



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

Macleod Place Holding Corp.
(as represented by MNP LLP), COMPLAINANT

and

The City Of Calgary, RESPONDENT

before

L. Yakimchuk, PRESIDING OFFICER
E. Reuther, BOARD MEMBER
A. Zindler, BOARD 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 2013 Assessment Roll as follows:

ROLL NUMBER: 101008001

LOCATION ADDRESS: 5920 Macleod Tr SW

FILE NUMBER: 70549

ASSESSMENT: \$40,220,000

This complaint was heard on September 30, 2013 at the office of the Assessment Review Board located at Floor Number 3, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 8.

Appeared on behalf of the Complainant:

- *G. Worsley*
- *W. Van Bruggen, MNP LLP*

Appeared on behalf of the Respondent:

- *C. Neal, City of Calgary Assessor*
- *L. Dunbar-Proctor*

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

[1] The Respondent, C. Neal, City of Calgary Assessor asked that portions of the rebuttal be removed as they did not directly relate to any part of the City's Response to the disclosure. The Complainant argued that all parts of the Rebuttal were in direct rebuttal of the City's evidence.

[2] The Board decided that they would hear the Rebuttal and apply the appropriate weight to it, excluding any material that was not related to the Response provided by the City of Calgary.

Property Description:

[3] The subject property has been assessed as two 1978, "B" Class highrise suburban office buildings: one 80,315 square feet (sf) and one 103,362 sf. These buildings are located in Manchester Industrial Park with Macleod Trail exposure, in the SW quadrant of Calgary.

Issues:

[4] Is the Income for this property assessed correctly? Specifically, the Complainant is asking the Board to review Rent Rates (asking for \$14.00/sf reduced from \$16.00/sf) OR Capitalization (Cap) Rate (asking for 7.5% increased from 6.75%).

Complainant's Requested Value: \$35,260,000 or \$36,200,000.

Board's Decision:

[5] The Board reduces the assessment to \$37,740,000.

Legislative Authority, Requirements and Considerations:

The Composite Assessment Review Board (CARB) derives its authority from the Municipal Government Act (MGA) RSA 2000 Section 460.1:

(2) Subject to section 460(11), a composite assessment review board has jurisdiction to hear complaints about any matter referred to in section 460(5) that is shown on an assessment notice for property other than property described in subsection (1)(a).

For the purposes of this hearing, the CARB will consider MGA Section 293(1)

In preparing an assessment, the assessor must, in a fair and equitable manner,

- (a) apply the valuation and other standards set out in the regulations, and
- (b) follow the procedures set out in the regulations.

Matters Relating to Assessment and Taxation Regulation (MRAT) is the regulation referred to in MGA Section 293(1)(b). The CARB decision will be guided by MRAT Section 2, which states that

An assessment of property based on market value

- (a) must be prepared using mass appraisal,
- (b) must be an estimate of the value of the fee simple estate in the property, and
- (c) must reflect typical market conditions for properties similar to that property.

and MRAT Section 4(1), which states that

The valuation standard for a parcel of land is

- (a) market value, or
- (b) if the parcel is used for farming operations, agricultural use value.

Position of the Parties

Complainant's Position:

[6] G. Worsley and W. Van Bruggen (MNP) argued that the subject assessment is too high and can be reduced in one of two ways: by reducing the rent rates from \$16.00/sf to \$14.00/sf or by increasing the Cap rate from 6.75% to 7.5%.

[7] To support an increase in rent rates, the Complainant presented MNP's SE Lease Analysis. (C1p19). The study consisted of 32 leases of various sizes and terms ranging from two to 10 years. The median rent rate was \$15.00/sf and the weighted mean was \$14.03/sf.

[8] The Complainant explained that MNP had created the study by removing Midpark leases from the list of SE leases as the weighted average for the Midpark properties was \$16.45/sf for the Midpark office properties and \$14.06/sf for the remaining SE office properties. (C1p18) The Complainant argued that the separate treatment of Quarry Park offices provided a precedent for calculating Midpark offices separately from the remaining SE offices. MNP had also removed any leases from the City study that were related to step-ups and lease extensions.

