



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:

***First Capital Holdings (ALB) Corporation (as represented by Altus Group),
COMPLAINANT***

and

The City Of Calgary, RESPONDENT

before:

***Board Chair, J. Zezulka
Board Member, P. Pask
Board Member, J. Lam***

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: 200775286

LOCATION ADDRESS: 815 - 17 Avenue SW

FILE NUMBER: 75907

ASSESSMENT: \$37,700,000

This complaint was heard on the 14th day of July, 2014 at the office of the Assessment Review Board located at Floor Number 4, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 1.

Appeared on behalf of the Complainant:

- *A. Izard, Agent, Altus Group*
- *K. Fong, Agent, Altus Group*

Appeared on behalf of the Respondent:

- *H. Yau, Assessor, City of Calgary*

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

[1] There were no procedural or jurisdictional matters raised by either party.

Property Description:

(2) The subject is a retail office building, referred to as Mount Royal Block, located in the Beltline district of SW Calgary. The building contains 49,567 square feet (s.f.) of rentable space. The building was built in 2006 and is classified as an "AA" office building. There are 146 underground parking stalls in the development. The assessable land area is 0.62 acres.

Issues:

(3) The property is currently being assessed by the income approach. The Complainant does not dispute the method of valuation. However, the Complainant brought two issues before the Board.

(4) There are 25,456 s.f. of office space assessed at \$25.00 per s.f. The Complainant is requesting that this rent be reduced to \$22.00 per s.f.

(5) The current vacancy rate applied to the office space is 1.0 per cent. The Complainant contends that either 2.0 or 5.0 per cent is more appropriate.

Complainant's Requested Value: \$35,680,000

Board's Decision:

(6) The assessment is reduced to \$37,520,000.

Legislative Authority, Requirements and Considerations:

(7) This Board derives its authority from section 460.1(2) of the Act.

(8) Section 2 of Alberta Regulation 220/2004, being the Matters Relating to Assessment and Taxation Regulation (MRAT), states as follows;

"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"

(9) Section 467(3) of the Act states;

"An assessment review board must not alter any assessment that is fair and equitable, taking into consideration

(c) the assessments of similar property or businesses in the same municipality."

(10) For purposes of this Complaint, there are no extraneous requirements or factors that require consideration.

(11) The Board notes that the assessment has increased from \$25,910,000 in 2013, to \$37,700,000 in 2014. The increase is 45.5 per cent over one year.

Position/Evidence of the Parties

Issue 1; Office space rental rate

(12) In support of the request, the Complainant submitted the City's 2014 Office-AA and Office-A2 Beltline Rental Rates analyses (pages 114 and 115 of C-2). Those analyses produced the following results;

	<u>AA office rates</u>	<u>A2 office rates</u>
Median	\$25.83	\$21.11
Mean	\$26.17	\$19.92
W. Mean	\$22.91	\$24.16
Assessed	\$25.00	\$24.00

(13) The point of the Complainant's argument was that the City's practise was inconsistent, since the City adopted the mean and median as the typical rent for the AA class office space, but adopted the weighted mean for the A2 office rates. The Board notes that in both instances, the City adopted the higher of the available options.

(14) In addition, the Complainant demonstrated that one of the City's comparables, being the Board of Education building at 1221 - 8 Street SW, contained a retail component that distorts the rate upwards. Removing that comparable produced a median and mean rent of \$24.66 and \$25.52 for the AA class office space. The weighted mean reduces to \$21.84 per s.f.

(15) The Respondent produced the same rent comparables previously submitted by the Complainant. The Respondent argues that the mean and median rents are distorted downward by a comparable at 140 - 10 Avenue SW. That space is a 76,433 s.f. space that reflects a rent of \$20.00. The City contends that the rent is lower than typical because of the overall size of the bay, and should (perhaps) be excluded from the analysis.

(16) The Assessment Request For Information form (ARFI) submitted for the subject (page 24 of R1) indicates that the subject is achieving rents of \$28.00 per s.f. or higher for all of the space within the building, including the office space.

Issue 2; Vacancy

(18) The comparable data submitted by the Complainant (page 133 of C-2) contained seven properties that reflected an overall vacancy of 1.62 per cent, which was rounded to 2.0 per cent.

(19) The Respondent produced a vacancy chart on page 18 of R-1, containing six properties that showed an overall vacancy of 1.01 per cent. The properties used in the vacancy charts are common to both parties, except that the City's analysis excluded the Hanson Square property at 909 - 17 Avenue SW.

(20) The City agreed that the Hanson Square property should have been included in the vacancy analysis.

Findings and Reasons for Decision:**1. Office Space Rental Rate**

(21) Both parties to the hearing used essentially the same rent data to arrive at different conclusions. Even if the sub-lease in the Calgary Board of Education building is excluded, the median and mean rental rates are \$24.66 and \$25.52, which still bracket the assessed rate.

(32) The rent comparables submitted provide good support of the City's assessed rent for the office space. On this issue, the Board finds for the Respondent.

2. Vacancy

(23) The Board agrees with both the Complainant, and the Respondent that the Hanson Square property should have been included in the City's vacancy analysis. The Board accepts 2.0 per cent as the appropriate vacancy allowance.

(24) With the revised vacancy, the assessment is reduced to \$37,520,000.

DATED AT THE CITY OF CALGARY THIS

28th

DAY OF July, 2014.

Presiding Officer



Jerry Zezulka

APPENDIX “A”

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

NO.	ITEM
1.	C1 Complainant Disclosure
2.	C3 Complainant Rebuttal (from 76066)
3.	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

Decision No. CARB 75907P/2014			Roll No. 200775286	
<u>Subject</u>	<u>Type</u>	<u>Issue</u>	<u>Detail</u>	<u>Issue</u>
CARB	Retail office	Market Value	Income Approach	Rental Rate & vacancy