

**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:**

***The Manufacturers Life Insurance Company (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: 067073809**

**LOCATION ADDRESS: 603 – 7 Avenue S.W.**

**HEARING NUMBER: 61137**

**ASSESSMENT: 11,630,000.00**

This complaint was heard on 21 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 Manulife House, 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 88,039 s.f. of which 83,987 s.f. is office, and 4,050 s.f. is retail space. The improvement was built in 1972.

**Issues:**

The premises are currently assessed using the income approach. The rent applied by the City is \$13.00 per s.f. for the office area, and \$21.00 for the retail area. The parking is included at \$400.00 per month for 49 parking stalls. The assessed vacancy rate is 13.0 per cent. The capitalization rate applied is 9.00 per cent. The current assessment calculates to \$132.10 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 \$10.00 per s.f.
2. The retail rental rate should be \$16.00 per s.f.
3. A vacancy allowance of 16 per cent is more appropriate
4. Parking rates should be \$350.00 per month.
5. The parking vacancy allowance should be equal to the office vacancy.

There are no other issues.

**Complainant's Requested Value:** \$7,510,000.00, amended to \$7,910,000.00 at the hearing.

**Evidence**

The Board notes that the assessment has decreased from \$22,920,000 in 2010 to the current level in 2011.

1.) Office Rent

The Complainant submitted a rent roll for the subject. The majority of the existing leases are dated. However, five leases with 2009 and 2010 start dates reflect office rents from \$10.00 to

\$22.00 per s.f.. The three 2010 renewals are at \$10.00, \$11.00, and \$14.00 per s.f. The Complainant also submitted ten leases that were held to be representative of the subject. Three of the leases were from the subject. Two of the comparable buildings are in zone DT1, which is purportedly superior to the DT2 zone. The median rent indicated is \$12.00 per s.f.

The Respondent submitted a commitment chart for certain of the floors in the subject building. Only one lease is current. The contract rent shown is \$12.00 per s.f. for the May 1, 2010 to April 30, 2011 period, and graduating up to \$14.00 per s.f. in May 2014. The Respondent also submitted third party reports dealing with downtown office rents. The rents reported for Class B buildings in Q2, 2010 ranged from \$12.00 to \$16.76 per s.f. The Respondent also submitted three office rent comparables. One – McFarlane Tower -was eliminated because of building class. A second comparable is the subject property itself. The remaining comparable – United Place – reflects a median rent of \$13.00 per s.f. United Place is a class B- building in DT2, similar to the subject. The Respondent also submitted an analysis of office leases for class B- buildings in the various quarters of 2009, and 2010.

## 2) Retail Rent

The Complainant submitted three retail comparables as well as a 2009 lease of a retail space in the subject. The subject space, with a start date of August, 2009, reflects a rent of \$16.50 per s.f. Three comparables reflect a range of \$12.00 to \$15.00 per s.f. Two of the leases are dated. The April, 2010 lease reflects a rent of \$15.00 per s.f.

## 3) Vacancy Allowance

According to the Complainant, the vacancy in the subject building, as of February, 2011, was 27 per cent. That statistic is post facto. The Complainant also maintains that the vacancy rate in DT2 should be twice the vacancy rate in DT1. There was no evidence presented to support this assertion. According to the City of Calgary 2011 Downtown Office Vacancy Study for B class buildings in DT2, the overall vacancy in 21 buildings was 12.28 per cent. Within that survey the subject vacancy was reported at 3.99 per cent. A third party reporting agency reported a 13.45 per cent overall vacancy in headlease space in an inventory of 7,455, 230 s.f.

## 4) 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.

The Respondent produced the Manulife House Parking Summary, as well as the 2010 Assessment Request for Information that shows the subject parking stalls rented at \$430.00 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.

## 5) 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) Retail Rent**

The Complainant submitted one current rent comparable for an 800 s.f. space in a class B building in DT2. The Board accepts that the fairest and most reasonable assessment comes from an income approach wherein the inputs are "typical" for each entire class of property. For 2011 assessments, the Respondent applies a \$21.00 per s.f. retail rate for all class B buildings in DT2. The Board does not accept a single comparable as adequate evidence of the typical actions of participants in the market place, which can be used to change an input for an entire class of property.

#### **3) Vacancy Allowance**

The Board accepts that the vacancy in any building at any given time can be a "moving target". In 2010, the subject's reported vacancy was 3.99 per cent. That rose to 27 per cent some time in 2011. Similar to the reasoning regarding office rental rates, 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.

#### **4) 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.

#### **5) 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 \$11,630,000.

DATED AT THE CITY OF CALGARY THIS 7 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