



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:

***Cominar AB Real Estate Holdings Inc.
(represented by Altus Group), COMPLAINANT***

and

The City Of Calgary, RESPONDENT

before:

***Ms. V. Higham, PRESIDING OFFICER
Mr. J. Kerrison, BOARD MEMBER
Mr. J. Massey, BOARD MEMBER***

This is a complaint to the Calgary Assessment Review Board (the Board) in respect of a property assessment prepared by the Assessor of The City of Calgary (the City) and entered in the 2014 Assessment Roll as follows:

ROLL NUMBER:	101049401
LOCATION ADDRESS:	6227 2 Street SE Calgary, Alberta
FILE NUMBER:	75366
ASSESSMENT:	\$8,350,000

This complaint was heard on August 13, 2014 at the office of the Calgary Assessment Review Board located at 1212 – 31 Avenue NE, Calgary, Alberta, 4th Floor, Boardroom 5.

Appeared on behalf of the Complainant:

- **Mr. B. Neeson** **Agent, Altus Group**

Appeared on behalf of the Respondent:

- **Mr. R. Tharakan** **Assessor, City of Calgary**
- **Mr. M. Ryan** **Assessor, City of Calgary**

Procedural or Jurisdictional Matters:

- [1] Neither party objected to the composition of the Board as introduced at the hearing.
- [2] The Board notes an executed Agent Authorization Form present in the file.
- [3] All disclosure materials were received in a timely fashion.
- [4] No preliminary issues were raised by either party.

Property Description:

[5] The subject is assessed as a B quality, low rise, single storey suburban office property (CS0302), located at 6227 2 Street SE on 2.37 acres of land. The parcel is improved by two buildings comprising 30,554 and 13,736 square feet (sf) of space respectively. The property is assessed on the income approach to value utilizing a combined office space of 44,290 sf, with an applied rental rate of \$16 per square foot (psf), and a capitalization (cap) rate of 7% (not under complaint).

Issues:

[6] The Complainant identified one matter on the Complaint Form as under complaint, being the assessment amount. At the hearing, the Complainant confirmed his requested assessed value as noted on the Complaint Form (\$7,780,000), and raised the following sole issue for the Board's consideration:

- 1) What is the appropriate rental rate psf to apply to the subject property: the assessed \$16 or the requested \$15?

Complainant's Requested Value: \$7,780,000

Board's Decision: The Board varies the subject assessment from \$8,350,000 down to a truncated value of **\$7,780,000**.

Legislative Authority, Requirements and Considerations:

[7] A Composite Assessment Review Board (CARB) derives its authority from the Act, section 460.1, which reads as follows:

- (2) 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 (1)(a).

Section 293 of the Act requires that:

- (1) In preparing an assessment, the assessor must, in a fair and equitable manner,
 - (a) apply the valuation and other standards set out in the regulations, and
 - (b) follow the procedures set out in the regulations.

Sections 2 and 4 of the *Matters Relating to Assessment and Taxation Regulations* (the MRAT) state:

- (2) An assessment of property based on market value
 - (a) must be prepared using mass appraisal,
 - (b) must be an estimate of the value of the fee simple estate in the property, and
 - (c) must reflect typical market conditions for properties similar to that property.
- 4(1) The valuation standard for a parcel of land is
 - (a) market value, or
 - (b) if the parcel is used for farming operations, agricultural use value.

Position of the Parties

Issue #1: What is the appropriate rental rate psf to apply to the subject property: the assessed \$16 or the requested \$15?

Complainant's Position:

[8] The Complainant submitted a rental study analysing 16 leases of B quality properties (four within the subject building), with median/mean rates of \$15 and \$15.63 psf respectively, over a 24 month period dating back from the July 1, 2013 valuation date. The Complainant based his request of \$15 psf on the median of this analysis.

[9] The Complainant argued that his lease comparables (comps) were all within the Manchester Industrial district, in relative close proximity to the subject, certainly within the same economic zone.

[10] The Complainant further argued that 19 of the City's lease comps (six at 200 Rivercrest Drive SE, and 13 at 5920 Macleod Trail SW) ought to be excluded from consideration, since the Rivercrest property is a two-storey building located far from the subject in a manifestly different economic district, and since properties on Macleod Trail pay a premium to operate on that commercially appealing corridor.

Respondent's Position:

[11] The Respondent submitted the City's rental study analysing 42 leases of B quality properties in the south east-and-west, with median/mean/weighted mean rates of \$16, \$15.80 and \$16.50 psf respectively, over a one year period dating back from the July 1, 2013 valuation date.

[12] The Respondent included nine of the Complainant's lease comps in the City's study (seven in 5920 1A Street SE, 111 58 Avenue SE, and 6020 1A Street SW), but noted that the Complainant's four subject leases executed between August and December of 2011 were not included in the City's 2014 study, since they occurred outside the one year valuation period utilized by the City (and were used in the City's 2013 study).

[13] Thus, the Respondent argued that the City's data set is more current and reliable than the Complainant's, representing a larger sample of comparable properties whose physical characteristics and amenities better resemble the subject.

[14] The Respondent also submitted a map noting the location of each property used in the City's study relative to the subject, identifying a relatively tight geographic cluster surrounding the subject parcel (excepting the Rivercrest Drive property).

[15] Finally, the Respondent submitted CARB decision 75367P-2014, confirming a complaint of a suburban office property in the same Manchester Industrial area as the subject, wherein the Respondent submitted the identical 2014 Suburban Office Rental Rate Analysis for B quality SE properties used by the Respondent in the subject hearing.

BOARD'S FINDINGS AND REASONS:

[16] The Board finds that the appropriate rental rate to apply to the subject is the requested \$15 psf, based on the mean of the 37 most comparable leases submitted by both parties.

[17] The Board excluded all of the Complainant's 2011 leases, (four in the subject property and two in 6020 1A Street SE) as being dated, given the large data set of recent leases available within the one year valuation period utilized by the City.

[18] The Board also excluded all six of the Respondent's leases in the Rivercrest Drive property, since this building is geographically too distant from the subject as to be reasonably comparable. Additionally, the Board included the 13 Macleod Trail properties, since the Complainant presented no evidence of how the purported premium paid for Macleod Trail exposure warrants exclusion of all lease comps on that street (five of these 13 comps had rates of \$12, \$12.50, \$15, and two at \$16 psf, certainly comparable to the Complainant's request).

[19] The Board analysed the remaining 37 lease comps (including nine common to both studies, as well as one unique lease from the Complainant at 5980 Centre Street SE), with median/mean rates of \$15 and \$15.56 psf respectively, supporting the Complainant's requested \$15 psf rate.

Conclusion:

[20] Thus, the Board finds that the best indicator of market value for the subject property is derived by applying the requested \$15 psf rental rate to the subject's assessable area of 44,290 sf for the two buildings combined (plus non-contested income factors of 7% cap rate, 9% vacancy rate, \$13.50 operating costs, and 1% non-recoverable), resulting in a truncated value of \$7,780,000.

Board's Decision:

[21] For reasons outlined herein, the Board varies the subject assessment from \$8,350,000 down to a truncated value of **\$7,780,000**.

DATED AT THE CITY OF CALGARY THIS 19th DAY OF September 2014.



V. Higham, Presiding Officer

APPENDIX "A"

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

NO.	ITEM
1. C1	Complainant's Disclosure
2. R1	Respondent's 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 – Roll Number 101049401

Municipal Government Board Use Only: Decision Identifier Codes				
Municipality/Appeal Type	Property Type	Property Sub-Type	Issue	Sub-Issue
Calgary CARB	Office	Low Rise	Income	Net Market Rent/Lease Rate