

**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

***BCIMC Realty Corporation  
(as represented by Altus Group Limited), COMPLAINANT***

and

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

before

***L. Yakimchuk, PRESIDING OFFICER  
K. Farn, MEMBER  
G. Milne, 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: 068077601**

**LOCATION ADDRESS: 321 – 6 Av SW**

**FILE NUMBER: 67917**

**ASSESSMENT: \$153,750,000**

This complaint was heard on October 17, 2012 at the office of the Assessment Review Board located at Floor Number 4 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 3.

Appeared on behalf of the Complainant:

- *S. Meiklejohn, Altus Group Limited*

Appeared on behalf of the Respondent:

- *A. Czechowskyj, City of Calgary Assessment*
- *H. Neumann, City of Calgary Assessment*

**Preliminary Matters:**

[1] The Complainant and the Respondent asked that the common Complainant Rebuttal and all questions and arguments from hearings for the week of October 15 to 18 be included in the Board's consideration for decision. These hearings include CARB hearings 2126, 2127, 2128, 2129, 2130 and 2131.

**Property Description:**

[2] The subject, Intact Place, is a 1978/79 "A" (old) class 464,708 square foot (sf) Downtown Commercial Core (DT1) two tower office/highrise built on a 42,190 sf Downtown Business District lot. Two 18 storey towers are connected at the central core to form one predominantly office complex, with two floors of retail space, and 189 parking stalls.

**Issues:**

[3] Is the property assessed correctly? Has market value been correctly calculated using the appropriate assessment parameters? Is the assessment fair and equitable? Is the classification "A" (old) correct?

**Complainant's Requested Value:** \$127,080,000.

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

**Evidence and Arguments**

[4] The Complainant, S. Meikeljohn on behalf of Altus Group Limited, stated that the subject building is rated "A" (Old), but it is more comparable to an "A-" building. He reminded the Board that an example of a sale of an "A" (Old) property would be the Scotia Centre sale, which is on the retail spine. He argued that the first Scotia Centre sale is a true market value sale and results in a Cap rate of 7.36%. The Complainant said that the Cap rate for a property off the spine should be .25% higher than one on the spine.

[5] Mr. Meikeljohn further argued that, unlike some office towers in the DT1 area, Intact Place has only 4.7% retail, with the remainder offices.

[6] Mr. Meikeljohn presented evidence that the typical rent rates for similar buildings are \$20-\$21/sf (weighted mean: C1 p55). The assessed office rate is \$22.00/sf. He argued that some of the higher rates indicated on the rent roll are due to large Tenant Incentives and not a true measure of market value. He also indicated that the vacancy rate is significantly higher than typical "A" class building rate.

[7] Mr. Meikeljohn concluded that the correct class for the Intact building should be downgraded from "A" to "A-", with a reduced rental rate of \$18/sf (offices), and a Cap rate of 6.75% for a final market value of \$127,080,000.

[8] The Respondent, H. Neumann, City of Calgary Assessor argued that Assessment Requests for Information (ARFIs) indicated that while the 2011 vacancy is 99,956 of 464,708 sf, this is atypical. The 2010 vacancy was 14,000 sf (3%) and the 2012 vacancy is 100 sf (0%).

[9] Mr. Neumann further argued that parking brings in an income of \$500-580/stall, which is an "A" class or higher rate, and that the ARFIs indicate new rents are \$23/sf, also an "A" rate.

[10] Mr. Meikeljohn also questioned some of the City's vacancy rate numbers, which were shown as 99,956 sf on the 2011 ARFI, but were recorded as 13,757 sf in the City's Downtown Office Equity Comparables. He stated that the difference would skew the vacancy rate study, and asked why the lower number was used.

[11] The Respondent stated that the vacancy numbers were changed as a result of the assessor phoning to confirm the numbers because they were atypical. The person who submitted the ARFI would have changed the numbers. The Respondent did not have documentation of this change at the hearing.

[12] In rebuttal, the Complainant questioned the use of the second Scotia Centre sale as a basis for finding Market Value. He maintained the first Scotia Centre sale was a better indicator of market value.

[13] As well, the Complainant summarized that the Intact Place buildings should be assessed at \$20/sf because the three new actual leases were \$20/sf for two, and \$24/sf with Tenant Inducements for the third. He concluded that the location has poor +15 walkway connections, the entrance fronts on 6<sup>th</sup> Ave and that there are traditionally \$2/sf rent stops between classes, so this building should be an "A-" class building.

[14] The Respondent summarized by asking the Board to consider several judicial, MGB and CARB decisions. The City argued that the subject building is behaving like an "A" class building and should be assessed that way, and the parameters used in the assessment are supported by comparable leases.

[15] Further the Respondent argued that high vacancy is not the norm for this building, as the vacancy was 2010 (3%), 2011 (20% using 99,956 sf) and 2012 (0%). Mr. Neumann also added that the documentation presented by the City showed that operating costs were actually \$12/sf and were assessed at \$18/sf, indicating an underassessment.

[16] The Complainant concluded by arguing that the first Scotia Centre sale is a good benchmark and a valid arms length sale. This sale should be used to calculate true Market Value and Cap rate. He argued that the Intact Place complex is inferior to the Scotia Centre.

#### Board Findings

[17] The Cap rate is a direct result of the comparison to the available Market Sales. As there were only two market sales available in the assessment year, and these were sales of half shares of the same "A" class building, Scotia Centre, choosing one sale over the other could

change the rate significantly. The Board reviewed the documentation attached to the Land Title Registrations for these two purchases and found that reasons to discredit either sale were possible, but speculative. As a result, the Board used both sales in a calculation of Cap rate. The actual Cap rate for Scotia Centre was, therefore, 6.69%, rounded to 6.5%. Scotia Centre is located on the Retail Spine, therefore a Cap rate for the subject property would be higher for an "A" class building further from this centre. Consequently, the rate of 6.75% used in the subject current assessment calculations would be accurate.

[18] The Board found that typical rates for "A" class office towers were supported by the rates within the subject building and by the rates for similar buildings. Therefore, the Board found that the assessment was accurate as presented.

[19] The Board also considered the conflict in the vacancy numbers between the ARFI and the Equity tables. There was no documentation of justification for this variation. Therefore, the Board calculated the difference the higher value would have made on the typical vacancy calculations. The recalculated rate was under 4%, the vacancy rate used in the parameters. In this case, the discrepancy did not create a change in the calculation which would affect the resulting assessment.

**Board's Decision:**

[20] The Board confirms the assessment of \$153,750,000.

DATED AT THE CITY OF CALGARY THIS 13<sup>th</sup> DAY OF November 2012.

  
Lana Yakimchuk  
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. C2	Complainant Rebuttal
3. R2	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.*

**For MGB Administrative Use Only:**

Decision No. 1950-2012-P

Roll No. 080007305

<b>Subject</b>	<b>Type</b>	<b>Issue</b>	<b>Detail</b>	<b>Issue</b>
CARB	Downtown Office	Income Approach	Cap rate	Classification

