



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:

Macleod Equities Inc. (as represented by Altus Group Limited), COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

***I. Weleschuk, PRESIDING OFFICER
R. Deschaine, BOARD MEMBER
B. Jerchel, 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:

ROLL NUMBER:	112001409
LOCATION ADDRESS:	6700 Macleod Tr. SE
FILE NUMBER:	73673
ASSESSMENT:	\$36,900,000

This complaint was heard on 16th day of September, 2013 at the office of the Assessment Review Board located at Floor Number 3, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 5.

Appeared on behalf of the Complainant:

- M. Cameron
- J. Weber

Appeared on behalf of the Respondent:

- M. Ryan
- L. Dunbar-Proctor

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

- [1] The Board noted the file includes a completed copy of the Assessment Review Board Complaint form and an Assessment Complaints Agent Authorization form.
- [2] Neither party objected to the members of the Board, as introduced, hearing the evidence and making a decision regarding this assessment complaint.

Preliminary Issues:

- [3] At the commencement of the hearing, the Complainant stated that the Respondent's evidence package was disclosed late, and asked that the Board not consider the Respondent's evidence. The Respondent acknowledged that the evidence package was provided after the disclosure period, apparently due to a clerical error.
- [4] The Board notes Section 8(2) of Matters Related to Assessment Complaints Regulation (MRAC) sets out the disclosure requirements for a complaint before a Composite Assessment Review Board. Section 9(2) of MRAC states that "...the Board must not hear any evidence that has not been disclosed in accordance with section 8." The direction offered in Section 9(2) is clear, and does not allow for any discretion to be applied by the Board. The Respondent acknowledges that their evidence was not disclosed within the time prescribed by Section 8(2) of MRAC. The Board concluded that the Respondent's evidence will not be considered by the Board. The Respondent may question the evidence presented by the Complainant and may present a closing statement. This was agreeable to both parties. The hearing proceeded on this basis.

Property Description:

- [5] The subject property is a multi-tenant high-rise office building located on the southeast corner of Glenmore Trail and Macleod Trail, in the Fairview Industrial District, also referred to as the Sovereign Centre. The building was constructed in 2001 and consists of 99,920 square feet (SF) of rentable area and 200 underground parking stalls, according to its 2013 Property Assessment Detail Report. The property is assessed as an A+ quality building, using a rental rate of \$22/SF, a 5% vacancy allowance, and capitalization rate of 6% to arrive at the 2013 Assessment of \$36,900,000. The rates used in the assessment are typical for the SW quadrant A quality office buildings. For assessment purposes, the municipality also applies the SW rates to office buildings located a block or two east of Macleod Trail in the area between Glenmore Trail and Fish Creek, referred to as the Macleod Trail Corridor. The subject is located in this "assessment corridor", therefore the SW income factors are applied to derive the assessment.

Issues:

- [6] The parties presented evidence on a number of topics. This Decision will address only the evidence and argument the Board considers relevant to the issues. The Complainant disputed the quantum of the 2013 assessment and raised the following issues.

1. What is the correct rental rate for assessment purposes?
2. Is the subject assessment equitable?

Complainant's Requested Value:

\$34,310,000

Board's Decision:

- [7] The Board reduces the 2013 Assessment to \$35,880,000.

Legislative Authority:

- [8] Section 4(1) of Matters Relating to Assessment and Taxation Regulation (MRAT) states that the valuation standard for a parcel of land is "market value". Section 1(1)(n) defines "market value" as the amount that a property, as defined in Section 284(1)(r) of the Act might be expected to realize if it is sold on the open market by a willing seller to a willing buyer. Section 467(3) of the Act states that an assessment review board must not alter any assessment that is fair and equitable, taking into consideration (a) the valuation and other standards set out in the regulations. The issues raised in the Complaint may refer to various aspects of the assessment or calculation of the assessed value, and may be addressed by the Board. However, the ultimate test that the Board must apply is whether the assessed value reflects the market value of the assessed property.

