

**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:

***Dundee Canada (GP) INC. (as represented by Colliers International Realty Advisors),
COMPLAINANT***

and

The City Of Calgary, RESPONDENT

before:

***K. D. Kelly, PRESIDING OFFICER
P. Pask, MEMBER
K. Farn, 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:	067020008
LOCATION ADDRESS:	700 – 4 AV SW
HEARING NUMBER:	61422
ASSESSMENT:	\$33,910,000

This complaint was heard on 9th day of September, 2011 at the office of the Calgary Assessment Review Board located at Floor Number 3, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 8.

Appeared on behalf of the Complainant:

- *Mr. S. Meiklejohn* *Colliers International Realty Advisors*

Appeared on behalf of the Respondent:

- *Mr. D. Satoor* *Assessor, City of Calgary*

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

None

Property Description:

The subject is a 1979 era, "B" Quality, nineteen-storey and one 3-storey, two-building commercial office and retail complex (the McFarlane Tower) at NW corner of 4th AV and 6th ST SW in the Downtown #2 (DT 2) market zone of Calgary. It is located directly across from the McDougall School building. It has 236,908 square feet (SF) of office space assessed at \$14 per SF; 156 parking stalls assessed at \$400 per stall; and 2,550 SF of main floor retail space assessed at \$21 per SF. The complex sits on 0.74 acres of land and is assessed at \$33,910,000.

Issues:

The assessment is inequitable because:

1. The 236,908 SF of office space should be assessed at \$12 per SF and not \$14 per SF.
2. The 2,550 SF of retail space should be assessed at \$16 per SF and not \$21 per SF.
3. The Vacancy Allowance for the office, retail, and parking spaces should be 16% for all, and not 13% (office, retail) and 2% (parking) respectively."
4. The Capitalization Rate for the Office, Retail, and the Parking spaces should be 9.5% and not 9%.
5. The parking should be assessed at \$350 per stall instead of \$400 per stall.

Complainant's Requested Value: \$23,860,000

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

Issue #1: "The 236,908 SF of office space should be assessed at \$12 per SF and not \$14 per SF."

The Complainant provided his Brief C-1 and argued that the age, site characteristics, and physical condition of the subject dictate that the subject is in the range of a "C" quality building and not a "B" building as assessed. The Complainant suggested the age of the building, its "remote" DT-2 location in the west end of the downtown, its leasing history, and lack of "Plus 15" connection, suggest it is not a "B" building and hence should be assessed using lesser assessment values (i.e rents; vacancies; etc) and a greater Capitalization Rate, due to greater risk of ownership.

The Complainant argued that the trend in office lease rents during the past 3 to 4 years has been sharply downward due to the world-wide economic downturn. Therefore, he argued, while some may dispute it, the date that a lease deal is finally negotiated is as relevant as the date that a lease commences.

On pages 32 to 35 of C-1 the Complainant provided the "Tenant Roll – December 2010" for the subject, noting that several recently-signed leases on floors 2, 12 and 15, and others on floors 4, and 10, demonstrate that \$12 per SF and not \$14 per SF, is correct. He clarified that while his tenant matrix appears to show a Median rent of \$21.92 per SF, it is important to delete the "dated" leases – i.e. those leases from 2006 and 2007 for example which were signed at "the peak" of the market. On pages 36 to 42 the Complainant provided an extract of the "Dundee Tenant Roll to G/L" which he indicated was the source of his tenant roll matrix.

Subsequently on page 44, the Complainant provided a further "Tenant Roll – December 2010 – Recent Leasing" matrix wherein he identified 8 recent leases in the building. Four leases were signed prior to June 30, 2010 whereas four were signed thereafter. The rates ranged from \$10 to \$15.50 per SF with a median of 12.75 per SF and a mean of \$13.16 per SF. He noted that as time proceeded throughout 2010, the newer leasing rates per square foot in the building appeared to be trending downward in value.

