



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:

***IVG-DUNDEE BELTLINE CENTRE HOLDINGS INC.,
(represented by Altus Group), COMPLAINANT
and***

The City Of Calgary, RESPONDENT

before:

***M. CHILIBECK, PRESIDING OFFICER
D. MORICE, BOARD MEMBER
R. KODAK, 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: 201098431

LOCATION ADDRESS: 227 - 11 AV SW

FILE NUMBER: 75674

ASSESSMENT: \$174,440,000.

This complaint was heard by the Composite Assessment Review Board (Board) on 24th day of July, 2014 in Boardroom 3 on Floor Number 4 at the office of the Assessment Review Board located at 1212 – 31 Avenue NE, Calgary, Alberta.

Appeared on behalf of the Complainant:

- *D. Chabot, Agent of Altus Group*

Appeared on behalf of the Respondent:

- *C. Fox, Property Assessor of the City of Calgary*

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

[1] Neither party raised any objections to any member of the Board hearing the subject complaint.

[2] Neither party raised any procedural or jurisdictional matters.

Preliminary Matter(s):

[3] Neither party raised any preliminary matters.

Property Description:

[4] The subject property is an improved parcel of commercial land with 106,136 square feet (sq. ft.) and a land use designation of Centre City Mixed Use. The property is developed with three high-rise quality AA buildings and contain 108,093, 126,429 and 123,935 sq. ft. The buildings were constructed in 2008, 2008 and 2002 respectively.

[5] The property is comprised of 3,790 sq. ft. of retail space, 353,518 sq. ft. of office space, 1,148 sq. ft. of storage space and 349 underground parking stalls.

[6] The property is located at the northeast corner of 12 AV and 2 ST in the Beltline community located in the southwest quadrant of the City of Calgary.

Issues:

[7] The Complainant identified the matter of the assessment amount under complaint on the complaint form and attached a schedule listing several reasons (grounds) for the complaint. At the outset of the hearing the Complainant identified the following issues:

1. The office space of the subject property should be assessed at \$23 per sq. ft. rather than \$25 per sq. ft.

Complainant's Requested Value: \$161,840,000.

Board's Decision:

[8] The Board confirmed the assessment at **\$174,440,000.**

Legislative Authority, Requirements and Considerations:

[9] The Composite Assessment Review Board (CARB) derives its authority from Part 11 of the Act:

S.460.1(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).

[10] For purposes of the hearing, the CARB will consider Part 9, Division of the Act:

S.293(1) In preparing the 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.

[11] The Matters Relating to Assessment and Taxation Regulation (MRAT) is the regulation referred to in section 293(1)(b) of the Act. The CARB consideration will be guided by MRAT, Part 1, Standards of Assessment, Mass Appraisal:

S.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.

Assessment Background:

[12] The subject property is located in sub-market area of Beltline 2 (BL2) and assessed utilizing the capitalized income method with an office rental rate of \$25 per sq. ft.

Position of the Parties

1. Office Rental Rate

Complainant's Position:

[13] A 2014 Office-AA Beltline rental Rate analysis was provided of 11 lease rate comparables from three buildings with a weighted average rate of \$23.18 in support for the request of \$23 per sq. ft. (C1P18).

[14] The lease rates range from \$20 to \$33 per sq. ft. and the lease commencement dates range from 01/01/2012 to 04/01/2013.

[15] A second analysis of the 11 comparables was provided separating those leases with less than 10,000 sq. ft. and those leases with more than 10,000 sq. ft. showing the weighted average rate of \$27.68 and \$22.67 per sq. ft. respectively. The Complainant argued that because of the large area of the buildings, the size of the floor area and their recent construction, it is typical to lease large areas that span a full floor or more. Therefore the lease rates for the larger spaces (greater than 10,000 sq. ft.) should be given more weight in the valuation of the subject property.

