



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:

Western Securities Limited
(as represented by Altus Group Limited), COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

C. J. Griffin, PRESIDING OFFICER
B. Bickford, BOARD MEMBER
A. Zindler, BOARD MEMBER

This is a complaint to the Composite Assessment Review Board (CARB) 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(S):	067050104
LOCATION ADDRESS:	600 – 6th Avenue SW
FILE NUMBER:	72625
ASSESSMENT:	\$25,330,000.

This complaint was heard on the 5th day of November, 2013 at the office of the Assessment Review Board located at Floor Number 4, 1212 – 31 Avenue NE, Calgary, Alberta, in Boardroom 2.

Appeared on behalf of the Complainant:

- M. Cameron

Appeared on behalf of the Respondent:

- K. Gardiner

Board's Decision in Respect of Procedural Matters:

The Complainant explained to the Board that one of the issues to be argued in this Hearing, the assessed capitalization rate, is identical to that argued in Hearing #72629 and requested, for expediency, that all of the evidence and argument related to same be carried forward from the aforementioned Hearing and applied to this Hearing rather than repeating it all. Additionally, the Complainant explained to the Board that much of the evidence and argument presented in the preceding Hearing (#72698) is identical to that to be presented for this Hearing and again, in the interest of expediency, requested all of that evidence and argument be carried forward and applied to this Hearing as deemed necessary. The Respondent agreed with this suggestion. Accordingly the CARB will carry forward all of that evidence and argument related to the capitalization rate issue and will apply it to this Hearing as is deemed appropriate.

Property Description:

[1] According to the Property Assessment Detail Report (Exhibit C-1A pg. 17), the subject property is a 'C' quality classified high-rise office building containing a total assessed office area of approximately 124,276 Sq. Ft. The building, which was constructed in 1963, is located in the Downtown Commercial Core area of Calgary.

Issue(s):

[2] While the Complainant's Assessment Review Board Complaint form indicates several issues to be resolved, at the Hearing the Complainant reduced the single issue to that being:

A) The assessed capitalization rate, at 5.5%, is too low and it should be raised to 6.25% to better represent Market Value.

Current Assessment(s):

[3] \$ 25,330,000.

Complainant's Requested Value:

[4] \$ 22,290,000. (Exhibit C-1 pg. 30)

Board's Decision:

[5] The assessment is **confirmed** at: **\$25,330,000.**

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

[6] The Complainant provided (Exhibit C-1B pg. 149) their capitalization rate analysis of two 'C' classed downtown office buildings, one of which was sold in 2011 and one in 2012. The Complainant's analysis produces capitalization rates of 5.67% and 5.61% respectively with a median of 5.64%.

[7] The Complainant derives their requested 6.25% capitalization by adding a 0.50 "equity adjustment". To explain their "equity adjustment", the Complainant provides (Exhibit C-1B pg. 151) a copy of the City of Calgary Assessment prepared *2013 Downtown Office Capitalization Rate Summary* which provides a synopsis of 16 downtown located office 'A', 'B' and 'C' class buildings sold in 2011 or 2012. The Complainant points to the 2012 'A' class median of 5.64% and, based upon the fact that the assessed capitalization rate is 6% for 'A' class buildings, maintains that this indicates the Assessor has rounded the results upward by 0.50%. Accordingly the Complainant maintains to retain equity it would be appropriate to also round the results of the capitalization analyses for the other classes upward by this same 0.50%.

Respondent's Position:

[8] The Respondent referred to their *2013 Downtown Office Capitalization Rate Summary* (Exhibit R-1 pg. 46), noting that it is indeed the same as that referenced by the Complainant, and pointed out to the CARB that the median and mean for the 'A' class buildings was 5.83% and 5.87% respectively and it was these numbers that were rounded up to 6%, considerably less than the 0.50% rounding the Complainant claimed. Further, the same situation applies to the 'B' class buildings which were rounded up to 5% from 4.82%. Accordingly, the Respondent argues there is no support for the Complainant's 0.50% upward rounding of the capitalization rate and the study is supportive of the assessed capitalization rates. The Respondent also pointed out that the Complainant was requesting a capitalization rate of 6.25% which is a 0.75% differential from the assessed capitalization rate, not 0.50% as indicated by the Complainant. The Respondent also explained to the CARB that the 2011 sales were analyzed using the 2012 typical inputs as opposed to the 2011 inputs due to the fact that the sales were recorded after the July 1/11 assessment valuation date and would therefore not be considered for 2011 assessment year.

Board's Decision Reasons:

[9] Referring to the *2013 Downtown Office Capitalization Rate Summary*, which was common to the evidence of both parties, the CARB puts little weight on the 2011 sale as same was found to have been a part of a major portfolio purchase involving 29 office properties located in several different cities across Canada. The CARB also noted that both reporting data sources indicated the purchases were reportedly based upon a 7% capitalization rate but there is no explanation as to how that capitalization rate was established and neither the analysis of the Complainant or the Respondent resulted in a 7% capitalization rate. The Board acknowledges that the remaining sale is scant data upon which to base a capitalization rate; however, sales cannot be invented and the result of the analysis of this sale does appear reasonable when compared to the results found in the other categories of buildings which were based upon more sales data. The CARB does not agree with the Complainant's "equity adjustment" to the capitalization rate and finds that the Complainant has failed to provide enough evidence to warrant a change to the capitalization rate. Accordingly the assessed value is **confirmed**.

DATED AT THE CITY OF CALGARY THIS 29th DAY OF November 2013.


C.J. Griffin, Presiding Officer

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

NO.	ITEM
1. C1A	Complainant Disclosure part 1
2. C1B	Complainant Disclosure part 2
3. C1C	Complainant Disclosure part 3
4. 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.*

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Municipality: Calgary	Decision No. 72625/P-2013	Roll No:	067050104
<u>Property Type</u>	<u>Property Sub-Type</u>	<u>Issue</u>	<u>Sub-Issue</u>
Office	Downtown 'C-' Office	M.V.	Capitalization Rate