The Respondent argued however that the Complainant's Tenant Roll as of December 2010 contains five leases that are post facto June 30, 2010 – the cut-off date for the City's Legislated Mass appraisal assessment process. Therefore, the data examined by the Complainant after the June 30 date, would not have been used by the City and hence not be relevant to the current assessment. Moreover, he argued, the remaining valid leases provided by the Complainant demonstrate values in the \$15 per SF range, higher than the assessed \$14 per SF.

On pages 46 to 65 of C-1 the Complainant provided consecutive matrices of his analysis of "Downtown Office Leases – Class "B" for each of - (Quarters) Q-2; Q-3; and Q-4 of 2009 and Quarters 1, 2, 3, and 4 for 2010. Each matrix contained lease values from several "B" or "B-" Class downtown office buildings from throughout the downtown – that is from DT-1; DT-2; and DT-3. The matrices were intended to support the Complainant's "lease summaries" for the subject, and his arguments regarding the downward trend in lease values in Calgary before and during the current assessment cycle. He provided the City's "Assessment Summary Reports" for

each of the buildings.

On pages 66 to 69 of C-1 the Complainant provided a detailed matrix containing his analysis of several 2009 Calgary Composite Assessment Review Board (CARB) Decisions for downtown offices; "Broker Deal Sheets" of "Deals Done" downtown; and downtown Rent Rolls – all in one matrix. He suggested that analysis of this information provided clarification and update as to recent market trends in leasing, and to the general "directions" provided by various Board Decisions in the use of "recent leasing trends." His inclination was that in 2010, various CARB Boards determined that leases commencing in the six month period from January 1 to June 30 of each assessment cycle were the best indicators of current lease value.

The Complainant argued that his analysis of 18 months of leases supported his "scatter graph" on page 46 of C-1, in which he concluded that rents had been in the \$14 per SF range, but have trended down to the \$10 per SF range. He suggested that "value is forward-looking and therefore one must look at post facto leases" to properly gauge the Market. He noted that while the City cannot use post facto leases in Mass Appraisal, they could time-adjust and use them to determine market trends for themselves.

The Respondent argued however that several 2010 Calgary Composite Assessment Review Board Decisions have made it clear that only the "commencement date" of leases is relevant information, whereas the date "deals were done", or "lease negotiated" dates are invalid information. Therefore, he argued, the Complainant's conclusions regarding such information are flawed and invalid.

The Respondent confirmed that the City does not use post facto leases in its analysis of the Market in any assessment cycle, and indicated that when the post facto, and the dated leases (i.e. prior to 2008) are removed from the Complainant's lease data on pages 32 to 35 of C-1, the remaining 24 leases indicate an average value of \$22.74 per SF. The subject is assessed at \$14 per SF. The Respondent also provided on page 114 of R-1, a matrix critique of the Complainant's page 44 (C-1) matrix of "Recent Leasing" in support of this position. He also argued that the Complainant is attempting to substitute site-specific leases for "typical" leases which must be used in the Mass Appraisal process, and therefore the Complainant's technique is not industry accepted and the results are flawed.

On pages 40 to 44 of the Respondent's Brief R-1 he provided Third Party data from Avison Young; C.B. Richard Ellis; and Barclay Street, regarding Q1, Q2 and Q3 Average Asking headlease rates for four quadrants of the city – Downtown; Beltline; Suburban North, and Suburban South. He also provided on page 38, an extensive matrix he prepared on behalf of the City, of fifty 2009/2010 downtown (DT-2 only) "B" Class leases from 10 building sites which he analyzed. He noted that the weighted mean for all leases is \$16.43 per SF and the weighted mean for just the 2010 leases is \$14.45 per SF – all of which supports the \$14 per SF assessed.

