

~~21.9.51~~  
28, 1951  
In the Privy Council

No. 31 of 1950.

**ON APPEAL**  
FROM THE SUPREME COURT OF CANADA.

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BETWEEN

THE CITY OF MONTREAL - - - - - *Appellant*

AND

SUN LIFE ASSURANCE CO. OF CANADA - - - - - *Respondent.*

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RECORD OF PROCEEDINGS—Vol. 1

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BLAKE & REDDEN,  
17 Victoria Street,  
Westminster, S.W.1,  
*Solicitors for the Appellant.*

LAWRENCE JONES & CO.,  
Winchester House,  
Old Broad Street,  
London, E.C.2,  
*Solicitors for the Respondent.*

UNIVERSITY OF LONDON  
W.C.1.

12 NOV 1956

INSTITUTE OF ADVANCED  
LEGAL STUDIES

45268

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DOMINION OF CANADA

# In the Supreme Court of Canada

(OTTAWA)

---

On Appeal from a judgment of the Court of King's Bench.

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10 BETWEEN:—

**SUN LIFE ASSURANCE CO. OF CANADA,**

Petitioner before the Board of Revision;  
Plaintiff-Appellant in the Superior  
Court;  
Appellant-Respondent in the Court of  
King's Bench, Appeal Side,

20

**APPELLANT,**

— and —

30

**THE CITY OF MONTREAL,**

Respondent before the Board of  
Revision;  
Respondent in the Superior Court;  
Appellant-Respondent in the Court of  
King's Bench, Appeal Side,

40

**RESPONDENT.**

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## JOINT CASE

**VOL. I —PROCEEDINGS BEFORE THE BOARD OF REVISION  
AND IN THE SUPERIOR COURT, (Page 1 to XXX).  
COMPLAINANT'S EVIDENCE (Page 1 to 197).**

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**PART I**

**Proceedings before the Board of Revision**

10

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*3 Letters signed F. J. Cunningham, Secretary of Sun Life Ass.  
Co. of Canada to the Chief Assessor, City Hall,  
dated Dec. 2 and 18th 1944, Aug. 8th 1942.*

**SUN LIFE ASSURANCE COMPANY OF CANADA**

Montreal, December 2, 1941.

20

*Via Registered Mail*

Chief Assessor,  
City Hall,  
Montreal, Que.

Dear Sir:-

30 The Sun Life Assurance Company of Canada hereby complains of and protests against the valuations of its Head Office building and the power house connected therewith, being items numbered 140,896 (Metcalf Street) and 140,942 (Mansfield Street) respectively, in St. George Ward as they appear in the Valuation Roll just completed and deposited.

Will you please see that I am advised in good time of when this complaint will be considered by the Board of Revision.

Please acknowledge this letter.

40

Yours very truly,

(Sgd) F. J. Cunningham,  
Secretary.

---

SUN LIFE ASSURANCE COMPANY OF CANADA

Montreal, December 18th, 1941.

10

*By Messenger*

Chief Assessor,  
City of Montreal,  
City Hall,  
Montreal, Que.

Dear Sir:-

Referring to and supplementing our written complaint of  
December 2nd, 1941 against the valuations appearing on the  
20 Valuation Roll of December 1st, 1941 of the Head Office Building and Power House of the Sun Life Assurance Company of Canada, being items No. 140,896 (Metcalf Street) and No. 140,942 (Mansfield Street) respectively, in St. George's Ward, which complaint was duly acknowledged by you by letter dated the 3rd inst., we hereby beg to advise that this Company contends that the proper valuations of its properties which ought to have been entered in the said Valuation Roll are as follows:—

- 30
1. For the Metcalfe Street property (No. 140,896)  
\$8,330,600.
  2. For the Mansfield Street property (No. 140,942)  
\$102,600.

This Company will therefore claim a reduction of the said valuations to the said amounts on its forthcoming appeal.

40 This letter is written under reserve of all legal objections which the Company may raise with regard to the said Valuation Roll in general or the legality or jurisdiction of the Board of Revision.

Kindly acknowledge receipt.

Yours faithfully,

(Sgd) F. J. Cunningham,  
Secretary.

SUN LIFE ASSURANCE COMPANY OF CANADA

Montreal, August 8, 1942.

10

*Via Registered Mail*

Chief Assessor,  
City Hall,  
Montreal, Que.

Dear Sir:-

20 The Sun Life Assurance Company of Canada hereby complains of and protests against the rental value in respect of its own occupancy of its Head Office Building and the Power House connected therewith. The items under protest are shown on the bills issued for the period April 9th 1942 to July 9th 1942, numbered respectively 15160 and 15161. Although these bills are in connection with water tax only, our protest applies also against the increased rental value in respect of business tax.

30 Will you please see that I am advised in good time of the date on which this complaint will be considered by the Board of Revision.

Please acknowledge this letter.

Yours very truly,

(Sgd) F. J. Cunningham,  
Secretary.

40

---

SUN LIFE ASSURANCE COMPANY OF CANADA

*Letter signed D. Macaulay, for Secretary of Sun Life Ass. Co.  
of Canada to the Chief Assessor, City Hall, Aug. 19, 1942.*

10

Montreal, August 19, 1942.

*By Messenger*

Chief Assessor,  
City of Montreal,  
City Hall,  
Montreal, Que.

20 Dear Sir:-

Referring to and supplementing our written complaint of August 8th 1942 against the rental value for business and water taxes in respect of our occupancy of our Head Office Building and the Power House connected therewith, which complaint was duly acknowledged by you by letter dated August 17th 1942, we hereby beg to advise that this Company contends that the assessed rental values which ought to have been entered in your Roll are as follows:

30

1. For our Head Office Building, \$634,415 instead of \$704,960.
2. For the Power House, \$5,130. instead of \$26,000.

This Company will therefore claim a reduction of the said rental value to the said amounts on its forthcoming appeal.

40

Kindly acknowledge receipt.

Yours faithfully,

(signed) D. Macaulay,  
for Secretary.

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SUN LIFE ASSURANCE COMPANY OF CANADA

*Letter signed H. McAuslane, Supt. of Real Estate to the Chief Assessor, City Hall, dated Aug. 20th, 1942.*

10

Montreal, August 20, 1942.

*By Messenger*

Chief Assessor,  
City of Montreal,  
City Hall,  
Montreal, Que.

20 Dear Sir:-

In our letter of August 19th, we quoted the figures which we contend should be entered in your Roll in respect of the assessed rental values for our Head Office Building and the Power House connected therewith.

30 Obviously, the figures quoted therein in respect of the Head Office Building include the assessments for both the Sun Life Assurance Company of Canada and the tenants, and since the tenants are billed directly by the City in respect of business tax, the figures referred to naturally apply to the water tax bill only.

Will you please note, therefore that our contention regarding the assessed rental value for business tax for our Company should be:

For our Head Office Building, \$352,035 instead of \$421,580.

40 Kindly attach this letter to our letter of August 19th and acknowledge its receipt.

Yours faithfully,

(signed) H. McAuslane,  
Superintendent of Real Estate.

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JOINT ADMISSION OF THE PARTIES

The parties hereto by the undersigned their respective Attorneys, under express reserve of the right to object to the relevancy thereof at the hearing of this case, hereby admit the following facts:—

*A.—Questions asked by the Respondent*

1. The cost of the Complainant's head office building up to April 30th, 1941, including all capital expenditures to that date, but excluding the cost of land, was \$20,627,873.92. The foregoing figure includes Architectural and Engineering fees, but no taxes or interest during construction.

20

2. (a) Excavation for the construction of the Complainant's original head office building, situated at the corner of Metcalfe and Dorchester Streets was commenced in the month of June 1913 and the said building was completed and occupied in the months of January, February and March 1918.

(b) Excavation for the construction of the first extension of the said head office building, carrying the same to Mansfield Street was commenced in the summer of 1922 and the said first extension was completed and occupied in December 1925.

30

(c) Excavation for the construction of the second extension of the said head office building was commenced in May 1927 and the structural portion thereof was completed by December 1930. Partial occupation commenced in 1929 and certain of the upper floors have been completed from time to time since.

3. The amounts spent per year on the construction of the said head office building, making up the total of \$20,627,873.92 (including costs of demolition, removal, reconstruction and making good occasioned by the aforesaid extensions) are as shown in the statement hereto annexed as Schedule "A" to form part hereof.

40

4. The amount spent on construction of the said head office building from April 30th to December 1st, 1941, was \$58,713.70.

5. The cost of completing the power house for the said head office building and of the equipment for the said power

— VIII —

house exclusive of the cost of land was \$709,257.14. The foregoing figure includes Architectural and Engineering fees, but no taxes or interest during construction.

6. Excavation for the construction of the said power house was commenced in November 1928, boilers were first inspected  
10 and steam used in October 1929 and the structure was completed in March 1930.

7. The only addition or modification to the power house, plant and equipment since completion was a ladder added to the stack in the year 1938 at a cost of \$154,00.

8. The floor area exclusive of corridors for each floor of the said head office building including the basements is as shown in the statement annexed hereto as Schedule "B" to form part  
20 hereof.

9. The floor area on each floor occupied on December 1st, 1941, by the Complainant Company and by tenants was as shown in the said Schedule "B".

10. The unoccupied floor area of finished rentable space and of unfinished space for each floor including basements as at December 1st, 1941, was as shown in the said statement Schedule  
30 "B".

11. The Complainant Company's tenants on December 1st, 1941, the floor area occupied by each tenant on each floor including the basements and the annual rental in respect thereof were as shown on the statement hereto annexed as Schedule "C" to form part hereof.

12. The gross rental receipts for each tenant and each floor including the basements for the year 1941, to wit. the Complainant Company's last financial year, were as shown in the said  
40 schedule "C".

13. Concessions or free space in the said head office building together with the occupants concerned and the area occupied are shown in the statement annexed hereto as Schedule "D" to form part hereof.

14. The yearly rental actually charged to the Complainant Company for the years 1937 to 1941 inclusive, as appearing in the books of the Company, in the Company's annual statements and

in statements supplied to the Superintendent of Insurance for the Dominion of Canada, for the floor space occupied by it per floor, including the basements and the totals thereof were as shown in the statement annexed hereto as Schedule "E" to form part hereof.

