

**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:

***IVG-DUNDEE BELTLINE CENTRE HOLDINGS INC., COMPLAINANT  
(Represented by Altus Group Ltd.)***

and

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

before:

***Board Chair P. COLGATE  
Board Member E. BRUTON  
Board Member B. JERCHEL***

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: 201098431**

**LOCATION ADDRESS: 227 11 AVENUE SW**

**FILE NUMBER: 68120**

**ASSESSMENT: \$127,680,000.00**

This complaint was heard on 24<sup>th</sup> day of October, 2012 at the office of the Assessment Review Board located at Floor Number 4, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 2.

Appeared on behalf of the Complainant:

- D. Genereux, Altus Group Ltd. – Representing IVG-Dundee Beltline Centre Holdings Inc.

Appeared on behalf of the Respondent:

- E. Currie – Representing the City of Calgary

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

[1] The Board derives its authority to make this decision under Part 11 of the Municipal Government Act (the "Act"). The parties had no objections to the panel representing the Board as constituted to hear the matter.

[2] The Complainant requested the evidence and discussion from the current hearing be reference to the hearing for File Number 68203, Roll Number 201499597. The Complainant stated that the evidence would be the same in each case and for efficiency it would not be necessary to repeat the presentation. There was no objection from the Respondent. The Board accepted the request.

[3] As there were no further jurisdictional or procedural matters, the Board proceeded to hear the merits of the complaint.

### **Property Description:**

[4] The subject parcel, known as the IBM Corporate Park, is an improved parcel located at 227 11 Avenue SW in the Beltline community. Currently situated on the 2.44 acre site are three high-rise office towers, one constructed in 2002 and two constructed in 2008. All towers are classified as Class AA quality.

Office Tower	Area (sq.ft.)	Year Construction	of	Quality Class	Assessment Class	Sub-Property Use
1	107,195	2008		AA	100% Non-residential	CS1200 - Office
2	126,429	2008		AA	100% Non-residential	CS1200 - Office
3	123,077	2002		AA	100% Non-residential	CS1200 - Office

(C1, Pg. 15 and R1, Pg. 5)

[5] The subject property is assessed, using the Income Approach to valuation, with the following rates:

<u>Space</u>	<u>Rate</u>
Parking Stalls	\$4,200 per stall
Retail Space	\$35.00 per square foot
Office Space	\$24.00 per square foot
Storage Space	\$3.00 per square foot

[6] The Land Use designation is CC-X or City Centre Mixed Use.

**Issues:**

[7] The correct rental rate for office space should be reduced to \$22.00 per square foot from the currently assessed office rate of \$24.00 per square foot.

**Complainant's Requested Value:** \$118,370,000.00.

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

[8] In the interest of brevity, the Board will restrict its comments to those items the Board found relevant to the matters at hand. Furthermore, the Board's findings and decision reflect on the evidence presented and examined by the parties before the Board at the time of the hearing.

[9] Both the Complainant and the Respondent submitted background material in the form of aerial photographs, ground level photographs, site maps and City of Calgary Assessment Summary Reports and Income Approach Valuation Reports.

[10] Prior Assessment Review Board decisions and higher court decisions were placed before the Board in support of requested positions of the parties. While the Board respects the decisions rendered by those tribunals, it is also mindful of the fact that those decisions were made in respect of issues and evidence that may be dissimilar to the evidence presented to this Board. The Board will therefore give limited weight to those decisions, unless issues and evidence were shown to be timely, relevant and materially identical to the subject complaint.

**Issue: What is the correct rental rate for the office component of the assessment?**

**Complainant's Evidence:**

[11] The Complainant requested a reduction in the rental rate for the office space to \$22.00 per square foot based upon the inclusion of a third lease in the Keynote development.

The Complainant presented a copy of a City of Calgary document titled "2012 Beltline Office AA Class Rent Study". (C1, Pg. 39) The document indicated two leases were used to establish the rental rate for Class AA office space.

Roll Number	Name	Address	Lease Area (sq. ft.)	Commencement Date	Term (yrs)	Rate
201499597	Keynote	1100 1 St. SE	44,356	2010/09/01	10	27.00
201499597	Keynote	1100 1 St. SE	6,373	2011/04/01	7	22.00
					Mean	24.50
					Median	24.50

					Weighted Mean	26.38
					Assessed Rate	24.00

[12] The Complainant requested the inclusion of a third lease from the Keynote 2 project, immediately adjacent to the building where the two leases used by the City of Calgary were situated. (C1, Pg. 40) The Complainant argued the third lease for office space, due to its proximity was a valid lease and should be used in the determination of the rental rate. The Complainant showed through photographs the similarity between the two phases of the Keynote development.