The Respondent clarified that unlike the Complainant, his leases were only from DT-2, and not from all three downtown zones (DT1; DT-2; and DT-3) so therefore his data was more accurate and reliable as a market indicator. He noted that the City's constant analysis of leases over the past several years, had clearly identified differences in rents for three different sectors of the downtown, the highest being in the core (DT-1). He noted that as one moved outward from the core to DT-2 and further out to DT-3, rents declined, therefore, in assessing buildings in each

sector, it was critical to analyze only leases from that sector – not mix them as the Complainant had done. He argued that when values from all three market zones are mixed together, naturally lower rent/lease values would emerge, which distorts the true value of a property under examination. Therefore, he argued, his data supports the value of \$14 per SF for the office space, as used by the City to assess the subject.

Board's Analysis and Conclusions – Reasons

The Board notes that the Respondent's DT-2 office lease evidence – as supported by independent Third Party data on pages 40 to 44 of R-1, and particularly page 38 of R-1, appears to be persuasive. It appears to target the most relevant time frames as recommended by previous Assessment Review Boards in 2010 and offers values that appear to strongly support the assessed rate of \$14 per SF.

The Board is also persuaded by the Respondent's argument that it is important when analyzing lease data to ensure that only leases from the downtown zone (i.e. DT-1 or DT-2 or DT-3) in which the subject is located are used. In this case it is DT-2. To do otherwise and mix data from all three zones it appears, leads to a distortion of results, with an apparent trend to lesser values. Consequently an incorrect typical lease/rent value can result, which has the effect of skewing the ultimate valuation result for the affected building.

The Board also notes that when the "post facto" and "dated" leases are removed from the Complainant's own lease data and its summaries, the resultant values appear to support the \$14 per SF assessed. Moreover, this Board concurs with the Respondent that – firstly, the "commencement date" for leases is the relevant consideration and not the "deal done" or "deal negotiated" dates; and secondly, the use of post facto leases is inappropriate. Therefore the Board rejects the arguments of the Complainant regarding these points.

Therefore, on balance, and based on the evidence and argument presented in this Hearing, the Board rejects the Complainant's position that the subject office space should be assessed at \$12 per SF instead of \$14 per SF.

Issue #2

"The 2,550 SF of retail space should be assessed at \$16 per SF and not \$21 per SF."

The Board noted that while the Complainant had, at the outset, initially identified the Retail Rent rate in the subject's assessment as an Issue, requesting a change from \$21 per SF to \$16 per SF, he advanced no substantive or sustained argument, nor did he present any quantifiable evidence regarding this issue.

The Respondent noted that the Complainant failed to provide any market evidence to support his request for a reduction to the retail lease rate applied to the subject. Therefore, he argued that because of the Complainant's lack of any sustained approach to this matter, he did not feel compelled to speak at length to this issue other than to request that the Board confirm the assessed rate of \$21 per SF for the retail space in the subject.

Board's Analysis and Conclusions – Reasons

The Board notes that there was entirely insufficient evidence, and indeed, no market evidence advanced by the Complainant to justify any change to the retail rent rate used to assess the subject. Therefore, the Board will not be making any change to the retail rent rate of \$21 per SF.

Issue #3

"The Vacancy Allowance for the office, retail, and parking spaces should be 16% for all, and not 13% (office, retail) and 2% (parking) respectively."

Office Vacancy

The Complainant again referenced in C-1, the several detailed Rent Rolls for the subject that he had introduced from his C-1 Brief and which he carefully examined in Issue #1 above. On pages 101 and 102 of his Brief C-2, he also introduced and referenced a lengthy office vacancy analysis by quarter, commencing Quarter 4 (Q-4) of 2002 and ending Q-4 of 2010. He clarified that the source of this material was contained on pages 103 to 161 of C-2. The materials were excerpts of CRESA Partners "Market Overview" documents by quarter.