10        15. The cubic content of the said head office building and of the said power house (exclusive of tunnel under Mansfield Street) is 21,931,761 cubic feet and 549,396 cubic feet respectively.

16. The amounts shown under the respective headings of Book Value and Market Value in the Company's annual general statements and in the Company's returns to the Superintendent of Insurance for the Dominion of Canada for the years 1914 to 1941 inclusive were as set forth in the statement hereto annexed as Schedule "F" to form part hereof.

20

*B.—Questions asked by the Complainant.*

17. The date of erection and cubic content of the buildings enumerated in the statement annexed hereto as Schedule "G" to form part hereof are as shown in the said statement.

18. The annual assessed values and assessed rental values, as shown in the records of the City of Montreal, of the buildings enumerated in the statement annexed hereto as Schedule "H" to form part hereof for the years therein set out are as shown in the said statement.

30

19. The percentage of owner occupancy to total rentable space as at the 1st December, 1941, for the buildings enumerated in the statement annexed hereto as Schedule "I" to form part hereof were as shown in the said statement.

Dated at Montreal this 17th day of March 1943.

40

Montgomery, McMichael, Common & Howard,  
Attorneys for Complainant Sun Life  
Assurance Company of Canada.

Saint-Pierre, Choquette, Berthiaume, Emard,  
Martineau, McDonald & Seguin,  
Attorneys for Respondent City of Montreal.

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SCHEDULE "A"

SUN LIFE BUILDING — MONTREAL

10 *Amounts spent on construction of Head Office Building*

	1913	\$126,794.02
	1914	524,183.22
	1915	200,465.20
	1916	350,416.74
	1917	596,634.21
	1918	444,584.06
	1919	64,279.22
	1920	24,643.34
20	1921	49,451.77
	1922	— 7,963.46
	1923	280,933.92
	1924	603,927.50
	1925	764,022.12
	1926	253,774.89
	1927	219,701.47
	1928	1,775,710.92
	1929	3,063,802.54
	1930	6,510,749.83
30	1931	3,207,452.79
	1932	589,543.95
	1933	194,609.58
	1934	45,045.50
	1935	43,693.34
	1936	62,707.18
	1937	22,634.96
	1938	89,065.68
	1939	101,330.51
	1940	421,719.33
40	1941 (to April 30th)	3,959.59
		<hr/>
		\$20,627,873.92
		<hr/>

SCHEDULE "B"      SUN LIFE BUILDING, MONTREAL.      Rentable Areas (see "Remarks").

Floor	Company	Occupied		Unoccupied		Sun Life Total Rentable Area	Amount which physical measurements by Mr. Mills & Mr. Desaulniers exceed those of Sun Life	Space considered rentable by Mr. Mills & Mr. Desaulniers but not conceded by Sun Life	Remarks	Mr. Mills & Mr. Desaulniers Total Rentable Area
		Tenants	Use in Common	Finished	Unfinished					
24	—	—	—	—	—	—	—	9,328	—	9,328
23	—	—	—	—	11,099	11,099	406	604	—	12,109
22	—	—	—	—	16,292	16,292	406	112	—	16,810
21	—	13,927	—	—	—	13,927	—	—	—	13,927
20	—	—	—	—	16,046	16,046	—	—	—	16,046
19	—	20,982	294	—	576	21,852	—	788	—	22,640
18	—	21,856	—	—	—	21,856	—	144	—	22,000
17	—	20,743	—	—	—	20,743	—	282	—	21,025
16	—	23,511	818	608	—	24,937	—	—	—	24,937
15	—	23,133	732	—	854	24,719	—	—	—	24,719
14	—	26,172	—	—	—	26,172	—	173	—	26,345
12	—	24,191	—	—	—	24,191	—	532	—	24,723
11	—	—	—	—	23,107	23,107	—	598	—	23,705
10	8,972	11,281	—	—	6,035	26,288	—	—	—	26,288
9	584	22,531	—	—	1,280	24,395	—	8,738	8,437 Upper part of Gymnasium. Gymnasium treated by Mr. Mills & Mr. Desaulniers as containing two full floors and conceded by Sun Life as rentable to extent of one floor and balcony only.	33,133
8	16,744	9,057	—	5,754	—	31,555	—	2,491	—	34,046

SCHEDULE "B"      SUN LIFE BUILDING, MONTREAL.      Rentable Areas (see "Remarks").

Floor	Company	Occupied		Unoccupied		Sun Life Total Rentable Area	Amount which physical measurements by Mr. Mills & Mr. Desaulniers exceed those of Sun Life	Space considered rentable by Mr. Mills & Mr. Desaulniers but not conceded by Sun Life	Remarks	Mr. Mills & Mr. Desaulniers Total Rentable Area
		Tenants	Use in Common	Finished	Unfinished					
7a	990	664	—	912	—	2,566	—	5,130	Upper part of Assembly Hall treated by Mr. Mills & Mr. Desaulniers as full floor and considered by Sun Life as rentable to extent of balcony only.	7,696
7	19,115	15,666	—	650	—	35,431	860	1,138	—	37,429
6	28,544	20,341	—	2,654	—	51,539	316	—	—	51,855
5	47,643	285	—	—	—	47,928	607	225	—	48,760
4	45,764	—	—	8,705	—	54,469	565	117	—	55,151
3	43,089	1,197	—	5,140	—	49,426	794	332	—	50,552
2	49,985	—	—	—	—	49,985	195	—	—	50,180
1	43,980	—	—	2,946	—	46,926	317	5,668	Upper part of Banking Hall treated by Mr. Mills & Mr. Desaulniers as full floor which is not conceded by Sun Life.	52,911
Ground	22,871	16,309	1,064	462	2,419	43,125	—	217	—	43,342
1st base.	36,644	317	—	—	—	36,961	—	1,588	—	38,549
2nd base.	28,308	225	—	—	—	28,533	—	—	—	28,533
3rd base.	—	6,612	—	—	—	6,612	—	—	—	6,612
<b>Total</b>	<b>393,233</b>	<b>279,000</b>	<b>2,908</b>	<b>27,831</b>	<b>77,708</b>	<b>780,680</b>	<b>4,466</b>	<b>38,205</b>		<b>823,351</b>

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18/3/43.

SCHEDULE "C"

SUN LIFE BUILDING, MONTREAL.

Tenants as at December 1, 1941.

Floor	Tenants	Area sq. ft. (see Schedule "B")	Annual Rental	Gross Rental Receipts for year 1941
24	—	—	—	—
23	—	—	—	—
22	—	—	—	—
21	Aluminium Limited	13,927	\$28,500.00	\$28,500.00
20	—	—	—	—
19	The Nichols Chemical Company Limited (from 1-5-41)	1,836	3,240.00	2,160.00
	The Canada Starch Co. Limited (from 1-5-41)	7,072	11,650.00	10,733.32
	The Ogilvie Flour Mills Company Limited	12,074	18,700.00	18,667.50
	Use in Common	294	—	—
18	Aluminum Company of Canada, Limited	21,856	36,500.00	36,500.00
17	Aluminum Company of Canada, Limited	20,743	36,500.00	36,500.00
16	Consolidated Paper Corporation Limited	15,460	28,205.00	28,205.00
	Canadian Pulp & Paper Association #1639 (from 21-10-41)	1,442	1,600.00	399.99
	Canadian Pulp & Paper Association #1660 (from 17- 4-41)	468	480.00	360.00
	Business Men's Health Club Regd.	2,240	3,000.00	2,550.00
	Ayers Limited	760	1,380.00	1,380.00
	Bathurst Power & Paper Company Limited	3,141	5,500.00	5,500.00
	Military District No. 4 (in #1639 from 10-7-41 to 9-10-41)	—	—	255.00
	Use in Common	818	—	—
15	Champlain Oil Products Limited	8,325	13,050.00	12,916.64
	Consulate General of Switzerland in Canada	1,536	2,124.00	2,124.00
	Industrial Acceptance Corporation Limited	10,207	12,624.00	12,624.00
	Investigations Limited (from 10-3-41)	640	1,080.00	870.00
	Price Brothers Sales Corporation	825	1,500.00	1,500.00
	The Hooper-Holmes Bureau, Inc.	375	660.00	660.00
	Paradis & Sons, Limited	1,225	2,256.00	2,256.00
	Use in Common	732	—	—
14	Canadian International Paper Company	26,172	39,500.00	37,999.92
12	Military District No. 4 Headquarters	24,191	34,000.00	34,000.00

SCHEDULE "C"  
page 2.

SUN LIFE BUILDING, MONTREAL.

Tenants as at December 1, 1941.

Floor	Tenants	Area sq. ft. (see Schedule "B")	Annual Rental	Gross Rental Receipts for year 1941
11	—	—	—	—
10	Schick Shaver Service Corporation	1,419	\$ 1,920.00	\$ 1,920.00
	Schick Shaver Service Corporation	783	600.00	600.00
	Military District No. 4 (from 21-10-41)	640	900.00	175.00
	Interlake Tissue Mills Co. Ltd.	640	960.00	940.00
	Tenants' Committee Room	640	—	330.00
	Merchants Coal Co. Ltd.	1,280	2,000.00	1,933.36
	Orange Blossom Beauty Shoppe	1,085	720.00	490.00
	Commercial Metal Co. Ltd. (from 12-5-41)	608	840.00	530.00
	Price & Pierce Ltd.	864	1,620.00	1,552.50
	Thos. A. Edison of Canada, Limited	960	1,500.00	1,500.00
	Canadian Johns-Manville Co. Ltd.	2,362	4,290.00	4,305.00
	N. W. Ayer & Son (in #1056 from 1-1-41 to 30-4-41)	—	—	320.00
	Knopp's Beauty Parlour (in #1040 from 1-1-41 to 4-2-41)	—	—	131.29
	McPherson & Grant Golf School (in #1026 from 1-1-41 to 14-4-41)	—	—	180.00
9	Brown Corporation	631	1,380.00	1,380.00
	Frank Calder	640	1,320.00	1,320.00
	Algoma Steel Corporation Limited	1,933	3,300.00	3,300.00
	Canada Iron Foundries Ltd. (part from 15-5-41)	5,261	7,880.00	7,466.00
	Canadian Advertising Agency, Limited (from 1-5-41)	3,736	5,500.00	3,666.64
	Canadian Railway Board of Adjustment No. 1 (from 1-5-41)	1,248	2,100.00	1,400.00
	The F. P. Weaver Coal Co. Limited	3,110	5,160.00	5,160.00
	Stevenson & Kellogg, Ltd. (part from 1-8-41)	1,605	3,090.00	2,561.50
	Newsprint Association of Canada	1,370	2,800.00	2,683.31
	Elliott-Haynes Limited	448	780.00	680.00
	Electrical Trading Company Limited (from 9-5-41)	448	840.00	540.00
	Military District No. 4 (from 1-8-41)	448	720.00	300.00
	Shaw Schools Limited (from 1-5-41)	476	780.00	520.00
	Canadian Linotype, Limited	363	540.00	530.00
	Belgian Legation	308	Free	—
	Consulate General of Switzerland in Canada	416	60.00	60.00
	Kenyon & Eckhardt Limited (from 1-1-42)	90	60.00	—
	Rogers Montreal Limited (in #915 from 1-1-41 to 28-2-41, then in #673)	—	—	150.00
	Parsons Detective Agency Limited (in #966 from 1-1-41 to 30-4-41, then in #603)	—	—	220.00



SCHEDULE "C"  
page 3.

