

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:

Centre Eleven Capital Corp. (as represented by Altus Group Limited), COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

M. Axworthy, PRESIDING OFFICER

B. Bickford, BOARD MEMBER

P. McKenna, 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 2014 Assessment Roll as follows:

ROLL NUMBER: 057195901

LOCATION ADDRESS: 1121 Centre ST NW

FILE NUMBER: 74439

ASSESSMENT: \$15,100,000

This complaint was heard on 6 day of August, 2014 at the office of the Assessment Review Board located at Floor Number 4, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 3.

Appeared on behalf of the Complainant:

- *K. Fong, Agent*

Appeared on behalf of the Respondent:

- *S. Bazin, Assessor*
- *T. Neal, Assessor*

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

- [1] No procedural or jurisdictional matters were raised.

Property Description:

[2] The subject property is a 62,844 square foot (SF), low/high-rise office building with 5,283 SF of vacant retail space on the main floor and 92 enclosed parking stalls, located in the community of Crescent Heights. The subject was constructed in 1979 and is classified as "B" quality, with a Subproperty use code of CS0302 Suburban Offices. It is assessed using the Income Approach to value with rental rates ranging from \$11.00 to \$24.00 per SF, a vacancy rate of 3.00% and a cap rate of 7.00%.

Issues:

- [3] The only issues argued at the hearing were:

- a) the office space is inequitably assessed at \$16.00 per SF and should be assessed at a rental rate of \$13.00 per SF; and
- b) the space on the main floor is not retail space and should also be assessed at \$13.00 per SF.

Complainant's Requested Value: \$12,500,000

Board's Decision:

- [4] The Board reduces the assessment to \$12,910,000.

Legislative Authority, Requirements and Considerations:

[5] Under the Act Section 460.1(2) and subject to Section 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 460.1 (1)(a).

[6] The Board will limit its comments to the relevant facts pertaining to this case and materials which led to the decision.

Position of the Parties

Issue #1: Should the assessed office rental rate for the subject be reduced to \$13.00 per SF?

Complainant's Position:

[7] The Complainant stated that the subject is an average quality office building on Centre ST. NW and that it and three other nearby properties were incorrectly assessed and the office rental rate should be reduced from \$16.00 to \$13.00 per SF.

[8] In support of its request the Complainant provided a 2014 "B" Class Office Rental rate Study with 12 leases, in four nearby buildings on Centre ST. N, including six in the subject. The Study indicated a median rental rate of \$13.00 per SF and a weighted mean of \$13.00 per SF [C1, p. 43].

[9] The Complainant argued that this portion of Centre St. N performed differently than the balance of the NW quadrant as shown by its study, and assessed rental rates should be reduced to provide a more fair and equitable assessment of value in this economic zone.

[10] The Complainant stated that in its opinion, this portion of Centre ST N was different in function and character from the Kensington RD NW area from where a number of leases in the Respondent's 2014 Suburban Office Rental Analysis: B Quality were drawn [R1, p. 23].

Respondent's Position:

[11] The Respondent stated that the Complainant's 2014 "B" Class Office Rental Rate study was flawed as it contained three leases that commenced prior to the July 1, 2012 evaluation period and should be excluded from the study; and two leases that should have been included in the study but were not [R1, p. 21].

Note: the Respondent corrected an error on the lease information from 1121 Centre ST NW shown on p. 21 of R1, stating that the correct information for the subject (lease start date of 01 April 2013 and a leasable area of 2,996 SF) is provided on p. 23 of R1.

[12] In support of its assessed rental rate of \$16.00 per SF, the Respondent provided its 2014 Suburban Office Rental Analysis: B Quality, [R1, p. 23], which indicated a median rental rate of \$17.00 per SF, a weighted mean of \$15.05 and an assessed rate of \$16.00 per SF.

[13] The Respondent stated that it had looked at all the calculation parameters resulting from its 2014 Study and determined that \$16.00 was a middle value and chose to use it for the 2014 assessment.

[14] The Respondent stated that it disagreed with the Complainant and that in its opinion; this portion of Centre ST N was equivalent in pedestrian traffic and character to the Kensington RD NW area.

Board's Reasons for Decision:

[15] The Board is persuaded that this portion of Centre ST N performs differently in the market place than the balance of the "B" Quality Suburban Office space in the NW.

[16] In coming to this conclusion, the Board considered the Complainant's 2014 "B" Class Office Rental Study for this portion of Centre ST N, removed the three dated leases that the Respondent objected to and added the two leases that the Respondent identified as missing from the Complainant's study. This calculation produced a median rental rate of \$13.00 per SF and a weighted mean of \$13.30 per SF.

[17] Therefore, the Board finds that the typical rental rate for the subject is less than the assessed rental rate of \$16.00 per SF and reduces the assessed rental rate for the subject to \$13.00 per SF.

[18] The Board reduces the assessment to \$12,910,000.

Issue #2: Should the space on the main floor of the subject be classified as retail space or office space?**Complainant's Position**

[19] The Complainant stated that the City of Calgary's (The City's) criteria for determining retail (CRU) space in an office building was that the space has direct access to the street. The Complainant stated that the space is currently vacant and is best suited for office use as it has a large step up to the building face, making it difficult to access.

[20] The Complainant argued that the space on the main floor did not have an exterior door that provided direct access to Centre ST NW and should therefore not be classified and assessed as retail space at \$19.00 per SF. It should be classified as office space and assessed at the requested office rental rate of \$13.00 per SF.

[21] In support of its argument, the Complainant provided a photograph of four windows in the subject space [C1, p. 18] and stated that it had visited the subject building and could find no direct, exterior access to Centre ST NW.

Respondent's Position

[22] The Respondent stated that it has also visited the subject site and stated that the building did contain direct access to Centre ST NW. The Respondent stated that this space had been previously occupied by Mykonos restaurant which had direct, exterior access to Centre ST NW and required this access given the nature of its business which operated during hours when the office building was closed.

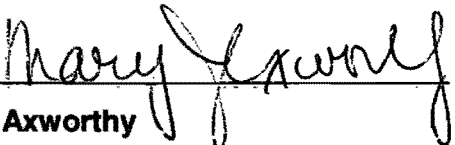
[23] In support of its argument, the Respondent provided a photograph of the entire CRU space, showing eight windows and another section of glazing with a "header" that indicates the presence of a doorway with direct, exterior access to Centre ST NW.

Board's Reasons for Decision:

[24] The Board finds that the photograph provided by the Respondent indicates that the

subject has direct, exterior access to Centre ST NW and is therefore retail space with an assessed rental rate of \$19.00 per SF.

DATED AT THE CITY OF CALGARY THIS 18 DAY OF August 2014.


M. Axworthy
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.*

For Administrative Use Only

Municipal Government Board use only: Decision Identifier Codes				
Appeal Type	Property Type	Property Sub-Type	Issue	Sub-Issue
CARB	Office	Suburban Office	Rental rate	