The Complainant argued that the heavy concentration of sub-lease space on the Calgary downtown office market continues to negatively affect the market overall, particularly with respect to headlease values, and, the vacancy rates in "B" Class and other similar classes of downtown Office buildings. He also referenced a matrix prepared by Colliers Realty Advisors on page 239 in his Brief C-3 in this regard.

The Complainant argued that the Third Party literature, his own analysis of the market, and his analysis of the performance of the subject, leads him to believe that office vacancy rates generally continue to increase, and have done so in the subject. Therefore, the Complainant argued that his evidence demonstrates that a 16% vacancy rate and not the assessed 13% vacancy rate for the office space in the subject, is appropriate.

However, the Respondent noted that the data from the Rent Roll for the subject, and the City's Assessment Request For Information (ARFI) sheets – data reported by the building owners, demonstrate that an actual zero per cent vacancy existed in the subject during the 2011 assessment cycle, and not 16%. Therefore, the Respondent argued that the City had assessed it using a more liberal 13% typical vacancy rate, which is to the benefit of the subject. Moreover, the Respondent clarified that under Mass Appraisal, the City must look at vacancy as of June 30 of the assessment year and cannot speculate on vacancy as of December 31, 2010 for example. Therefore, the City cannot use post facto leases (i.e. those commencing after June 30) in its analysis, and the Complainant should not either.

The Respondent argued that the City's office vacancy analysis on page 50 of R-1 – data gleaned entirely from ARFI data, shows that a typical vacancy of 12.28% existed in DT-2 "B" Class buildings during the assessment cycle. Therefore, this data also supports the typical 13% vacancy allowance used by the City for the subject's assessment.

Moreover, on pages 54 to 61 of R-1, the Respondent identified excerpts from independent Third-Party sources such as CRESA Partners; AltusInsight; Avison Young; and Barclay Street regarding Calgary office vacancy rates for various relevant quarters (i.e. Q1 and Q2) of 2009 and 2010. This data was summarized in a matrix on pages 60 and 61 of R-1 and appeared to show typical headlease vacancies ranging from 7.93% to 13.45%. Therefore, he argued, this data also supports the 13% typical vacancy used to assess the subject.

In addition, the Respondent argued that the Complainant's own evidence shows that it is incorrect to use sub-lease space in any office vacancy calculation as the Complainant had argued, and several Assessment Appeal Board Decisions (e.g. CARB 2056/2010-P; page 350 of C-4; and ARB 0662/2010-P page 342 of C-4) have confirmed this point. Therefore, he argued, the Complainant's arguments about sub-lease space and its alleged affect on vacancy rates is flawed and invalid. Hence, the Respondent argued that, because of the flawed position and argument of the Complainant, the Board should not change the office vacancy rate as requested by the Complainant.

Board's Decision – Office Vacancy - Reasons:

The Board concurs with the Respondent – and the several 2010 Composite Assessment Review Board (CARB) Decisions on this topic – two of which were identified by the Complainant in C-4, that the use of sub-lease space in the identification of office vacancy space is inappropriate. It is apparent to the Board that the data and conclusions generated by the Complainant using this methodology, appear to be flawed and hence unreliable.

Moreover, the Respondent has identified via evidence from the subject's tenant roll and ARFI that the actual vacancy in the subject's office space is zero per cent. Therefore the 13% typical vacancy allowance provided by the City, and supported by independent third-party sources for the important Q-1 and Q-2 economic quarters, appears generous and appropriate, whereas the Complainant's request for 16% does not.

In addition, the Board has long accepted that the use of post facto data to calculate or challenge assessment values is incorrect and inappropriate. Therefore, the Board declines to accept, and puts very little weight, if any, on the Complainant's value conclusions generated by the use of post facto data in this appeal.

Therefore the Board rejects the Complainant's request for a vacancy allowance of 16% for the office space in the subject.

