



## **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:**

***Airstate Ltd. (as represented by Colliers International Realty Advisors Inc.),***  
**COMPLAINANT**

**and**

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

**before:**

***R. Fegan, PRESIDING OFFICER***  
***Y. Nesry, BOARD MEMBER***  
***D. Pollard, 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:

<b>ROLL NUMBER:</b>	<b>071107106</b>
<b>LOCATION ADDRESS:</b>	<b>525 28 ST SE</b>
<b>FILE NUMBER:</b>	<b>71790</b>
<b>ASSESSMENT:</b>	<b>\$17,660,000</b>

This complaint was heard on the 3<sup>rd</sup> day of September, 2013 at the office of the Assessment Review Board located at Floor Number 4, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 6.

Appeared on behalf of the Complainant:

- B. Peacock, (Colliers International Realty Advisors Inc.)

Appeared on behalf of the Respondent:

- C. Neal, (City of Calgary)
- L. Dunbar-Proctor, (City of Calgary)

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

[1] No preliminary issues or jurisdictional matters were raised.

**Property Description:**

[2] The subject property is a suburban office complex with two buildings. The combined area of the two buildings is 86,955 square feet and the parcel size is 4.51 acres. The land use designation is Commercial Community-1. The property has been assessed using a building rental rate of \$16.00 per square foot, a vacancy allowance of 8% and a 6.75% capitalization rate.

**Issues:**

- [3] The market value is too high for the following reasons.
- [4] The rental rate is too high.
- [5] The capitalization rate is too low.
- [6] The combined size of the two buildings is incorrect.

**Requested Value: \$11,200,000.**

**Board's Decision: The complaint is allowed in part and the assessment is revised to \$16,930,000.**

**Position of the Parties**

**Complainant's Position:**

- [7] The Complainant provided a capitalization rate study using four sales of "B" and "C"

class buildings; three from 2011 and one from 2012. The Complainant used net operating income taken from 2013 assessment data (effective date of July 01, 2012) to calculate the capitalization rate for all four sales regardless of the sale date. The average cap rate was 7.59%.

[8] The Complainant provided a rental analysis taken from within the subject property which indicated a median rental rate for 2011 and 2012 leasing of \$12.00. The Complainant argued that based on the location of the subject property it should be grouped with the north east office inventory and not the south east inventory.

[9] The Complainant provided a copy of the 2013 Assessment Request for Information sent to the property manager (Edon Management Ltd.) from the City of Calgary indicating a total rentable area of 86,955 square feet. This area was based on information that the property manager had provided to the City in November 2012.

[10] The Complainant provided a copy CARB 70517P-2013, and argued that this decision supported the method used by the Complainant to calculate the capitalization rate.

[11] In rebuttal the Complainant provided a copy of the 2010 Assessment Request for Information provided to the City by the property manager at that time (Resman Management), it indicated an area of 87,440 square feet.

[12] In rebuttal the Complainant provided a copy of CARB 71535P-2013, drawing the Board's attention to page 11, paragraph 41, which made reference to the calculation of capitalization rates.

#### **Respondent's Position:**

[13] The respondent acknowledged that the correct area of the subject buildings is 86,955 square feet but pointed out to the Board that the information had not been received in time to change the assessment for 2013 and the change would be made for 2014.

[14] The Respondent used Memorial Drive as the dividing line between North and South Calgary for the purpose of analyzing the value of suburban office buildings.

[15] The Respondent provided a rental analysis chart using leasing from the last half of 2011 and the first half of 2012. There were 66 leases in the sample from "B" class suburban office buildings in south Calgary. The mean rate was \$15.76 and the median rate was \$16.00.

[16] The Respondent provided a capitalization rate study using eleven sales from across the City of buildings in the "A", "B" and "C" class. The Respondent's capitalization rates had been calculated using typical market rent, and typical vacancy and other adjustments taken from the year in which the sale took place.

[17] The Respondent had provided assessment to sale ratios using the City's capitalization rate as well as the capitalization rate being requested by the Complainant.

#### **Board's Reasons for Decision:**

[20] With respect to the capitalization rate, the Board found that the Complaint's use of the City's 2013 typical market rents to establish a capitalization rate for the subject property while at the same time requesting that a rental rate of \$12.00 and not the \$16.00 typical market rent used by the Respondent be applied to the subject property would create an inconsistency between the method used to calculate the capitalization rate and the application of that rate. If the subject property is truly comparable to those sales used in the Complainant's capitalization

rate analysis then the rents used to calculate the capitalization rate should be in the \$12.00 range and not the \$16.00 range used to calculate the capitalization rate. If those properties used in the Complainant's capitalization rate study truly have market rents in the \$12.00 range then that is the amount that should be used in the capitalization rate analysis.

[21] The Board found that the Respondent's capitalization rate analysis included a greater number of sales and while the use of market rent in the year of the sale, does not capture the market rent as of the exact sale date, it is reasonable given the requirements for mass appraisal and annual assessment. The Board noted that the Colliers International Second Quarter 2013, published capitalization rates for "B" class suburban office buildings in Calgary, ranged from 6.5% to 7.0%. The Board found no reason to change the 6.75% capitalization rate used to assess the subject property.

[22] With respect to the rental rate for the subject property the Board found that the average of the leases in place was \$16.66. The Board noted that on page 32 of exhibit C-1, Alberta Social Services are leasing 22,202 square feet at a rental rate of \$27.50. In order to determine the effective date of this rental rate the Board relied upon page 11 of exhibit C-2 which indicated that Alberta Social Services had renewed their lease on this space for the period from July 01, 2007 to July 01, 2012 at a rate of \$14.00 which was subsequently renewed (page 32, exhibit C1) at a rate of \$27.50. The 22,202 square feet represents 25% of the total leasable area of the subject property.

[23] In reviewing the Respondent's analysis the Board noted that the highest lease rate in that study was for a rental rate of \$23.16 for a space of 79 square feet. Excluding that lease because of the small area involved, rents for the remaining leases range from \$10.04 to \$20.00. Without including the \$27.50 lease to Alberta Social Services the remaining 2012 rents in the subject buildings range from \$10.30 to \$20.00. The Board found no reason to change the market rental rate used to value the subject property.

[24] With respect to the correct area of the subject property, the Board found that based on the evidence presented by both parties, the correct area of the subject property on December 31, 2012 was 86,955 square feet.

**DATED AT THE CITY OF CALGARY THIS <sup>25<sup>th</sup></sup> DAY OF *September* 2013.**

  
R. Fegan

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
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.*

**CARB Identifier Codes**

<b>Decision No.</b>		<b>Roll No.</b>		
<b><u>Complaint Type</u></b>	<b><u>Property Type</u></b>	<b><u>Property Sub-Type</u></b>	<b><u>Issue</u></b>	<b><u>Sub-Issue</u></b>
CARB	Commercial	Suburban Office	Market Value	Rental Rate, Cap Rate

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