

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:

Westfield Centre 15 Ltd. (as represented by Fairtax Realty Advocates), COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

K. Thompson, Board Chair

A. Blake, MEMBER

B. Kodak, 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: 068202092

LOCATION ADDRESS: 1509 Centre St SW

FILE NUMBER: 71998

ASSESSMENT: \$17,450,000

This complaint was heard on 9th day of July, 2013 at the office of the Assessment Review Board located at Floor Number 3, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 9

Appeared on behalf of the Complainant:

- *S. Storey* *Agent, Fairtax Realty Advocates*

Appeared on behalf of the Respondent:

- *D. Grandbios* *Assessor, City of Calgary*
- *E. Borisenko* *Assessor, City of Calgary*

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

[1] No procedural or jurisdictional matters were raised. The Board proceeded to hear the merits of the complaint.

Property Description:

The subject property, known as Centre 15, is a B class Beltline office building built in 1981, comprised of 76,040 square feet (sq. ft) of office space and 111 underground parking spaces. The land area is 21,009 sq. ft. Assessment has this property classed as a B office in the BL2 market area and used the Income Approach to value with a Capitalization Rate of 5.25%. This property is assessed at \$17,450,000.

Issues:

[2] **Issue 1** – Capitalization Rate – the Complainant submits 6.5% is a more appropriate Capitalization Rate for the subject property than the currently applied 5.25%.

Complainant's Requested Value: \$12, 895,579.

Board's Decision:

[3] Assessment is confirmed at \$17,450,000

Legislative Authority, Requirements and Considerations:

[4] MGA Sec 460.1(2) Subject to 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).

Position of the Parties**Complainant's Position:**

[5] **Issue 1** – Capitalization Rate - the Capitalization Rate of 5.25% used by the City of Calgary to value this building is not supported by the sales of Class B office buildings or by third party reporting agencies. A 6.5% Capitalization Rate is more appropriate for the subject property.

[6] A Leased Fee versus Fee Simple Capitalization Rate Analysis was included from Wernick Omura Real Estate Advisory Services. T. Omura the author of the report attended as a witness and spoke to his study and conclusions. The report was based on the premise that an office building sells on the leased fee value; to get to the fee simple sale price an adjustment is required to reflect higher than market contract rents. Market derived Capitalization Rates between 6.7% and 7.00% were based on the leased fee sales. Omura analysed eight sales in the 2011 and 2012 timeframe and concluded that the assessor would need to add a 1.78 % adjustment to their Capitalization Rate to recognise the difference between the Leased Fee and Fee Simple value in an office building in the downtown area. The formula and conclusions were developed by Omura.

[7] Further the Complainant provided 3rd party reports on 2012 Capitalization Rate from CBRE indicating rates between 6.75%-7.25%, and from Colliers between 6.5%-7.0%.

Respondent's Position:

[8] **Issue 1** – Capitalization Rate - the Capitalization Rate of 5.25% was used to value this property by the City of Calgary. The summary of the City's Capitalization Rate study and its conclusions were presented with the mean and median Capitalization Rates showing 5.25% for 2012. All supporting documentation was included.

[9] Information from Altus InSite was presented about the tight rental market in Calgary in 2012.

[10] With regard to the study by Wernick Omura, the Respondent commented that four of the eight sales used in the study had incorrect NOI's (using the wrong year of data based on the sale year) or incorrect classes that resulted in incorrect calculations of the Capitalization Rates. Supporting documentation was provided.

Board's Reasons for Decision:

[11] **Issue 1** - Capitalization Rate – Capitalization Rate analysis were presented by both parties and reviewed at length by the Board. The Board concluded that the Complainant did not provide compelling evidence to persuade the Board that a change was required.

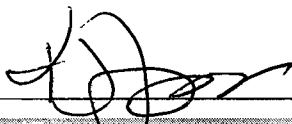
[12] The Board accepted the Respondent's evidence that a number of the sales used in the Complainants Capitalization Rate analysis were not appropriate for the subject category. Third party reports presented by the Complainant were given little weight as they provide numbers that are unsupported.

[13] Arguments from the Complainant that the Capitalization Rate needs to be adjusted to reflect Fee Simple Estate interest was not sufficiently supported, tested, nor specific enough to the subject property to cause the Board to change this assessment.

[14] Taking into consideration the five sales in the analysis provided by the Respondent,

along with all the appropriate documentation, the Board did not have compelling evidence to change the Capitalization Rate for the subject property.

DATED AT THE CITY OF CALGARY THIS 13th DAY OF August 2013.

A handwritten signature in black ink, appearing to be 'K. Thompson', written over a horizontal line.

K. Thompson

Presiding Officer

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

NO.	ITEM
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.*