Retail Vacancy

The Complainant advanced certain minimal data and related argument to suggest that there was a greater than 13% retail vacancy in the subject – that in fact it should be 16%. In referencing the subject's Tenant Roll on pages 32 to 35 and 36 to 42 of his Brief C-1, the Complainant noted that retail activities are generally confined to the first and second floors of similar buildings. However, in the case of the subject, he was unclear as to specifically what retail space existed in the subject, or whether or not it was vacant at any time during the 2009/2010 assessment cycle.

The Complainant was also unable to provide any other market data from DT-2, or any downtown zone, to attempt to demonstrate that the 13% typical retail vacancy provided in the assessment is incorrect. Nevertheless, the Complainant argued that the vacancy rate for the retail portion of the building should be 16%, the same as the office space.

The Respondent argued however, that the Complainant has failed to identify and demonstrate via any written data, precisely what in fact the retail vacancy rate was in the subject during the current assessment cycle, or indeed if there was any retail vacancy at all. Therefore, he argued, the Board has not received any market or other supported evidence that the retail vacancy in the subject should be increased from 13% typical assessed, to 16%.

Board's Decision – Retail Vacancy - Reasons:

The Board accepts the arguments and clarifications of the Respondent in this issue. The Complainant has failed to identify and demonstrate via any written data, precisely what in fact the retail vacancy rate was in the subject during the current assessment cycle, or indeed if there was any retail vacancy at all. Moreover, there was no indication, or indeed argument, that this vacancy – if existing, is chronic in any way. Therefore, there is no compelling reason for the Board to increase the retail vacancy allowance to 16%, or for that matter, to any other value higher than the 13% typical used to assess the space.

In addition, the Complainant failed to provide any independent market evidence, or indeed any broader market analysis to demonstrate that the typical 13% retail vacancy allowance provided under Mass Appraisal was incorrect or inequitable for the subject and DT-2 properties. In short, the Board received insufficient information from the Complainant on this issue to make any determination other than that the 13% retail vacancy allowance is valid.

Parking Vacancy

Referencing pages 197 to 237 of his document C-3, the Complainant noted that various sections of the City's Land Use Bylaws establish, and have established, parking requirements for downtown office buildings, including the subject. He argued that in the case of the subject, since the City's Bylaws require one parking space per every 4,000 SF of office space, then the vacancy rate for parking spaces should reflect the same vacancy rate as is applied to office space. He argued therefore that the vacancy rate for the subject's parking should be his requested office vacancy rate of 16% and not the 2% assessed.

The Respondent referenced page 42 of the Complainant's C-1, noting that in the Dundee Tenant Roll, only 4 of 78 spaces (representing 5% of all spaces) were vacant as of December 1, 2010. However, he noted that the evidence is unclear as to precisely when these spaces were vacant – i.e. during or after the current assessment cycle which terminated June 30, 2010. He also noted that at a point in time, if there was an actual vacancy of 5% in the subject, nevertheless the City is obliged to use a typical 2% for all parking throughout the downtown, based on its analysis of the market.

The Respondent also argued that his analysis of (page 41 of C-1) the subject's rent roll indicate that this evidence demonstrates that the spaces are rented for \$495 per stall per month, but are only assessed at \$400 per month. Therefore, he suggested, the Board should not adjust the vacancy rate for parking from 2% to 16%.

Board's Decision – Parking Vacancy - Reasons:

The Board was not persuaded by the Complainant's unsupported speculative argument that the Land Use Bylaw's parking ratio of one space per 4,000 SF of office space infers that the same vacancy rate as is applied to office space, should also be applied to parking spaces. The Board considers that the Complainant advanced no rational reason why this should be so.

Moreover, the Board noted that the Complainant's evidence and argument failed to demonstrate that a parking vacancy of any amount existed during the relevant assessment cycle. While it appeared from the rent roll that a 5% site-specific vacancy occurred sometime up to December 1, 2010, it is not clear that this vacancy existed at all in the subject prior to June 30, 2010. In addition, the Board notes that under Mass Appraisal, the City is required to use "typical" vacancy values and not a "site specific" value. Therefore, based upon its analysis of the entire downtown, the City has provided a consistent 2% vacancy allowance for all similar parking in all three downtown zones (i.e. DT-1; DT-2; DT-3)

Therefore, based on the evidence presented, the Board considers that the Complainant has failed to demonstrate that the 2% parking vacancy allowance is either incorrect or inequitable.