SUN LIFE BUILDING, MONTREAL.

Tenants as at December 1, 1941.

Floor	Tenants	Area sq. ft. (see Schedule "B")	Annual Rental	Gross Rental Receipts for year 1941
8	Kenyon & Eckhardt Ltd.	548	\$ 1,320.00	\$ 1,285.00
	Grand Duchy of Luxembourg	442	780.00	780.00
	J. A. Faulconbridge	210	480.00	480.00
	St. Lawrence Corporation Limited (part from 1-9-41)	4,557	7,880.00	7,560.00
	Aluminum Company of Canada Limited	3,280	4,250.00	4,249.92
	E. J. Sommer (in #824 from 1-1-41 to 30-6-41)	—	—	300.48
7a	Dr. Aime Cote	664	1,080.00	1,055.00
7	Central Agency Limited	1,100	2,280.00	2,280.00
	Belgian Legation (part from 1-11-41)	1,250	2,370.00	1,895.00
	H. V. Bignell	416	720.00	720.00
	R. Lambert (from 1-10-41)	550	960.00	240.00
	American Express Company	835	1,080.00	1,080.00
	R. H. Miner Company Limited	735	840.00	840.00
	Military District No. 4 (part from 18-7-41)	10,780	12,070.00	9,489.22
	W. H. Wert (in #716 from 1-1-41 to 30-9-41)	—	—	720.00
	Laval Construction Inc. (in #712 from 1-1-41 to 30-10-41)	—	—	465.00
6	Aluminum Company of Canada Limited	5,752	7,000.00	21,864.54
	Aluminum Company of Canada Limited	5,449	8,076.00	
	Aluminum Company of Canada Limited	4,533	7,733.33	
	Rogers Montreal Limited (from 1-3-4-)	600	1,000.00	833.30
	Military District No. 4 (from 1-6-41)	754	1,020.00	595.00
	Loewy Engineering Company Limited	480	960.00	925.00
	R. Bonin	304	540.00	540.00
	Consulate General of Spain in Montreal	512	960.00	960.00
	C. M. Hickson (from 1-5-41)	585	600.00	400.00
	Parsons Detective Agency Limited (from 1-5-41)	224	360.00	240.00
	Montreal Graduate Nurses Association	256	300.00	300.00
	Miss M. W. Kydd	136	180.00	145.00
	Canadian Johns-Manville Co. Ltd. (from 1-11-41)	216	420.00	70.00
	Brace-Mueller-Huntley Ltd.	540	810.00	325.00
	Nichols Chemical Co. (Equipment rental)	—	—	10.00
	Modern Paving Limited (from 1-1-41 to 30-4-41)	—	—	550.00
5	National Council of Education	285	Free	—
4	—	—	—	—

SCHEDULE "C"  
page 4.

SUN LIFE BUILDING, MONTREAL.

Tenants as at December 1, 1941.

Floor	Tenants	Area sq. ft. (see Schedule "B")	Annual Rental	Gross Rental Receipts for year 1941
3	Canadian West-Indian League	525	Free	\$60.00 for cleaning
	Women's Auxiliary #1 Canadian General Hospital	672	Free	—
2	—	—	—	—
1	—	—	—	—
Ground	Bank of Montreal	2,844	\$ 7,125.00	\$ 4,512.48
	Andrew Baile Limited	770	1,550.00	1,516.68
	Meyers Studios	660	1,500.00	1,466.64
	United Cigar Stores Limited (Restaurant)	2,306	% of receipts	4,366.79
	United Cigar Stores Limited (Stand)	600	% of receipts	5,601.02
	Chas. W. Buist	512	% of receipts	1,066.50
	J. H. Victor & Son Inc.	512	900.00	900.00
	Canadian National Telegraphs	512	900.00	900.00
	Canadian Pacific Telegraphs	200	720.00	720.00
	LaPatrie Publishing Company (CHLP)	4,110	5,250.00	5,196.64
	United Kingdom Security Deposit	2,535	4,800.00	4,800.00
	Central Book & Magazine Depot (MD. #4)	748	Free	—
	Hyman Zwanetz (newspaper vendor)	—	420.00	400.00
	Canadian Rhodes Manufacturing Co. Ltd. (weigh scales)	—	50% of collections	103.06
	Bell Telephone Company of Canada (call box)	—	15% of collections	56.50
	Use in Common by Tenants, Sun Life & Public	1,064	—	—
1st	Base. Andrew Baile Limited	128	90.00	90.00
	Consolidated Paper Corporation Limited	189	240.00	240.00
2nd	Base. Roy Campbell	225	90.00	90.00
3rd	Base. United Kingdom Security Deposit	6,612	4,000.00	4,000.00
				<u>\$420,789.74*</u>

MG.  
10/3/43.

\*The amount reported in the Company's Annual Statement for the year 1941 is \$420,788.74, the difference of \$1. being reversal of an amount set up in connection with a bad debt.

SCHEDULE "D"

SUN LIFE BUILDING — MONTREAL

10      *Concessions or Free Space as at December 1, 1941.*

Ground Floor: Central Book & Magazine Depot      748 sq. ft.  
(Military District No. 4)

Third Floor: Women's Auxiliary of #1 Canadian  
General Hospital      672  
Canadian West-Indian League      525

20 Fifth Floor: National Council of Education      285

2,230 sq. ft.

/SS  
18/3/43

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SCHEDULE "E"

SUN LIFE BUILDING — MONTREAL

*Yearly rental charged to the Company for floor space occupied*

Floor	1937	1938	1939	1940	1941
Basements	\$146,071.76	\$128,596.20	\$140,848.16	\$140,802.01	\$115,239.83
Ground	56,805.68	42,865.40	49,711.12	46,934.00	46,095.94
1	89,266.08	77,157.72	91,137.05	86,045.67	84,509.21
2	113,611.36	94,303.88	99,422.23	93,868.00	99,874.52
3	16,230.20	102,876.96	99,422.23	86,045.67	84,509.21
4	24,345.29	102,876.96	74,566.67	86,045.67	84,509.21
5	105,496.27	94,303.88	99,422.23	93,868.00	99,874.52
6	97,381.17	85,730.80	66,281.49	46,934.00	46,095.94
7	73,035.88	68,584.64	49,711.12	46,934.00	53,778.59
8	73,035.88	248,65.40	41,425.93	39,111.68	38,413.28
10	16,230.20	17,146.16	16,570.37	15,644.67	15,365.31
	<u>\$811,509.77</u>	<u>\$857,308.00</u>	<u>\$828,518.60</u>	<u>\$782,233.37</u>	<u>\$768,265.56</u>

/SS  
18/3/43

SCHEDULE "F"

SUN LIFE BUILDING — MONTREAL

10	Year	Book Value	Market Value
	(1914	\$1,278,403.78	\$1,278,403.78
	(1915	1,478,868.98	1,478,868.98
	# (1916	1,829,285.72	1,829,285.72
	(1917	2,425,919.93	2,425,919.93
	(1918	2,870,503.99	2,870,503.99
	1919	2,532,770.34	2,532,770.34
	1920	2,557,413.68	2,557,413.68
20	1921	2,606,865.45	2,606,865.45
	1922	2,229,971.37	2,229,971.37
	“ Extension	118,930.62	118,930.62
	1923	2,130,221.37	2,130,221.37
	“ “	399,614.54	399,614.54
	1924	1,633,165.04	1,633,165.04
	“ “	1,000,598.37	1,000,598.37
	1925	1,382,449.04	1,382,449.04
	“ “ 1st	1,765,336.49	1,765,336.49
	1926	3,271,629.99	3,271,629.99
30	“ Compl. scheme	19,376.94	19,376.94
	“ Extension 2nd	5,545.92	5,545.92
	(1927	3,680,696.08	3,680,696.08
	(1928	5,029,489.21	5,029,489.21
	(1929	8,075,227.49	8,075,227.49
	(1930	17,524,459.30	14,727,078.50
	(1931	20,772,288.47	17,974,907.67
	(1932	21,392,282.36	18,594,901.56
	(1933	21,586,939.57	18,789,558.77
40	## (1934	21,632,504.67	18,835,123.87
	(1935	21,676,198.01	18,878,817.21
	(1936	21,676,198.01	17,676,198.01
	(1937	17,357,230.13	17,357,230.13
	(1938	17,008,969.66	17,008,969.66
	(1939	16,670,793.41	16,670,793.41
	(1940	16,644,571.59	16,644,571.59
	(1941	16,258,050.27	16,258,050.27

# All accounts in one figure.

## All accounts including land and Power House consolidated in one account.

SCHEDULE "G"

*Cubic content and erection dates of several Montreal  
Office Buildings.*

10	1.	Royal Bank Building Erected 1928.	Cubic Content — 6,925,618.
	2.	Bell Telephone Building Erected 1928.	Cubic Content — 4,820,690.
	3.	Dominion Square Building Erected 1929	Cubic Content — 7,035,270.
20	4.	Aldred Building Erected 1929.	Cubic Content — 3,259,867.
	5.	University Tower Building Erected 1930.	Cubic Content — 2,899,459.
	6.	Architects — C.I.L. House Erected 1931.	Cubic Content — 1,194,129.
30	7.	Drummond Building Erected 1913.	Cubic Content — 2,229,436.
	8.	Transportation Building Erected 1912.	Cubic Content — 2,318,855.
	9.	Read Building Erected 1912.	Cubic Content — 3,007,816.

