



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:

Paddock Holdings 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:

ROLL NUMBER(S):	067080507
LOCATION ADDRESS:	805 – 8th Avenue SW
FILE NUMBER:	72648
ASSESSMENT:	\$16,410,000.

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. 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.

Property Description:

[1] According to the Property Assessment Summary Report (Exhibit C-1 pg. 15), the subject property is a 'C-' quality classified high-rise office building containing a total assessed office area of approximately 85,547 Sq. Ft. The building, which was constructed in 1957, is 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] \$ 16,410,000.

Complainant's Requested Value:

[4] \$ 12,320,000. (Exhibit C-1 pg. 28)

Board's Decision:

[5] The assessment is **confirmed** at: **\$16,410,000.**

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

[6] The Complainant provided (Exhibit C-1A pg. 20) a synopsis of the assessment parameters for the various classes of downtown located office buildings, noting that the assessor does not make a differentiation between the 'C' and 'C-' categories but suggested that an upward 0.25% adjustment to 5.75% for the capitalization rate for this category would be reasonable.

[7] The Complainant derives their requested 6.25% capitalization rate by adding a 0.50 "equity adjustment" to the 5.75% rate which they have suggested would be more appropriate for the 'C-' category of office building. To explain their "equity adjustment", the Complainant provides (Exhibit C-1B pg. 131) a copy of the City of Calgary Assessment *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] In terms of the second issue, the assessed office rental rate, the Complainant argued that the fact that the subject property has been classified as being a 'C-' building, then an adjustment from the 'C' category is justified. The Complainant introduced (Exhibit C1A- pgs. 74 & 75) a synopsis of the 59 leases utilized by the Assessor to derive the assessed typical rate of \$13/Sq. Ft., noting that no 'C-' buildings were included in the study. While the Complainant does not argue that the \$13/Sq. Ft. rate is appropriate for 'C' classed buildings, they maintain that logic would dictate that an adjustment should be made to account for the difference between the two categories.

Respondent's Position:

[9] The Respondent referred to their *2013 Downtown Office Capitalization Rate Summary* (Exhibit R-1 pg. 165), 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 5.88% 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 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.

[10] In terms of the assessed office rental rate, the Respondent referred the Board to their *2013 Downtown Office Rental Rate Analysis C & C- Class* (Exhibit R-1 pgs. 50 & 51) pointing out the weighted mean lease rate, based upon all leases analyzed, 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 noted that they found little differential in the lease rate between 'C' and 'C-' class buildings. Based upon all of the foregoing the Respondent requested that the CARB confirm the assessment.

Board's Decision Reasons:

[11] Referring to the *2013 Downtown Office Capitalization Rate Analysis*, 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 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.

[12] In terms of the assessed office rental rate, the CARB finds the Complainant has provided no evidence to support their contention that the 'C-' class of building warrants a lower office rental rate. While logic might suggest such a reduction is warranted, the CARB is more convinced by evidence, which, in this case, was not provided. The CARB does not agree with the Complainant's "equity adjustment" to the capitalization rate and finds that the Complainant has failed to provide sufficient evidence to convince the Board that a change is warranted. 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.*

For MGB Administrative Use Only

Municipality: Calgary	Decision No. 72648/P-2013	Roll No:	067080507
<u>Property Type</u>	<u>Property Sub-Type</u>	<u>Issue</u>	<u>Sub-Issue</u>
Office	Downtown 'C-' Office	M.V.	Capitalization Rate Office Rental Rate