 provided the following evidence with respect to this issue:

- Argument that in order for a building to be assessed with a "chronic vacancy" there must be present some location or physical deficiencies on or within the property that prevents it from being leased at typical market rates. That is not the case with the subject and further no evidence has been presented that indicate the property suffers from some location or physical deficiencies.
- A "2011 City of Calgary Southeast Suburban Office Vacancy Analysis" analyzing the vacancy rates of 122 buildings in the area of the subject. The study determined an average or typical vacancy rate of 9.73%

**The CARB** finds the following with respect to this issue:

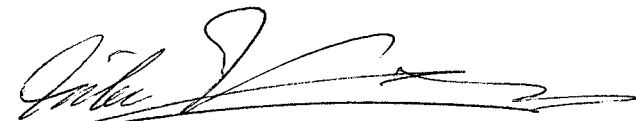
- That the subject does not suffer from "chronic vacancy" due to its location or physical deficiencies. The vacant space in question was vacated in May, 2009. The fact that it remains vacant to date is not considered extraordinary by the CARB.

**Board's Decision:**

The complaint is denied and the assessment is confirmed at \$7,610,000.

The Complainant failed to substantiate her requested assessment through argument or evidence. The CARB is satisfied that the assessment of the property based on the Income Approach to value implemented typical factors (rental rates, vacancy rates etc.) experienced by comparable properties to the subject. These factors are equitably applied to the subject.

DATED AT THE CITY OF CALGARY THIS 30 DAY OF September 2011.



**Presiding Officer**

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

<b>NO.</b>	<b>ITEM</b>
1. C1	Complainant Disclosure
2. R1	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.*