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SCHEDULE "II"

NAME OF BUILDING	YEAR	MUNICIPAL ASSESSMENTS			ASSESSED RENTAL VALUE OCCUPIED BY				
		LAND	BUILDING	TOTAL	PROPRIETOR	TENANTS	VACANT	TOTAL	%
University Tower Building, 660-64 St. Catherine St. W.  141693	1930-31	616,600.	883,400.	1,500,000.	1,000.	119,730.	95,130.	215,860.	14.39
	1931-32	616,600.	883,400.	1,500,000.	—	—	—	—	—
	1932-33	616,600.	883,400.	1,500,000.	1,000.	184,720.	55,660.	241,380.	16.09
	1933-34	570,100.	929,900.	1,500,000.	1,000.	154,480.	46,290.	201,770.	13.45
	1934-35	570,100.	929,900.	1,500,000.	1,000.	160,030.	28,640.	189,670.	12.64
	1935-36	570,100.	929,900.	1,500,000.	900.	156,340.	22,010.	179,250.	11.95
	1936-37	570,100.	929,900.	1,500,000.	900.	155,920.	20,130.	176,950.	11.79
	1937-38	570,100.	929,900.	1,500,000.	900.	165,960.	12,360.	179,220.	11.94
	1938-39	570,100.	929,900.	1,500,000.	900.	165,000.	18,260.	184,160.	12.27
	1939-40	570,100.	929,900.	1,500,000.	800.	167,020.	13,860.	181,680.	12.11
	1940-41	570,100.	929,900.	1,500,000.	800.	167,970.	11,640.	180,410.	12.02
	1941-42	570,100.	929,900.	1,500,000.	800.	172,120.	7,830.	180,750.	12.05
	1942-43	569,350.	930,650.	1,500,000.					

SCHEDULE "H"

NAME OF BUILDING	YEAR	MUNICIPAL ASSESSMENTS			ASSESSED RENTAL VALUE OCCUPIED BY				
		LAND	BUILDING	TOTAL	PROPRIETOR	TENANTS	VACANT	TOTAL	%
Sun Life Building, 1253 Metcalfe St.	1931-32	733,800.	7,266,200.	8,000,000.	SL				
	1932-33	733,800.	7,766,200.	8,500,000.	400,000.	25,120.	74,700.	499,820.	5.88
140896	1933-34	733,800.	7,841,200.	8,575,000.	(water rd. by prop)	33,600.	100,280.	462,280.	5.39
	1934-35	733,800.	7,991,200.	8,725,000.	327,800.	58,510.	98,080.	484,390.	5.55
	1935-36	733,800.	7,991,200.	8,725,000.	347,340.	54,900.	99,220.	501,460.	5.74
	1936-37	733,800.	7,991,200.	8,725,000.	337,000.	58,700.	96,680.	492,380.	5.64
	1937-38	733,800.	8,016,200.	8,750,000.	335,330.	60,270.	106,740.	502,340.	5.74
	1938-39	733,800.	8,046,200.	8,780,000.	409,100.	92,440.	9,700.	511,240.	5.82
	1939-40	733,800.	8,302,400.	9,036,200.	369,950.	104,560.	5,310.	479,820.	5.30
	1940-41	733,800.	8,343,500.	9,077,300.	365,240.	207,200.	8,250.	580,690.	6.39
	1941-42	733,800.	9,252,400.	9,986,200.	357,280.	273,640.	7,970.	638,890.	6.39
	1942-43	730,600.	13,024,900.	13,755,500.					

SCHEDULE "II"

NAME OF BUILDING	YEAR	MUNICIPAL ASSESSMENTS			ASSESSED RENTAL VALUE OCCUPIED BY				
		LAND	BUILDING	TOTAL	PROPRIETOR	TENANTS	VACANT	TOTAL	%
Royal Bank of Canada, (Head Office)  1-10297	1928-29	912,000.	4,532,000.	5,444,000.	153,000.	212,100.	89,890.	454,990.	8.35
	1929-30	971,000.	4,473,000.	5,444,000.	153,000.	278,470.	28,810.	460,280.	8.45
	1930-32	971,000.	4,473,000.	5,444,000.	—	—	—	—	—
	1932-33	971,000.	4,473,000.	5,444,000.	153,000.	252,700.	43,140.	448,840.	8.24
	1933-34	971,000.	4,029,000.	5,000,000.	153,000.	204,950.	64,810.	422,760.	8.45
	1934-35	971,000.	4,029,000.	5,000,000.	153,000.	202,110.	52,400.	407,510.	8.15
	1935-36	971,000.	4,029,000.	5,000,000.	153,000.	178,310.	64,930.	396,240.	7.92
	1936-37	971,000.	3,729,000.	4,700,000.	148,000.	175,630.	58,980.	382,610.	8.14
	1937-38	971,000.	3,729,000.	4,700,000.	146,000.	193,310.	33,780.	373,090.	7.93
	1938-39	971,000.	3,729,000.	4,700,000.	145,000.	195,380.	33,280.	373,660.	7.95
	1939-40	971,000.	3,729,000.	4,700,000.	146,000.	190,300.	33,070.	369,370.	7.86
	1940-41	971,000.	3,729,000.	4,700,000.	145,000.	183,650.	37,140.	365,790.	7.78
	1941-42	971,000.	3,729,000.	4,700,000.	146,000.	177,210.	34,330.	357,540.	7.60
	1942-43	934,200.	3,615,800.	4,550,000.	—	—	—	—	—

SCHEDULE "II"

NAME OF BUILDING	YEAR	MUNICIPAL ASSESSMENTS			ASSESSED RENTAL VALUE OCCUPIED BY				
		LAND	BUILDING	TOTAL	PROPRIETOR	TENANTS	VACANT	TOTAL	%
Transportation Bldg., St. James St. W.  110268	1912-13	708,900.	850,700.	1,559,600.	—	—	—	—	—
	1913-15	797,500.	850,700.	1,648,200.	—	—	—	—	—
	1915-18	740,000.	850,700.	1,590,700.	—	—	—	—	—
	1918-20	628,100.	851,500.	1,479,600.	—	—	—	—	—
	1920-23	628,100.	1,138,500.	1,766,600.	—	—	—	—	—
	1923-25	628,100.	985,750.	1,613,850.	—	—	—	—	—
	1925-28	628,100.	931,900.	1,560,000.	—	—	—	—	—
	1928-29	628,100.	871,900.	1,500,000.	—	—	—	—	—
	1929-30	628,100.	871,900.	1,500,000.	500.	154,590.	22,940.	178,030.	11.86
	1930-31	628,100.	871,900.	1,500,000.	500.	158,990.	26,470.	185,960.	12.39
	1931-32	628,100.	851,900.	1,480,000.	500.	130,590.	51,030.	182,120.	12.30
	1932-33	628,100.	826,900.	1,455,000.	500.	114,880.	38,920.	154,300.	10.60
	1933-34	628,100.	771,900.	1,400,000.	400.	99,760.	37,420.	137,580.	9.82
	1934-35	628,100.	771,900.	1,400,000.	400.	91,260.	30,580.	122,240.	8.73
	1935-36	628,100.	671,900.	1,300,000.	400.	82,270.	35,930.	118,600.	9.12
	1936-37	587,000.	613,000.	1,200,000.	—	91,760.	28,930.	120,690.	10.05
	1937-38	587,000.	613,000.	1,200,000.	400.	108,180.	15,720.	124,300.	10.35
	1938-39	487,000.	613,000.	1,100,000.	520.	101,010.	20,280.	121,810.	11.07
	1939-40	487,000.	613,000.	1,100,000.	520.	101,860.	16,870.	119,250.	10.84
	1940-41	487,000.	613,000.	1,100,000.	120.	97,130.	19,950.	117,200.	10.65
1941-42	487,000.	613,000.	1,100,000.	520.	96,340.	19,020.	115,880.	10.53	
1942-43	526,200.	623,800.	1,150,000.	—	—	—	—	—	



SCHEDULE "H"

NAME OF BUILDING	YEAR	MUNICIPAL ASSESSMENTS			ASSESSED RENTAL VALUE OCCUPIED BY				
		LAND	BUILDING	TOTAL	PROPRIETOR	TENANTS	VACANT	TOTAL	%
Drummond Building, 1101-17 St. Catherine St. W.  141757	1914-15	633,800.	566,200.	1,200,000.	—	—	—	—	—
	1915-16	543,900.	600,000.	1,143,900.	—	—	—	—	—
	1916-17	529,300.	470,700.	1,000,000.	—	—	—	—	—
	1917-18	492,650.	500,000.	992,650.	—	—	—	—	—
	1918-20	478,050.	500,000.	978,050.	—	—	—	—	—
	1920-21	523,700.	532,350.	1,056,050.	—	—	—	—	—
	1921-22	635,500.	532,350.	1,167,850.	—	—	—	—	—
	1922-25	589,850.	510,150.	1,100,000.	—	—	—	—	—
	1925-26	589,850.	510,150.	1,100,000.	—	—	—	—	—
	1926-27	589,850.	510,150.	1,100,000.	—	—	—	—	—
	1927-28	589,850.	610,150.	1,200,000.	—	—	—	—	—
	1928-29	589,850.	610,150.	1,200,000.	500.	146,030.	35,150.	181,680.	15.14
	1929-32	708,100.	610,100.	1,318,200.	—	—	—	—	—
	1932-33	708,100.	610,100.	1,318,200.	200.	134,270.	56,170.	190,640.	14.46
	1933-34	687,200.	532,800.	1,220,000.	500.	119,530.	58,630.	178,660.	14.64
	1934-35	687,200.	532,800.	1,220,000.	500.	108,410.	58,910.	167,820.	13.75
	1935-36	687,200.	532,800.	1,220,000.	840.	101,250.	45,460.	144,550.	12.09
	1936-37	687,200.	532,800.	1,220,000.	920.	96,550.	39,180.	136,650.	11.20
	1937-38	687,200.	532,800.	1,220,000.	960.	105,500.	24,550.	131,010.	10.73
	1938-39	687,200.	532,800.	1,220,000.	480.	99,560.	32,260.	132,300.	10.84
1939-40	687,200.	532,800.	1,220,000.	480.	93,200.	30,460.	124,140.	10.17	
1940-41	687,200.	532,800.	1,220,000.	720.	79,250.	37,290.	117,260.	9.61	
1941-42	687,200.	532,800.	1,220,000.	340.	85,410.	24,680.	110,430.	9.05	
1942-43	672,200.	487,800.	1,160,000.	—	—	—	—	—	

