

**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:**

***Board Chair, J. Zezulka  
Board Member 1, M. Peters  
Board Member 2, J. Massey***

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: 067055608**

**LOCATION ADDRESS: 734 – 7 Avenue S.W.**

**HEARING NUMBER: 61421**

**ASSESSMENT: 31,460,000.00**

This complaint was heard on 20 day of September, 2011 at the office of the Assessment Review Board located at Floor Number Three, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom Eight.

Appeared on behalf of the Complainant:

- *S. Miekkeljohn*

Appeared on behalf of the Respondent:

- *D. Grandbois*

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

There were no procedural or jurisdictional matters to be dealt with.

**Property Description:**

The subject consists of Life Plaza which is a 12 storey, class B office building located in zone DT2, being the westerly portion of the downtown core. The building area is 239,872 s.f. of which 231,259 s.f. is office, 7,963 s.f. is retail space, and 650 s.f. is storage. There are 91 parking stalls. The improvement was built in 1982.

**Issues:**

The premises are currently assessed using the income approach. The rent applied by the City is \$14.00 per s.f. for the office area, and \$21.00 for the retail area. The parking is included at \$400.00 per month. The assessed vacancy rate is 13.0 per cent. The capitalization rate applied is 9.00 per cent. The current assessment calculates to \$131.15 per s.f. of building area.

The Complainant does not dispute the valuation method. Nor does the Complainant take issue with the building classification. Following are the issues as presented .

1. The office rent ought to be \$12.00 per s.f.
2. A vacancy allowance of 16 per cent is more appropriate
3. Parking rates should be \$350.00 per month.
4. The parking vacancy allowance should be equal to the office vacancy.

There are no other issues.

**Complainant's Requested Value:** \$23,690,000

**Evidence**

The Board notes that the assessment has decreased from \$56,480,000 in 2010 to the current level in 2011.

**1.) Office Rent**

The Complainant submitted a rent roll for the subject. There are seven leases with start dates in the year prior to the July 1, 2010 effective date. The average and median of those rents appears at \$14.00 per. s.f. The more recent leases, between July and December, 2010, reflect

rents in the \$11.50 to \$13.00 per s.f. bracket. A lease survey for class B downtown office buildings, prepared by the Complainant, showed a gradual decline in the median rent from \$23.00 in Q2, 2009 to \$12.00 in Q2, 2010. For the Q2 / Q3 period around the effective date, the median rent is shown at \$12.44 per s.f.

The Respondent submitted office rental rates from third party reporting agencies, as well as a 2011 Downtown Office B Class Rental Analysis. The third party reports place the median rent for a class B building, in Q2, 2010, from \$12.00 to \$16.76 per s.f. The Rental Analysis shows a median rate of \$19.50 for class B buildings. The analysis, however, is isolated to DT1, which both parties agree is generally superior to DT2.

## **2) Vacancy Allowance**

Based on a tenant rent roll submitted by the Complainant, the vacancy in the subject, effective November 25, 2010, was 36.70 per cent. There is no evidence to indicate whether this situation is chronic, or simply a short term fluctuation. The average vacancy in class B buildings, effective Q2, 2010, was 13.45 per cent, according to a third party source submitted by the Complainant.

The Respondent's 2011 Assessment Request for Information (ARFI) Office Vacancy Study shows an overall vacancy of 12.28 per cent for B class DT2 buildings. Two independent market reports place the class B building vacancy at 12.26 per cent, and 13.45 per cent.

## **3) Parking Rates**

The Complainant's request for a reduction in the parking rate stems from the perceived difference in the office rental rates between the DT1 and DT2 office zones. The Complainant reasons that if there is a variation in the office rents between the zones, a similar differential should exist in the parking rates. The argument, according to the Complainant, is one of equity. Based on the 2010 Assessment Request for Information that shows the subject parking stalls rented at \$425.00 per stall per month. The Downtown Parking Study, prepared by a third party reporting agency, shows the average monthly parking rate for class B buildings in the second quarter of 2010 at \$418.03.

## **4) Parking Vacancy**

The Complainant takes the position that the parking vacancy allowance should be the same as the office vacancy in order to maintain consistency. There was no evidence presented that would support this assertion.

## **Board's Decision**

### **1) Office Rent**

The Board finds that the evidence brought forward by both parties is equally convincing. Based on the evidence, there appears little doubt that rent levels have continued to decrease with the passage of time. However, at the July 1, 2010 effective date of assessment, the Respondent

could not have reasonably foreseen the downward trends that have continued in the marketplace. And, even if the Respondent could have looked into the future, he was not bound to react to it. While the Complainant's rent evidence is convincing enough to verify that rents are, or have been declining, it is not compelling enough to prompt a change at the July 1 effective date.

## 2) Vacancy Allowance

The Board accepts that the vacancy in any building at any given time can be a "moving target".

In November, 2010, the subject's reported vacancy was 36.70 per cent. However, there is no evidence to indicate that the high vacancy situation is chronic. This Board is reluctant to make a change based on a post facto situation. Moreover, The City is charged with the task of producing an assessment based on normalized inputs which cannot respond to every fluctuation in conditions as they happen. The Board finds that the City's applied 13.0 per cent vacancy is about as accurate as circumstances permit.

## 3) Parking Rates

The Complainant's arguments that the parking rates should parallel the office rental rates fails. Other than some reference to equity, there is no evidence before this Board to indicate that parking rates vary with downtown zone or office rental rates. Moreover, there is ample evidence to show that the City's assessed parking rate is reasonable.

## 4) Parking Vacancy

Similar to the actual parking rental rates, the Complainant's argument regarding parking vacancy is not convincing enough to prompt this Board to make a change in the assessment.

In the evidence submission, the Respondent presented the Board with the recent sale of an office building at 933-17 Avenue S.W. in the Beltline district of SW Calgary. The 49,193 s.f office building sold in April, 2009, for \$14,500,000.00, or \$294.76 per s.f. While the Respondent did not hold the property to be directly comparable to the subject, the transaction was offered to provide some perspective into the assessment level of the subject.

None of the Complainant's arguments were compelling enough to prompt this Board to alter the assessment. The assessment is confirmed at \$31,460,000.

DATED AT THE CITY OF CALGARY THIS 7th DAY OF October, 2011.

  
Jerry Zezulka  
Presiding Officer

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

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1. C1 Complainant Submission of Evidence,
  2. C2 Complainant , Non-Residential Properties – Income Approach Valuation
  3. C3 Complainant 2011 Capitalization Rate – Rebuttal Submission
  4. R1 City of Calgary Assessment Brief

*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. 1499/2011 - P</i>			<i>Roll No. 016202202</i>	
<u><i>Subject</i></u>	<u><i>Type</i></u>	<u><i>Issue</i></u>	<u><i>Detail</i></u>	<u><i>Issue</i></u>
CARB	3. Office	High Rise	Income approach	Lease Rates, vacancy, parking