Issue 1: What is the correct rental rate for assessment purposes?**Complainant's Position:**

- [9] The Complainant's position is that the subject property is located in the south east quadrant, as evidenced by its municipal address of 6700 Macleod Trail SE. Therefore, the income approach factors applied to SE offices should be applied to the subject assessment, not the SW Office factors used to calculate the 2013 assessment. The Complainant stated that the City has no market evidence to demonstrate that office properties located east of Macleod Trail are achieving the same rents or sell in a market similar to office properties located west of Macleod Trail.
- [10] The Complainant presented subject leasing information indicating that 11,000 SF leased at a rate of \$20.50/SF commencing in July 1, 2012. Based on this lease, the Complainant requested a lease rate of \$20/SF. The Complainant also requested that the other SE A Quality Office rates be applied to calculate the assessment (4% vacancy is the only other difference between the SW A Quality Office rates and SE A Quality Office rates). Using a rental rate of \$20/SF and the other SE A Quality Office rates, the Complainant calculated the requested assessed value of \$34,310,000.
- [11] The Complainant presented a table of seventeen leasing comparables for SW A Quality Offices (page 38, Exhibit C1) which support the assessed rate of \$22/SF used by the City.
- [12] The Complainant presented a table of sixteen leasing comparables for SE A Quality Offices (page 40, Exhibit C1) which indicates a median of \$20.25/SF, mean of \$20.13/SF and weighted mean of \$19.51/SF, and supports the \$20/SF rental rate used by the City for these properties. The Complainant argued that this analysis supports the \$20/SF rental rate used to calculate the requested assessment, and the premise that the subject property is more correctly assessed as a SE A Quality Office.

Respondent's Position:

- [13] The Respondent stated that the corridor along Macleod Trail serves a similar market, regardless of whether the property is located on the east side or west side of Macleod Trail, therefore properties located along Macleod Trail are grouped into the same group for assessment purposes, and that this group reflects the rental rates being achieved by similar office properties located in the SW quadrant.

Findings of the Board on this Issue

- [14] The limited evidence presented (July 1, 2012 lease at \$20.50/SF) related to the rents being achieved by the subject property was insufficient for the Board to conclude that the subject property was more reflective of SE Quadrant A Quality Office properties, compared to SW Quadrant A Quality Office properties.

ISSUE 2: Is the subject assessment equitable?**Complainant's Position:**

- [15] The Complainant presented the Non-Residential Properties-Income Approach Valuation documents for six A Quality Office properties located in the SE quadrant (page 41-57, Exhibit C1) as equity comparables. These six equity comparables were all assessed at a rental rate of \$21/SF, 4% vacancy allowance and 6.00% capitalization rate. The Complainant argued that the subject property is not equitably assessed (at \$22/SF rental rate) compared to other A Quality office properties located in the SE quadrant.

Respondent's Position:

- [16] The Respondent argued that the subject assessment is equitable.

Findings of the Board on this Issue

- [17] Section 284 of the Act states that market value is the test applied to an assessment. Section 467(3) states that an assessment review board must not alter any assessment that is fair and equitable, taking into consideration valuation standards set out in regulations, procedures set out in regulations and the assessment of similar property in the same municipality. The municipality has the discretion to determine how to conduct its assessments, as long as the assessments reflect market value.
- [18] The Respondent did not provide any evidence showing that properties located in the "Macleod Trail corridor" achieve the same rents and revenues as A Quality office properties located across the SW quadrant.
- [19] The Board did not receive any evidence related to the market value of comparable properties to verify or support the assessed value or the requested assessment.
- [20] The only equity evidence available to the Board is the six equity comparables presented by the Complainant. On the basis of these six equity comparables, the Board concludes that the subject property should be assessed using the income approach factors applied to these six equity comparables. In other words, based on equity, the Board concludes that the appropriate rental rate is \$21/SF and the vacancy rate is 4%, with all other factors common between the SE and SW A Quality Office property assessment groups.

Board's Reasons for Its Decision

- [21] The Board concludes that the 2013 assessment is not equitable. Applying the SE A Quality Office income approach factors, the resulting assessment is calculated at \$35,880,000. The Board reduces the 2013 assessment to \$35,880,000.

DATED AT THE CITY OF CALGARY THIS 2 DAY OF October 2013.



Ivan Weleschuk
Presiding Officer

**DOCUMENTS PRESENTED AT THE HEARING
AND CONSIDERED BY THE BOARD:**

NO.	ITEM
1. C1	Complainant Disclosure

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

Subject	Type	Sub-Type	Issue	Sub-Issue
CARB	Office	Low rise	equity	Rental rate