Issue #4

"The Capitalization Rate for the Office, Retail, and the Parking spaces should be 9.5% and not 9%."

The Complainant argued that the Capitalization Rate for the subject should be 9.5% and not the assessed 9% based on his analysis of various independent Third Party reports and documents which he referenced in his Briefs C-1; C-2; and C-3. He indicated that because there have been no market sales of office buildings in downtown Calgary recently, and within the current assessment cycle, then it was necessary to consult Third Party sources for guidance. He suggested that the City would have to use the same methodology in the preparation of assessments.

The Complainant argued that the current and ongoing downturn in lease/rent values, accompanied by an increase in vacancies, means that there is greater risk in the market – particularly for the subject at the outer edge of the downtown core where rents are lower and vacancies are higher. He suggested that if future vacancy is known, then it must be taken into account as a valid risk factor and accounted for in the Capitalization Rate. Therefore, he suggested, since Capitalization Rates are a "reflection of risk", then an increase to 9.5% from the assessed 9% in the cap rate for the subject is warranted.

The Complainant referenced pages 241 and 242 of his Brief C-3 and an excerpt of two matrices entitled "Canadian Cap Rate Survey – Q1, 2010 and Q2, 2010" prepared by CB Richard Ellis (CBRE). He noted that the survey indicated that Calgary Cap Rates for Downtown Offices range between 9% and 9.5%. He also indicated that his own firm Colliers International had identified similar Cap rates. Therefore, he argued, because of his view that the risk in the Calgary market had increased during the assessment cycle, a 9.5% Cap rate should apply to the subject.

The Respondent argued that the Complainant has identified no valid reason to support an increase in Cap Rate to 9.5% from the assessed 9%. He noted that while the Complainant has spoken at length about increased risk, based on his chosen parameters of sublease space and

alleged actual and potential vacancy increases, he had provided insufficient data to support this theory. He suggested that the Complainant's position and argument was largely unsubstantiated speculation that he failed to directly relate to the subject.

The Respondent referenced the rent roll for the subject and noted that the subject continues to remain substantially leased with good rents and evidently experiences a zero per cent vacancy unlike other similar buildings. He noted that the subject is well-placed in the downtown core, has ample parking rented for good value, and appears to be a desirable building given its rental history. He argued that capitalizing into the future as proposed by the Complainant is speculative. He wondered aloud how one would know that a tenant is planning to leave or whether they would sign an extension to their lease? He noted that such speculation cannot be used in Mass Appraisal.

In addition, the Respondent noted that the Cap Rate for the subject had been 8% last year, and the City had increased it to 9% this year in recognition of the negative changes in the marketplace. He noted that the 9% was entirely within the range referenced by the Complainant and CBRE, but that the Complainant had offered no valid argument or evidence to identify why it should be at the higher end of this range at 9.5%.

The Respondent noted that in further recognition of the changing City market, the City had reduced assessed rents and increased vacancy and other allowances such that, in the case of the subject, the assessment had been reduced from \$68,010,000 in 2010 to \$33,910,000 in 2011. Therefore, he argued, the City had already "built into the assessment", allowances for the negative market changes described by the Complainant.

Board's Analysis and Conclusions – Reasons

The Board is not persuaded by the Complainant's largely speculative suggestions and arguments regarding increased risk and hence an increase in Cap Rate for the subject. The Board considers that it received insufficient relevant data from the Complainant to support his "risk" arguments and therefore the Board sees no valid reason to increase the Cap Rate for the subject from 9.0% to 9.5%.