[9] The MNP Lease Analysis from the subject property indicated that the weighted average

for leases in that property was \$14.12/sf. (C1p18)

[10] The Complainant also provided a capitalization rate study using the income parameters for July 1, 2013 for all the sales since July 1, 2012. The resulting derived Cap rate was 7.59%. The Complainant asked for a 6.75% Cap rate. (C1p25)

[11] The disclosure package included information and documentation to support the inclusion and exclusion of all lease and sale data, as well as photographs of the properties included.

Respondent's Position:

[12] C. Neal and L. Dunbar-Proctor, City of Calgary Assessors, presented the 2013 Suburban Office Rental Analysis: "B" Quality SE. It consisted of 66 SE leases of various sizes, including Midpark leases. The mean of the leases was \$16.00/sf and the weighted mean was \$14.86/sf. (R1p31,32)

[13] The Respondent provided reasons for including and excluding specific properties from the Cap rate study (R1p76,77). 3402 8 St SE was included because it appears to be a Market Value sale and had been used in previous arguments by the Complainant, although the Complainant contended there were no brokers involved. 222 58 Ave SW was excluded by the Respondent because it was not purchased to be used in the manner in which it had been used prior to the Sale. 480 36 Ave SE was not included because it occurred after the valuation date, and the building is being renovated extensively for an approximate cost of \$3,400,000.

[14] The Respondent explained that the City of Calgary calculates Cap rate based on the typical income of the year in which the sale occurred. That is, it is calculated based on the closest evaluation date available. The Cap for 2011 is based on 2011 parameters and the Cap for 2012 is based on 2012 parameters. (R1p74)

[15] The City of Calgary provided appropriate documentation to support sales used in the creation of the Cap rate study. (Appendix: R1p93)

[16] Upon questioning, the Respondent stated that generally the weighted mean is the best estimate of value for rent rates, but the median can be used if the leases are similar in area.

Board's Reasons for Decision:

[17] The Board considered the arguments and evidence presented by both parties. The Complainant removed all Midpark leases and several other leases from the MNP rent rate study. The Board reviewed the Midpark rent rates and found that any variations in rates appeared to be attributable to the size of the leased areas rather than the location in Midpark. Lease of similar sizes everywhere in the SE appeared to be comparable.

[18] The Board considered the City of Calgary rent rate study. The leases included appeared to be comprehensive and reasonable and the Board accepted the results of the study. The analysis showed a median rent of \$16.00/sf and a weighted mean rent of \$14.86/sf.

[19] The Board decided that the weighted mean rent of \$14.86/sf was the best estimate of lease value and set the rent rate at \$15.00/sf.

[20] The Board considered the arguments concerning calculation of Cap rates and the direction given by Board Order MGB 045/09 (p16 of 29): *"Although the MGB is satisfied that the Appellant's favoured approach is reasonable, the evidence does not show that it is better than the Respondent's. In this regard, the MGB notes that the Respondent's method did result*

in assessments that met Provincial audit, and therefore must have generated acceptable ASRs on an overall basis for property classes where sales occurred."

[21] The Cap rate approach by the City of Calgary is reasonable and consistent and has met the audit standards. It uses typical factors for each year to analyze typical sales for that year.

[22] The Board found the Cap rate to be fair and equitable.

DATED AT THE CITY OF CALGARY THIS 24th DAY OF October 2013.

L. Yakimchuk

Lana Yakimchuk

Presiding Officer

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

NO.	ITEM
1. C1	Complainant Disclosure
2. R1	Respondent Disclosure
3. C2	Complainant Rebuttal

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.*

Appeal Type	Property Type	Property Sub-type	Issue	Sub-Issue
CARB	Office	Low Rise	Income Approach	Rent, Cap