SCHEDULE "H"

NAME OF BUILDING	YEAR	MUNICIPAL ASSESSMENTS			ASSESSED RENTAL VALUE OCCUPIED BY				
		LAND	BUILDING	TOTAL	PROPRIETOR	TENANTS	VACANT	TOTAL	%
Read Building Ltd., 1015 St. Alexander St.  170096	1913-16	181,200.	450,000.	631,200.	—	—	—	—	—
	1916-18	171,100.	450,000.	621,100.	—	—	—	—	—
	1918-29	149,700.	450,000.	599,700.	—	—	—	—	—
	1929-30	149,700.	450,000.	599,700.	300.	86,630.	1,640.	88,570.	14.77
	1930-32	149,700.	450,000.	599,700.	—	—	—	—	—
	1932-33	149,700.	450,000.	599,700.	300.	79,720.	4,350.	84,370.	14.06
	1933-34	149,700.	450,000.	599,700.	300.	74,890.	5,060.	80,250.	13.38
	1934-35	149,700.	450,000.	599,700.	300.	73,960.	3,380.	77,640.	12.94
	1935-36	149,700.	450,000.	599,700.	—	74,530.	3,180.	77,710.	12.95
	1936-37	149,700.	450,000.	599,700.	300.	65,010.	3,250.	68,560.	11.43
	1937-38	149,700.	450,000.	599,700.	—	59,210.	8,930.	68,140.	11.36
	1938-39	149,700.	450,000.	599,700.	—	68,200.	1,200.	69,400.	11.57
	1939-40	149,700.	450,000.	599,700.	—	69,160.	1,200.	70,360.	11.73
	1940-41	149,700.	450,000.	599,700.	—	70,020.	1,200.	71,220.	11.87
	1941-42	149,700.	450,000.	599,700.	—	65,770.	2,000.	67,770.	11.30
1942-43	83,400.	496,600.	580,000.	—	—	—	—	—	

SCHEDULE "II"

NAME OF BUILDING	YEAR	MUNICIPAL ASSESSMENTS			ASSESSED RENTAL VALUE OCCUPIED BY				
		LAND	BUILDING	TOTAL	PROPRIETOR	TENANTS	VACANT	TOTAL	%
Bell Telephone Bldg., 1050 Beaver Hall Hill.  140331	1931-32	184,700.	2,815,300.	3,000,000.	—	—	—	—	—
	1932-33	184,700.	2,815,300.	3,000,000.	114,500.	81,360.	—	195,860.	6.52
	1933-34	184,700.	2,815,300.	3,000,000.	114,500.	81,360.	—	195,860.	6.52
	1934-35	184,700.	2,815,300.	3,000,000.	114,000.	82,200.	—	196,200.	6.54
	1935-36	184,700.	2,815,300.	3,000,000.	100,000.	33,190.	47,000.	180,190.	6.00
	1936-37	184,700.	2,815,300.	3,000,000.	100,000.	59,740.	10,500.	170,240.	5.67
	1937-38	184,700.	2,815,300.	3,000,000.	100,000.	75,040.	1,100.	176,140.	5.87
	1938-39	184,700.	2,815,300.	3,000,000.	100,000.	72,040.	3,600.	175,640.	5.85
	1939-40	184,700.	2,815,300.	3,000,000.	125,000.	48,470.	2,870.	176,340.	5.88
	1940-41	184,700.	2,815,300.	3,000,000.	135,000.	32,320.	420.	167,740.	5.59
	1941-42	184,700.	2,815,300.	3,000,000.	135,000.	32,980.	—	167,980.	5.60
	1942-43	162,750.	2,837,250.	3,000,000.	—	—	—	—	—

SCHEDULE "H"

NAME OF BUILDING	YEAR	MUNICIPAL ASSESSMENTS			ASSESSED RENTAL VALUE OCCUPIED BY				
		LAND	BUILDING	TOTAL	PROPRIETOR	TENANTS	VACANT	TOTAL	%
Dominion Square Building, 1000 St. Catherine St. W.  141723	1929-31	1,993,600.	3,006,400.	5,000,000.	—	—	—	—	—
	1931-32	1,993,600.	3,006,400.	5,000,000.	2,000.	373,110.	181,840.	556,950.	11.14
	1932-33	1,993,600.	3,006,400.	5,000,000.	2,000.	345,350.	178,810.	526,160.	10.52
	1933-34	1,818,300.	3,006,400.	4,824,700.	380.	289,510.	132,040.	421,930.	8.74
	1934-35	1,707,400.	2,567,600.	4,275,000.	—	285,830.	113,310.	399,140.	9.33
	1935-36	1,707,400.	2,567,600.	4,275,000.	—	262,530.	96,940.	359,470.	8.40
	1936-37	1,707,400.	2,567,600.	4,275,000.	—	260,470.	77,760.	338,230.	7.91
	1937-38	1,707,400.	2,567,600.	4,275,000.	—	264,430.	64,220.	328,650.	7.68
	1938-39	1,707,400.	2,567,600.	4,275,000.	—	262,310.	67,970.	330,280.	7.72
	1939-40	1,707,400.	2,567,600.	4,275,000.	—	258,150.	67,970.	326,120.	7.62
	1940-41	1,707,400.	2,567,600.	4,275,000.	700.	228,160.	70,690.	299,550.	7.00
	1941-42	1,707,400.	2,567,600.	4,275,000.	—	267,630.	28,490.	296,120.	6.92
1942-43	1,670,250.	2,604,750.	4,275,000.	—	—	—	—	—	

SCHEDULE "H"

STATEMENT SHOWING THE VALUATION AND ASSESSED RENTAL VALUE OF CERTAIN PROPERTIES AS  
EXTRACTED BY THE ASSESSOR'S DEPARTMENT FROM THE VALUATION AND TAXES ROLLS

NAME OF BUILDING	YEAR	MUNICIPAL ASSESSMENTS			ASSESSED RENTAL VALUE OCCUPIED BY				
		LAND	BUILDING	TOTAL	PROPRIETOR	TENANTS	VACANT	TOTAL	%
Aldred Building, 507 Place d'Armes.	1930-31	\$ 300,400.	—	\$ 300,400.	\$ —	\$ —	\$ —	\$ —	—
	1931-32	300,400.	1,499,600.	1,800,000.	—	126,020.	149,450.	275,470.	15.30
	1932-33	300,400.	1,499,600.	1,800,000.	—	117,450.	119,680.	237,130.	13.17
	1933-34	300,400.	1,499,600.	1,800,000.	10,000.	121,700.	85,160.	214,860.	11.93
110367	1934-35	300,400.	1,499,600.	1,800,000.	—	152,850.	52,240.	205,090.	11.39
	1935-36	300,400.	1,499,600.	1,800,000.	—	152,250.	37,800.	190,050.	10.55
	1936-37	300,400.	1,499,600.	1,800,000.	—	145,830.	31,630.	177,460.	9.85
	1937-38	300,400.	1,499,600.	1,800,000.	—	160,640.	26,760.	187,400.	10.41
	1938-39	300,400.	1,499,600.	1,800,000.	—	159,200.	32,880.	192,080.	10.67
	1939-40	300,400.	1,499,600.	1,800,000.	—	144,340.	42,630.	186,970.	10.38
	1940-41	300,400.	1,499,600.	1,800,000.	—	146,450.	41,170.	187,620.	10.42
	1941-42	300,400.	1,499,600.	1,800,000.	570.	138,410.	44,470.	183,450.	10.19
	1942-43	299,500.	1,500,500.	1,800,000.					

SCHEDULE "H"

NAME OF BUILDING	YEAR	MUNICIPAL ASSESSMENTS			ASSESSED RENTAL VALUE OCCUPIED BY				
		LAND	BUILDING	TOTAL	PROPRIETOR	TENANTS	VACANT	TOTAL	%
Architects (C.I.L.) Bldg. 1135-37 Beaver Hall Hill.	1931-32	108,200.	600,800.	709,000.	—	75,350.	22,880.	98,230.	13.85
	1932-33	108,200.	600,800.	709,000.	—	62,890.	27,740.	90,630.	12.78
	1933-34	106,000.	534,000.	640,000.	—	65,000.	12,700.	77,700.	12.14
	1934-35	106,000.	534,000.	640,000.	6,600.	64,010.	6,700.	77,310.	12.07
140345	1935-36	106,000.	534,000.	640,000.	40,000.	41,780.	—	81,780.	12.77
	1936-37	106,000.	534,000.	640,000.	50,000.	27,580.	—	77,580.	12.12
	1937-38	106,000.	534,000.	640,000.	50,000.	25,980.	1,280.	77,260.	12.07
	1938-39	106,000.	534,000.	640,000.	40,000.	17,500.	2,700.	60,200.	9.40
	1939-40	106,000.	534,000.	640,000.	40,000.	17,500.	—	57,500.	8.98
	1940-41	106,000.	534,000.	640,000.	40,000.	17,500.	—	57,500.	8.98
	1941-42	106,000.	534,000.	640,000.	40,000.	10,700.	—	50,700.	7.92
	1942-43	87,950.	562,050.	650,000.					