The Board considers that the Respondent has demonstrated, using the rent roll and other data from the subject and similar buildings, that the so-called risk element in the subject appears to be minimal in the context of the market and similar buildings. The Board is satisfied that the Respondent has selected an appropriate Cap Rate for the subject at 9%, noting that independent Third Party sources have indicated Cap rates ranging between 9% and 9.5%.

Given the leasing history of the subject as evidenced by the tenant roll; that the subject enjoys a zero per cent "actual" vacancy rate; parking spaces are almost fully leased; and the typical market rate vacancy is higher at 13% for the DT-2 area of downtown, the Board is satisfied that the 9% Cap rate is appropriate.

Issue #5

"The parking should be assessed at \$350 per stall instead of \$400 per stall."

The Complainant argued that on the basis of his analysis of the subject's rent roll, the parking spaces in the subject should be assessed at \$350 per stall per month and not \$400. He argued that the actual rent of \$495 per month per space is not necessarily indicative of the value of parking at this location in the downtown.

The Respondent argued to the contrary, that the parking rate attributed to the subject's parking spaces, are indeed indicative of their value in the marketplace. He argued that if the Complainant wished to use actual lease values for office and retail spaces rather than typical values, then it would be appropriate to use actual parking rates of \$495 per stall in any such calculation and not the "typical" \$400 per stall used in the assessment.

Board's Analysis and Conclusions – Reasons

The Board is not persuaded by the Complainant's argument that the assessed rate for the parking stalls should be reduced to \$350 per stall from \$400 per stall. The Complainant failed to identify any noteworthy market or other evidence or detailed study/analysis for either the Board or Respondent to review and analyze on this issue.

Moreover, the Board noted that according to the subject's rent roll on page 41 in C-1 – the Complainant's Brief, the subject parking stalls are rented for \$495 per month per year. Therefore the Board finds that the Complainant's request is without merit.

The Board will not change the assessed rate for the parking from \$400 per stall to \$350 per stall as requested.

Board's Summary Analysis and Conclusions

The Board is satisfied on the basis of the evidence and argument presented at this Hearing that the subject is fairly and equitably assessed. As outlined in detail above, the Board considers that the typical lease, vacancy, and cap rates used by the City Assessor are appropriate to the subject given the evidence apparent in the Tenant roll, third party documents, and briefs.

In addition, the Complainant's methodology appears to be an approach in which a mix of "actual" and "typical" values are used in the same valuation calculation. This Board concurs with many other CARB Boards which have rejected this methodology. If an Income approach to Value is to be used, then the inputs must consist entirely of actual values, or entirely of typical values.

The Board notes that in assessing the subject for this assessment cycle, the City appears to have addressed issues relating to an apparent declining market in downtown Calgary during this period. The City has in general, reduced typical rent values and increased vacancy and cap rate allowances in recognition of these issues – and in the case of the subject, by amounts greater than the actual values in the subject. As a result, the assessment was reduced from \$68,010,000 in 2010 to \$33,910,000 in 2011.

Therefore, the Board considers that, on balance, the assessment is fair and equitable and should be confirmed.

Board's Decision:

The assessment is confirmed at \$33,910,000.

DATED AT THE CITY OF CALGARY THIS 22 DAY OF September 2011.


K. D. Kelly,
Presiding Officer

APPENDIX "A"

**DOCUMENTS PRESENTED AT THE HEARING
AND CONSIDERED BY THE BOARD:**

NO.	ITEM
1. C-1	Complainant Disclosure
2. C-2	Complainant Disclosure
3. C-3	Complainant Disclosure
4. C-4	Complainant Disclosure
5. R-1	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 Administrative Use Only

Appeal Type	Property Type	Property Sub-type	Issue	Sub-Issue
CARB	Downtown Office	Office Tower	Income Approach	Rent; lease; vacancy; Cap; Rates
				Site leases, Third Party market