[16] The Complainant referenced a Calgary LARB decision on business assessment and a Municipal Government Board decision on property assessment regarding the use of a weighted average rate and noted that the Respondent used the weighted average rate in their analysis (C1P29).

[17] In rebuttal, the Complainant argued the CBRE (Calgary Board of Education) lease comparable at 1221-8 ST SW should be removed from the analysis because it is a sublease and as such is not at market. This assertion was supported with a Calgary CARB decision on business assessment. The Complainant asserted the Respondent typically does not include sub-leases in their analysis.

[18] The Complainant drew the Board's attention to the Respondent's analysis of several classes of 2014 office rates in the beltline and downtown Calgary in support of their position that the weighted mean rate should be used as the typical assessed rate. This assertion was supported with two Calgary LARB decisions on business assessment.

Respondent's Position:

[19] The Respondent provided an analysis of nine lease rate comparables from four buildings with a median rate of \$27, mean rate of \$26.78 and weighted mean rate of \$22.93 per sq. ft. in support of the assessed rental rate of \$25 per sq. ft.

[20] The lease rates range from \$20 to \$33 per sq. ft., the lease commencement dates range from 07/01/2012 to 04/01/2013 and the leased areas range from 2,377 to 76,455 sq. ft.

[21] The Respondent asserted the recent lease rates of the subject support the assessed rate (R1P18) and the actual NOI on the Income Statement (R1P33) is greater than the assessed NOI (R1P10). This indicates the subject's assessment is conservative, not excessive.

[22] In this case, the median rate was used rather than the weighted mean rate because of the one large leased area of 76,455 sq. ft. The weighted mean gives more weight to the larger leased spaces whereas the median rate gives the middle rate of the range of rates.

Board's Reasons For Decision

[23] The Board accepts the premise that the weighted mean rate places more weight on the larger leased areas and the use of a median rate places equal weight on the various leased areas. The use of either is dependent on the array of leased areas; it would be preferable to have the spread of leased areas closer together rather than farther apart.

[24] In this case both parties used one leased area of 76,455 sq. ft. at \$20 per sq. ft. with start date of December, 2012, which is significantly larger than the others in their analysis and the Complainant used another leased area of 73,414 sq. ft. at \$25 per sq. ft. with a start date of May, 2012. Both of these leased areas are from one building and account for 60% of the Complainant's leased area under analysis and the leased area common to both parties accounts for 53% of the Respondent's leased area under analysis. This indicates to the Board the rate could be in the range of \$20 to \$25 per sq. ft.

[25] The Board finds that the other lease rates used by both parties, of which six are in common with both parties, support the rate at \$25 per sq. ft.

[26] The Board finds the median lease rate for the Complainant's analysis of 11 leased areas to be \$25 per sq. ft. versus their weighted average of \$23.18 per sq. ft. versus the Respondent's median of \$27 and weighted mean (average) of \$22.93 per sq. ft. of nine leased areas. The assessed rate falls within both ranges.

[27] Also, the Board was persuaded by the Respondent's analysis which shows the median at \$27 and the weighted mean at \$22.93 per sq. ft. and the Board finds the average of these two rates is \$24.97 per sq. ft. which supports the assessed rate of \$25 per sq. ft.

[28] The Board finds the Respondent's analysis persuasive as it shows that the assessed rate was tempered by using the average of the weighted mean and the median rates. This indicates that the large leased areas were given more weight than the small leased areas.

[29] Based on the foregoing reasons, the Board's decision is to confirm the assessment.

DATED AT THE CITY OF CALGARY THIS 25 DAY OF AUGUST 2014.



M. CHILIBECK

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
3. C2	Complainant's Rebuttal

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.*

CARB Identifier Codes

Decision No. 75674P-2014			Roll No. 201098431	
<u>Complaint Type</u>	<u>Property Type</u>	<u>Property Sub-Type</u>	<u>Issue</u>	<u>Sub-Issue</u>
CARB	Office	Low-Rise	Income Method	Rent Rate

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