SCHEDULE "I"

*Percentage of owner occupancy as at December 1st 1941.*

10	Royal Trust	66.21
	C.P.R. Express	28.6
	Bank of Nova Scotia	39.5
	Guarantee Company of North America	18.1
	Banque Can. Nationale	78.31
20	Bank of Toronto	36.9
	Architects (C.I.L. House)	79.
	Tramways	53.33
	M.L.H. & P.	45.70
	Canada Cement	9.05
30	Bell Telephone	80.5
	Royal Bank	41.5
	Royal Bank (S. Denis & S. Catherine)	16.36
	Star Bldg.	48.6
	Sun Life	—

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18/3/43

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**Pleadings before the Superior Court**

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**PETITION & AFFIDAVIT**

TO ANY OF THE HONOURABLE JUDGES OF THE  
SUPERIOR COURT SITTING IN AND FOR THE DIS-  
TRICT OF MONTREAL:—

The Petition of your Petitioner respectfully represents:—

20 1. That your Petitioner is the proprietor of certain im-  
moveable property comprising its head office building and boiler  
house respectively situated on Metcalfe and Mansfield Streets  
in the said City of Montreal.

30 2. That the said head office building and the said boiler  
house, together with the emplacements whereon same are erected  
were placed on the municipal valuation roll deposited by the Asses-  
sors of the Respondent on December 1st, 1941, at the respective  
valuations of \$13,755,500 and \$520,500 as more fully appears by  
photostatic copies of the valuation sheets covering the said pro-  
perties which are produced herewith as Petitioner's Exhibits  
Numbers P-1 and P-2 respectively to form part hereof as if wholly  
written out and set forth at length herein.

40 3. That the portions of the said head office building occu-  
pied by the Petitioner are placed on the rental valuation roll of  
the Respondent for purpose of business tax at the rate of .50¢ per  
square foot for the basements, and \$2.00 per square foot for the  
ground floor, and \$1.20 per square foot for floors above the  
ground floor, making a total valuation for business tax purposes  
of \$421,580, and at a rental valuation for purposes of water tax  
at the sum of \$423,280.

4. That your Petitioner, being aggrieved by the said  
valuations, protested against the same and did appeal therefrom  
to the Board of Revision of the Respondent and did contend that  
the true and proper valuation of the said properties should be  
\$8,330,600 and \$102,600 respectively, and did also protest and  
appeal as aforesaid against the said rental valuations, the whole  
as more fully appears by copies of your Petitioner's letters of  
December 2nd, 1941, December 18th, 1941, and August 8th, 1942,

filed herewith to form part hereof as Petitioner's Exhibits Numbers P-3, P-4 and P-5 respectively.

5. That, after hearing the parties on your Petitioner's said Appeal, the said Board of Revision of the Respondent at its meeting on the 21st day of June, 1943, decided to maintain said  
10 valuations made by the assessors, as more fully appears by Notices addressed to Counsel for Petitioner dated the 22nd day of June, 1943, by the Secretary of the said Board produced herewith to form part hereof as Petitioner's Exhibits Numbers P-6 and P-7.

6. That your Petitioner is not satisfied with the said decisions of the Board of Revision, is aggrieved thereby and is desirous of appealing therefrom, the whole in accordance with the provisions of the Charter of the City of Montreal and in  
20 particular, Article 384 thereof.

7. That the said valuations of \$13,755,500 and \$520,500 making a total of \$14,276,000 placed by the Board of Revision upon the said properties of your Petitioner as shown on Petitioner's above mentioned Exhibit P-6, and the said rental valuations of \$421,580 for the purposes of business tax and \$423,280 for purposes of water tax as shown on Petitioner's above mentioned Exhibit P-7, are not the actual or real valuations of the said properties nor the actual or real rental valuations thereof and the  
30 said valuations are exorbitant, unjustified and oppressive in view of the fact that the actual and real values of the said properties are not more than the aforesaid sums of \$8,330,600 and \$102,600 respectively and the rental value thereof for purposes both of business and water taxes is not more than the sum of \$352,035.

8. That the authorization of the Quebec Municipal Commission to institute the present proceedings by way of Appeal has been duly obtained in accordance with the requirements of Section 43 of the Quebec Municipal Commission Act, R.S.Q., 1941,  
40 Chapter 207, as more fully appears by two letters dated the 28th June 1943, together produced herewith to form part hereof as Petitioner's Exhibit Number P-8.

WHEREFORE your Petitioner prays that its present appeal be received, that the Respondent be ordered to file a duly certified copy of the record of proceedings before the said Board of Revision and that thereupon your Petitioner's appeal be maintained and that it be declared and adjudged that the valuation of the said properties of your Petitioner does not exceed the said

sums of \$8,330,600 and \$102,600 respectively and that the rental value thereof does not exceed the said sum of \$352,035 and that the said valuation roll of the Respondent be revised accordingly, the whole with costs.

Montreal, 29th June, 1943.

10

Montgomery, McMichael, Common,  
Howard, Forsyth & Ker,  
Attorneys for Petitioner.

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AFFIDAVIT

20

I, the undersigned, DOUGLAS LAWSON MACAULAY, of the Village of Hudson Heights, in the Province of Quebec, Assistant Secretary, being duly sworn do depose and say:—

1. That I am the Assistant Secretary of the Sun Life Assurance Company of Canada, the Petitioner herein, and as such have knowledge of the facts set forth in the foregoing Petition.

30

2. That I have taken communication of the foregoing Petition and the facts therein set forth are true to the best of my knowledge and belief.

And I have signed:

D. L. Macaulay.

SWORN to before me at the City of Montreal,  
this 29th day of June, 1943,

40

H. W. Jackson,  
A Commissioner of the Superior Court  
for the District of Montreal.

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JUDGMENT ON PETITIONER'S PETITION  
SUPERIOR COURT

On this 30th day of June 1943.

10

Present: The Hon. Mr. Justice P. Casgrain

THE COURT, having heard the parties by counsel on  
Petitioner's petition praying, for the reasons therein set forth  
duly supported by affidavit, that Respondent be ordered to file  
a duly certified copy of the record of proceedings before the  
Board of Revision and that thereupon Petitioner's appeal be  
maintained and that it be declared and adjudged that the valua-  
tion of Petitioner's properties in question herein does not exceed  
20 the sums of \$8,330,600 and \$102,600 respectively and that the  
rental value thereof does not exceed the said sum of \$352,035 and  
that the said valuation roll of the Respondent be revised accord-  
ingly;

DOTH RECEIVE the said petition and doth order that  
the record of the said proceedings before the Board of Revision  
be filed before this Court within a delay of thirty days; costs to  
follow.

30

(Signed) Pierre F. Casgrain,  
J.S.C.

JOM/TG  
S. Martel  
D.P.C.S.

40

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Province of Quebec  
District of Montreal

10

**BOARD OF REVISION**

City of Montreal.

SUN LIFE ASSURANCE COMPANY OF CANADA,

Complainant.

20

**THE BOARD PRESENT:**

CAMILLE TESSIER, K.C., President.  
J. CARON, Member.

Mr. Munn, the third member of the Board not being present, at his own request, because of his having to do with the assessment complained of.

30

Appearances: Aime Geoffrion, K.C., } For the Complainant  
Hazen Hansard }  
G. St.-Pierre, K.C., } For the City of  
R. N. Seguin } Montreal.

40

**PART II — WITNESSES**

Mr. Geoffrion, K.C.:—Members of the Board: I would like to file two originals of admissions which are fairly short, although including statistics of all sorts, which may be used in the Investigation.

There is nothing to explain. This is purely and simply an appeal from an assessment. So we might start with the evidence immediately.

Mr. Seguin:—The first thing. I think there was a figure omitted on this set of admissions. On the Schedule "C", Annual Rental, I think we should. . .

10 Mr. Hansard:—We finally decided not to total that because of some items in the column of Annual Rental which were not susceptible of being totalled. You were going to get that figure yourself.

Mr. Geoffrion:—If the Commissioners will look at Schedule "C" you will see that the totalling is impossible of column 2.

20 Column 3 is totalled. Column 2, you will see some items, percentage of receipts. You cannot total that because there are some factors which are not in figures. Percentage of receipts.

The third column is totalled.

30 Mr. Seguin:—The third column is not reflecting a true picture of the income of the company. It is only the money received during the year, and in order to complete the column of annual rental you had only to take two or three items by way of commission from the last column and bring them on the second column, and bring on your total.

Mr. Geoffrion:—I quite appreciate that it will be quite simple to prove the figures corresponding to these entries. But it would be inadequate, as evidence on it has not yet been heard.

The total may be noted when the evidence necessary to make it has been produced.

*E. J. LYNCH (for Complainant) Examination in chief.*

**Complainant's Evidence**

10

DEPOSITION OF EDWARD J. LYNCH

On this Twenty-second day of March, in the year of Our Lord, personally came and appeared: Edward J. Lynch, City Assessor, who having been duly sworn doth depose and say, as follows:—

Examined by Mr. Geoffrion, K.C., for the Complainant:—

20

Q.—Mr. Lynch, you are an assessor of the City of Montreal?

A.—Yes, sir.

Q.—Since how many years have you been an assessor?

A.—Since 1935.

Q.—Inclusive?

A.—Yes.

Q.—That is seven years?

A.—Yes, seven years.

Q.—Including 1942, seven years?

30

A.—Yes.

Q.—Were you during that period concerned with the assessment of properties in the vicinity of Dominion Square?

A.—Yes. St. Michael's and St. John's Ward.

Q.—That includes the territory where the Sun Life Building is erected?

A.—Not at the time. I am a partner of the assessor. I am a partner of the assessor of St. George's Ward. I have St. Michael's and St. John's.

40

Mr. Vernot is assessor of St. George's and I am his partner.

Q.—You are his partner this year?

A.—Yes.

Q.—I am speaking of 1935?

A.—I was not the partner. I was Mr. Munn's partner in St. Ann's.

Q.—When did you have anything to do with the Sun Life previous to this year?

A.—When Mr. Munn was appointed assessor in St. George.

*E. J. LYNCH (for Complainant) Examination in chief.*

Q.—That was when?

A.—I presume, 1937.

Q.—You are assuming that subject to correction.

10 That would be six assessments. You were partner with Mr. Munn for five and once with Mr. Vernot?

A.—Yes.