[13] Based upon the inclusion of the third lease, the Complainant calculated a revised rental rate for the office space. (C1, Pg. 50)

Roll Number	Name	Address	Lease Area (sq. ft.)	Commencement Date	Term (yrs)	Rate
201499597	Keynote	1100 1 St. SE	44,356	2010/09/01	10	27.00
201499597	Keynote	1100 1 St. SE	6,373	2011/04/01	7	22.00
201499514 (1)	Keynote 2	225 11 Ave SE	2,153	2011/03	--	17.00
					Mean	22.00
					Median	22.00
					Corrected Assessed Rate	22.00

((1) R1, Pg 27))

[14] Based upon the 'corrected' rental rate for office space., the Complainant requested a revised assessment of \$118,370,000.00

### Respondent's Evidence:

[15] The Respondent submitted that the third lease, from Keystone 2, was actually located in a Class A condominium apartment building that was currently under construction.

[16] The Respondent submitted promotional material, distributed by Balboa Land Investment Inc., which indicated the Keynote Urban village currently contains a 14 storey office tower and a 26 storey residential tower. Currently the second residential tower, with 29 storeys, is under construction and scheduled for completion in the spring of 2013 (R1, Pg. 18-20)

[17] Also submitted were photographs to show the second residential tower under construction and the office tower. (R1, Pg. 21-26)

[18] The Respondent argued the third lease was located in the residential tower under construction, but through the submission of an Assessment Request For Information, dated 2012/07/25, and showed the commercial spaces within the tower were now vacant due to the construction on the site. (R1, Pg.27-29)

[19] A copy of the City of Calgary 'Non-Residential Properties – Income Approach Valuation was presented to show office space in a Class A condominium apartment building was assessed at a rental rate of \$16.00 per square foot, but within the Class AA office towers the

rental rate was consistent at \$24.00 per square foot. (R1, Pg.30-33)

[20] As an equity comparable Stampede Station at 131 Macleod Trail SE was submitted, an office tower also assessed at a rental rate of \$24.00 per square foot. (R1, Pg. 35-39)

[21] The Respondent testified, with so few leases available in Class AA office towers, the city of Calgary was conservative in the rental rate set for the valuation. The two leases indicated a mean and median of \$24.50 and a weighted mean of \$26.38; however the Assessment Business Unit selected a conservative rental rate of \$24.00 per square foot.

[22] The Respondent argued the third lease, submitted by the Complainant, was also significantly smaller than the two leases analyzed by the City of Calgary and therefore should not be given the same weight in the analysis.

[23] In summation, the Respondent stated the additional third lease was located in an apartment condominium building; the structure was under construction with a lower quality classification; was smaller than the leases used in the analysis; and was now terminated.

### Findings of The Board:

[24] The Board found the additional lease was less than ideal as a lease to determine the rental rates in an office building.

[25] The third lease was for a significantly lower rental rate than those found in the office tower, in the order of a \$5.00 to \$10.00 difference. The Board noted the lease rate of \$17.00 per square foot for the third lease was in line with the rate the City of Calgary had set for office space in a condominium apartment at \$16.00 per square foot.

[26] The third lease was significantly smaller in area than the two leases in the office tower – 2,153 square feet versus 44,356 square feet and 6,6273 square feet.

[27] If recognition was to be given the third lease, the Board found the Complainant's approach to the analysis of the three leases only recognized a mean and median result, but did not take into consideration the leased areas. The Board looked at a weighted mean analysis, one the Complainant has argued in other hearings is the only approach to use, and determined the following:

Roll Number	Name	Address	Lease Area (sq. ft.)	Commencement Date	Term (yrs)	Rate
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					Weighted Mean	25.00

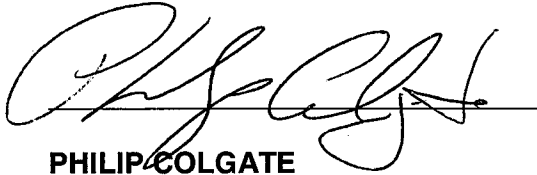
[28] The weighted mean of the three leases more closely supports the current rental rate of \$24.00 than the requested rental rate of \$22.00.

[29] In conclusion, the Board rejects the request of the Complainant to use a rental rate of \$22.00 per square foot for the office space in the subject property.

**Board's Decision:**

[30] Based upon the reasons given, the Board confirms the assessment at \$127,680,000.00.

DATED AT THE CITY OF CALGARY THIS <sup>th</sup> 10 DAY OF November 2012.

A handwritten signature in black ink, appearing to read 'Philip Colgate', written over a horizontal line.

**PHILIP COLGATE**  
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.*

**FOR ADMINISTRATIVE USE**

Subject	Property Type	Property Sub-Type	Issue	Sub-Issue
CARB	Office	High Rise – Multi Building	Income Approach	Net Market Rent/Leases Rates