



## **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:

**564576 Alberta Ltd.**  
**(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:

<b>ROLL NUMBER(S):</b>	<b>067068395</b>
<b>LOCATION ADDRESS:</b>	<b>1000 – 8<sup>th</sup> Avenue SW</b>
<b>FILE NUMBER:</b>	<b>72633</b>
<b>ASSESSMENT:</b>	<b>\$6,990,000.</b>

This complaint was heard on the 5<sup>th</sup> 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 the issues to be argued in this Hearing are identical to those argued in Hearing #72629 and requested, for expediency, that all of the evidence and argument presented in that Hearing be carried forward and applied to this Hearing rather than repeating it all. The Respondent agreed with this suggestion and added that they had prepared only one brief to be used in common with the immediately preceding Hearing (#72625) as well as this one. Accordingly the CARB will carry forward all of that evidence and argument and will apply it to this Hearing as deemed appropriate.

**Property Description:**

[1] According to the Property Assessment Detail Report (Exhibit C-1A pg. 16), the subject property is an 'C' quality classified high-rise office building containing a total assessed office area of approximately 41,413 Sq. Ft.. The building, which was constructed in 1981, is a modern structure located in the Downtown 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 issues to two matters, those 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.

B) The assessed office rental rate of \$13/Sq. Ft. is too high and it should be reduced to \$11/Sq. Ft. to better represent Market Value.

**Current Assessment(s):**

[3] \$ 6,990,000.

**Complainant's Requested Value:**

[4] \$ 5,610,000. (Exhibit C-1 pg. 33)

**Board's Decision:**

[5] The assessment is **confirmed** at: **\$6,990,000.**

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

[6] The Complainant provided (Exhibit C-1B pg. 144) 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. 146) 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%.

[8] Insofar as their request to alter the assessed office rental rate, the Complainant provided (Exhibit C-1A pgs. 46 & 47) a copy of the Master Rent Roll for the subject property dated January 1, 2013 noting that both new leases and renewals in the property were recorded at rates ranging from \$9/Sq. Ft. to \$11.50/Sq. Ft. suggesting that this indicates that the subject is unable to generate the \$13/Sq. Ft. lease rate the Respondent has assessed. Based upon the foregoing the Complainant requests the assessed office rental rate be reduced to \$11/Sq. Ft.

**Respondent's Position:**

[9] 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.

[10] With regard to the assessed office rental rate, the Respondent introduced (Exhibit R-1 pgs. 35 & 36) a copy of their *2013 Downtown Office Rental Rate Analysis: C & C- Class*, which incorporates 33 leases dated 2011 and 29 leases dated in 2012. The weighted mean for all the leases is \$12.91/Sq. Ft., the weighted mean of the 2011 leases is \$12.53/Sq. Ft. and the weighted mean of the 2012 leases is \$13.33/Sq. Ft., all of which are supportive of the assessed rate of \$13/Sq. Ft. The Respondent sees no reason to categorize the subject property differently than the other 'C' class buildings and finds no reason to utilize any rate other than the typical rate applied.

**Board's Decision Reasons:**

[11] 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.

[12] In terms of the assessed office rental rate, the CARB is not convinced by the evidence of the Complainant that the subject property, based upon three lease renewals, is unable to generate the \$13/Sq. Ft. lease rate. The Assessor is mandated to utilize typical office rental rates for the property type being assessed and the CARB is of the judgment that, based upon an analysis of some 62 leases from 'C' class buildings, they have derived such a typical rate. Accordingly the assessed value is **confirmed**.

DATED AT THE CITY OF CALGARY THIS 29<sup>th</sup> DAY OF November 2013.



C. J. Griffin,  
Presiding Officer

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

<b>NO.</b>	<b>ITEM</b>
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.*

**For MGB Administrative Use Only**

Municipality: Calgary	Decision No. 72633/P-2013	Roll No:	<b>067068395</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>
Office	Downtown 'C' Office	M.V.	Capitalization Rate Office Rental Rate