Q.—During five years you were a partner of Mr. Munn and last year you were a partner of Mr. Vernot?

A.—Yes.

Q.—What do you mean by “partner” exactly?

20 A.—As you know the law calls for two assessors, a Catholic and a Protestant. The Charter calls for that.

Q.—Possibly. I did not know that.

A.—That is what it calls for. They have that for school purposes.

Q.—I simply did not know that. I am not offering any criticism, I just didn't know that.

A.—Two assessors are supposed to act.

Q.—In other words the assessor serves not only for municipal purposes but also for school purposes?

A.—Yes.

30 Q.—I see now the reason. I am sorry.

At all events, all that involves there are two assessors, one of each religion?

A.—That is the way I understand it.

Q.—Are they both assessors?

A.—As I understand it they are equally responsible.

Q.—And you assessed during those six years the Sun Life Building?

40 A.—No, I did not assess it, because the roll was pegged.

Q.—What do you mean by “pegged”?

A.—The roll was pegged, the assessment was stopped. You could not raise or lower the building.

In the case of the Sun Life any part that was completed was assessed at so much per foot.

Q.—You say it was pegged. By what authority was it pegged?

A.—By the municipal. By the City Government.

*E. J. LYNCH (for Complainant) Examination in chief.*

Q.—From 1937, I am told by Mr. St. Pierre, and I trust him in many things including the law of the City of Montreal, that from 1937 to 1941, by a statute the roll was pegged.

10 And you did not assess that in 1936 and 1935?

A.—No.

Q.—And you do not know who it was previous to that?

A.—That was Mr. Wilson and Mr. Olivier.

Q.—They were the two partners?

A.—Yes.

Q.—And when you came in the roll was pegged by that statute?

A.—Yes.

20 Q.—And you never made any assessment until recently, until this year, of the Sun Life Building?

A.—That's right.

Q.—Not before?

A.—No, sir. Only additions as they would finish up other buildings. Mr. Munn would add to the roll, I presume.

Q.—The corrections authorized by the City. Otherwise you say you did not make any assessment at all?

A.—No, sir.

30 Q.—And in 1935 and 1936 you had nothing to do with it?

A.—No.

Q.—And you took the assessment as it was in 1935 and 1936?

A.—Yes, sir.

Q.—And simply added the increased value?

A.—Yes, sir.

Q.—In 1941, did you make an assessment in 1941?

A.—No, I did not make an assessment in 1941.

Q.—It was still pegged in 1941?

40 A.—No. The assessment was made. There was an assessment made in 1941.

Q.—By Mr. Munn and you?

A.—Mr. Munn and I. He did not make the new one, that was Mr. Vernot.

Q.—That was 1942?

A.—Yes, when Mr. Munn was promoted to the Board of Revision:

Q.—Did the pegging cease before Mr. Vernot came in?

A.—No, sir.

*E. J. LYNCH (for Complainant) Examination in chief.*

Q.—The pegging lasted until Mr. Vernot replaced Mr. Munn?

A.—Yes, sir.

10 Q.—And you know nothing at all how the previous assessments had been arrived at?

A.—No, sir.

Q.—Did you ever make any examination of the building?

A.—Not before this assessment was made. I made it a year ago.

Q.—That was after the assessment?

A.—Yes.

Q.—When the assessment was made did you inspect the building at all?

A.—No.

20 Q.—Let me see if I am clear. You say that from the time you became Mr. Munn's partner the assessment was pegged by the statute?

A.—Yes, sir.

Q.—And it was pegged by the statute until Mr. Munn quit?

A.—Yes. Only additions that were made. Partitions and things.

Q.—In other words the valuation would be increased by the additional improvements?

30 A.—Yes, sir.

Q.—Otherwise the basic value would remain pegged?

A.—Yes, sir.

Q.—And that was in virtue of the statute that Mr. St. Pierre has given me?

A.—Yes.

Q.—And it remained that way from the date that Mr. Vernot replaced Mr. Munn, who was promoted to his present position?

A.—Yes.

40 Q.—And during that time you did not visit the building?

A.—No.

Q.—Who did?

A.—I don't know.

Q.—Did Mr. Vernot?

A.—I don't know.

Q.—As far as you are concerned you did not visit the building at all?

A.—No, sir.

*G. E. VERNOT (for Complainant) Examination in chief.*

Q.—You are not in a position to explain in any way how that assessment was arrived at?

A.—No, sir, I am not.

10 Q.—To put it briefly, if you did not see the building you had nothing to do with the assessment?

A.—No, sir.

Q.—Nothing whatever?

A.—No.

Q.—And you are not in a position to speak of the value of the new assessment?

A.—No, sir.

Q.—You have nothing to say about it. I hope Mr. Vernot can say something about it?

20 A.—He was the assessor.

Q.—As far as you are concerned you simply endorsed his word without expressing any opinion at all?

A.—That's right.

Q.—You don't know anything except by hearsay, and perhaps not even then, of the original eight million dollar assessment of 1941?

A.—No; it was before my time.

Q.—If I understand it well, you are Mr. Munn's partner, and you remained Mr. Vernot's second partner?

30 A.—Yes, sir.

By Mr. Seguin:—No questions.

And further the deponent saith not.

J. T. Harrington,  
Official Court Reporter.

40 DEPOSITION OF GEORGE E. VERNOT

On this 22nd day of March, in the year of Our Lord one thousand nine hundred and forty-three personally came and appeared, George E. Vernot, City Assessor, who having been sworn doth depose and say as follows:—

Examined by Mr. Geoffrion, K.C., for the Complainant:—

Q.—Mr. Vernot, you are one of the two assessors that made the assessment of the Sun Life which is at issue now?

A.—I am the assessor that made it.

*G. E. VERNOT (for Complainant) Examination in chief.*

Q.—When you say you are the assessor, you mean you were the only one who made it?

A.—I am the one who put it on the roll as it is today.

Q.—By writing or by decision?

10 A.—The man who put it in the roll is the man who makes the assessment.

Q.—Do you suggest that you made it alone, or with Mr. Lynch?

A.—No; he did not make it.

Q.—When did you become an assessor of the City of Montreal?

A.—In February, 1939.

Q.—Well, you had nothing to do with the assessment for 1940 and 1941?

20 A.—No, sir.

Q.—It was pegged there. You had nothing to do with it?

A.—No.

Q.—During 1940 and 1941 you had nothing to do with that?

A.—No, sir.

Q.—Presumably you considered that also as being pegged?

A.—Yes. As a matter of fact I was not in that Ward until September, 1941.

Q.—Then you were an assessor in another Ward in 1939?

30 A.—Yes.

Q.—And you came into this particular Ward in 1941?

A.—Yes.

Q.—When, in 1941?

A.—In September, 1941.

Q.—And made the assessment for 1942?

A.—Yes.

Q.—Previous to that you were in another Ward?

A.—Yes.

Q.—But your job was light then, when it was pegged?

40 A.—Yes.

Q.—The job of assessor was rather light during the previous period?

A.—I would not say that.

Q.—It was pegged?

A.—No, we had to do the 1942 roll.

Q.—You had to start it when?

A.—We started that three years before.

Q.—When you started to work, were you alone doing the work for this particular building?



*G. E. VERNOT (for Complainant) Examination in chief.*

A.—As I told you, I started in 1939 on my other wards, that was St. Jean Baptiste, St. Ann's and St. Joseph, and in September of 1941, Mr. Munn, who was the assessor in St. George's was promoted to the Board of Revision, and I had to finish  
10 my own ward and continue on in St. George's Ward where Mr. Munn had left off.

Q.—Previous to be an assessor what was your position in the City of Montreal, or elsewhere?

A.—I was resident engineer with the Montreal Sewers Commission for about nine years.

Q.—And previous to that?

A.—Previous to that I was with the Bell Telephone Company as Building Supervisor.

Q.—This, therefore, was your debut as an assessor?  
20

A.—Oh, yes.

Q.—Did you visit the property before making this assessment?

A.—Not in the capacity as assessor.

Q.—Before making this assessment you did not visit the property as an assessor?

A.—Not as assessor.

Q.—Merely as investigator of monumental buildings?

A.—No. Before, I was with the Bell Telephone, I was in  
30 between jobs, and I helped with Mr. Cameron who was superintendent of the construction, it happened that he wanted a little assistance and I spent two months on it.

Q.—As an assistant to Mr. Cameron, who was building an extension?

A.—Yes.

Q.—When was that?

A.—It must have been the Spring, February or March  
of 1928.

Q.—You were two months assistant to the Building Superintendent while they were building an extension in 1928?  
40

A.—Yes, in between jobs.

I also visited it many times after, to see Mr. Cameron, and also with the Engineering Institute of Canada.

Q.—As an assessor you did not make a visit?

A.—No. But I thought I saw enough of it to make an assessment.

Q.—From being for two months assistant to the Building Superintendent?

A.—Construction Supervisor.

*G. E. VERNOT (for Complainant) Examination in chief.*

Q.—And also by a visit to the building with the Engineering Institute of Canada, and visits as a friend of Mr. Cameron; and on this you thought you had enough information to make an assessment?

10 A.—Yes.

Q.—Were you the only assistant of Mr. Cameron?

A.—No.

Q.—How many did he have?

A.—I don't know.

Q.—A dozen?

A.—He had other men there, he had engineers and other men there.

20 Q.—Now, sir, would you say your valuation was made from a knowledge of the building?

A.—No.

Q.—Why do you. . . ?

A.—Not only from a knowledge of the building; from all available information we had in the office.

Q.—Will you please explain how you proceeded? We have your report here.

A.—You have it all there then.

Q.—From the information you have in your office.

30 Will you please file two documents being two valuation sheets, one for the main building of the Sun Life, and one for the Sun Life power house, for the two years in question in this case?

A.—Yes.

Q.—Is that correct?

A.—Yes.

40 Q.—We will file those as P-1 and P-2. P-1 will be the main building, and P-2 the power house.

As I understand it, the power house is nothing but the heating apparatus of the building?

A.—You are right on that.

Q.—That's one thing I am right on, anyway?

A.—But they sell heat from that, too.

Q.—Do you know how much heat they sell from that building?

A.—They heat Loew's

*G. E. VERNOT (for Complainant) Examination in chief.*

Q.—I will correct my question to meet your answer.

Presumably the main purpose of that power house is to heat the Main Building?

10

A.—Yes.

Q.—There is nothing there but heating apparatus?

A.—No.

Q.—And without it, it might be uncomfortable in the winter?

A.—I think it would.

Q.—You say they also sell some heat to Loew's?

A.—Yes.

20

Q.—And maybe to others. You don't know?

A.—I don't know.

Q.—I think we will commence on the Main Building.

I will begin with Paragraph 2 for the sake of convenience. You head it commercial value, you deal with commercial value?

A.—Yes.

Q.—And you say:—

30

“Based on an estimate of revenue made from information supplied by the Sun Life and an estimate of the value of the occupied, vacant and unfinished space”.

The Sun Life gave you its revenue. What figures did they give you as regards this Item 2?

Mr. Seguin:—Mr. Geoffrion, I think that the rental value was made by Mr. Munn. That he (Vernot) had nothing to do with the rental value.

40

Mr. Geoffrion:—He will tell us. Whether he answers one way or another, it makes no difference.

Q.—What figures did you have?

A.—As I said before, all the information was gathered in the office, and this was part of this revenue and space kept by the Sun Life.

Q.—That was all given by the Sun Life?

A.—Yes.

Q.—Will you give me the details?

*G. E. VERNOT (for Complainant) Examination in chief.*

A.—It was in the records of the City. On May 30th, 1941, there was a letter to Mr. Hulse, the Chief Assessor, by Mr. J. O. Roberts, chief of the Real Estate Board, giving us the floor space occupied by the Sun Life on the various floors and also a list of  
10 the tenants.

Q.—Will you make a copy of the information and submit it to the Board?

A.—I think in the records there is already a copy of the tenants.

Mr. Seguin:—It is reproduced in the admissions with the necessary changes that were made.

20 By Mr. Geoffrion:—

Q.—Can you give me the total elements by which you came to your revenue, real revenue, 1941, \$1,187,225, mentioned in P-1?

A.—As I said before, that was part of the information given me, and it was prepared by Mr. Munn.

Q.—All you can tell us is that you were given \$1,187,225 as the gross revenue?

A.—Yes.

30 Q.—Real, actual gross revenue, 1941. And on that basis that included the actual revenue from tenants, the revenue from the Sun Life itself charging itself rental, and an estimate revenue for vacant space?

A.—Yes, sir.

Q.—And that was the total?

A.—Yes.

Q.—And you cannot give us the details for the three items?

A.—I have a copy of Mr. Munn's notes here.

40 Q.—Will you please give us the details? They are not quite in agreement. Will you give us Mr. Munn's figures?

A.—Space occupied by Sun Life: basement, 66,530 feet at 75 cents, \$42,400; ground floor, 23,035 feet. . .

Q.—Will you not file that as an exhibit.

Mr. Seguin:—There are not many figures.

The Witness:— . . . at \$5, making \$115,175; upper floors, 294,458 at \$1.50, making \$441,687.

*G. E. VERNOT (for Complainant) Examination in chief.*

By Mr. Geoffrion:—

Q.—Are those tenants' figures?

A.—No. Sun Life occupation.

10

Making a total of \$599,262. Rental space, 255,461 actually, \$408,260. Vacant space on the Sun Life floors, the assessed value was \$26,135, plus 50% for services there, it was \$13,068, makes a total of \$39,203.

On the tenants' floors that was 17,500. Unfinished portion was \$123,000, making a total of \$1,187,225.

20

Q.—That is \$599,262 for Sun Life occupancy?

A.—Yes.

Q.—And almost, not quite, \$700,000 tenant occupancy?

A.—No. There is a vacant space.

Q.—For commercial value you proceed by taking all revenue as a gross revenue — it is a gross revenue?

A.—Yes.

Q.—And you capitalize it at 15%

A.—Yes.

Q.—Is that a rule of the City of Montreal?

30

A.—As a rule we would figure it on the particular building.

Q.—In this case you got 15%?

A.—Yes. At that time. With the available information now, I think it is too high.

Q.—How would you capitalize it today?

A.—12%, 12½%.

Q.—Why? What is the difference today?

A.—Because I find that with the 15% we are allowing about 6% for the investment, which on a building of this size I  
40 consider as too high. It should be somewhere in the neighbourhood of 3%.

Q.—You think that a 3% return on a building of this sort is something to attract capital?

A.—No. But for the owner-occupied building it is a fair return.

Q.—What about a tenant-occupied building?

A.—They would get a little more than that.

Q.—How much more?

A.—I guess 4½% would be plenty.

*G. E. VERNOT (for Complainant) Examination in chief.*

Q.—You think you will find people who will invest money for a  $4\frac{1}{2}\%$  return?

A.—On a \$22,000,000 investment.

10 Q.—Why \$22,000,000?

A.—The smaller amount of money the harder.

Q.—Your theory on your experience, your experience which you have told us, for a tenant-occupied building, a  $4\frac{1}{2}\%$  return is quite attractive?

A.—Yes.

Q.—In other words, you think that  $3\%$  for an owner-occupied building, and  $4\frac{1}{2}\%$  for a tenant-occupied building are quite attractive?

A.—They are as attractive as any good bonds today.

20 Q.—Are you comparing a building to a bond?

A.—Well, investment in it is safer.

Q.—You don't see any difference in the salability of a bond and the salability of a house, and you don't think that salability has anything to do with the value of the investment?

A.—A little.

Q.—You would not see much difference between a bond and this?

30 A.—I am talking of money as an investment. If you invested it in a building at  $4\frac{1}{2}\%$  and can only invest it in a bond that you can get only  $3\%$ , the building is more attractive.

Q.—Did you hear of Aluminium Company of Canada selling at  $5\%$ , and they went like hot cakes?

A.—Yes.

Q.—And you don't think you can get  $5\%$  today?

A.—Not so well.

Q.—You think that  $4\frac{1}{2}\%$  for a tenant-occupied building and  $3\%$  for an owner-occupied building is correct. And you assume that your  $15\%$  gives a return of  $6\%$ ?

A.—Yes.

40 Q.—What are the figures? We will see where you get that  $6\%$ ?

A.—We assume that the taxes were  $3\%$ . . . .

Q.—The rate you gave is  $6\%$ .

A.—That is for the chief buildings in the city.

We assume taxes  $3\%$ , services in the neighborhood of  $4\frac{1}{2}\%$ , management and insurance  $1\frac{1}{2}\%$ , which give a total of  $9\%$ .

*G. E. VERNOT (for Complainant) Examination in chief.*

Q.—You don't allow depreciation?

A.—The depreciation is in with the management and insurance.

Q.—What about insurance?

10 A.—I said management and insurance and depreciation,  
1½%.

Q.—What about repairs and so on?

A.—They come in your services.

Q.—You don't bother at all with what it costs to run this building.

What was the net as compared to the gross, in this building?

20 A.—I did not have it at the time.

Q.—So you ignored that as a factor?

A.—Yes.

Q.—Then I have your theory, 15%. Why do you think 15% is all right?

A.—As I said, it is a return of 6% on the investment.

Q.—You think it is too high?

A.—Yes.

Q.—When you put 15% on that, you did not think so?

A.—I did not have the information that I have now.

30 Q.—What other information have you now?

A.—I have been able to study the case more, and I don't think the building should give a return of 6%.

Q.—You thought that?

A.—At that time.

Q.—Why not now? When you did that you did not think it was extravagant?

A.—I figure that from the large investment to carry that building a man would be satisfied at less than 6%.

Q.—You had not thought of it then?

40 A.—No.

Q.—How did you come to that conclusion?

A.—By working on other buildings.

Q.—You brought that principle to other buildings? You mean, on other buildings you came to that?

A.—On my own general work.

Q.—Are there any other monumental buildings that you have assessed on that figure?

A.—All the large buildings in St. George's Ward.

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Q.—On the principle of 15% or 12%?

A.—On 15%, 14½%.

10 Q.—Is it not by working on large buildings that you thought  
12% was all right, since you assessed them at 15% and 14½%?  
A.—In checking through the buildings I find there is  
quite a few at 11%.

Q.—And a few at 16% and 18%.

A.—Yes, and a few at 10%.

Q.—And a few at 20%?

A.—No. You are too ambitious.

Q.—I am afraid I will show you.

So that your figures vary from 18% to 10%?

20 A.—Yes.

Q.—No 19's?

A.—I have not seen any.

Q.—Which was the 10% building?

A.—It seems to be a building on St. Paul Street, 383 to 389.

Q.—What is the valuation of that building?

A.—It is only a small building.

Q.—I thought so.

A.—\$80,000.

30 Q.—And you suggest that that has an analogy here?

A.—No.

Q.—That is the 10%. Can you find other 10's?

10.9. A.—Yorkshire Insurance — no, it is the Barclay Bank,

Q.—On St. James Street?

A.—Yes.

Q.—It has not much analogy to this building?

A.—No.

Q.—Try and get something close to ours.

40 A.—There are none.

Q.—What about that of the Royal Bank?

A.—I would not consider that the same as your building.

Q.—As a matter of curiosity, tell me, please, the percentage  
you allowed there?

A.—Globe Realty, I believe it is, it comes to 15% and on  
the net it comes to 11%.

Q.—What do you mean by "net"?

A.—Taking off the expenses. The expenses for the ser-  
vices.



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Q.—You don't take it off here?

A.—No. No, it is 11% that you take off of. It is 15% on the gross, the same as that.

10 Q.—I am bothered about your 11% and 12's. Give me others below 15%.

A.—The Bank of Toronto, 11.6.

Q.—To you think that has any analogy to this?

A.—No.

Q.—Relatively small buildings, and not high?

A.—Yes.

Q.—The tenancy there is not near the tenancy of the Royal Bank or the Sun Life?

A.—About the same.

20 Q.—The Bank of Toronto is about the same?

A.—Yes.

Q.—Can you give me others?

A.—No, I can't.

Q.—Can you give me some above 15%, and some at 15%? I want to come back to my 15 and then start from scratch.

A.—The Star Building.

Q.—What percentage?

A.—15%.

Q.—Give me some other 15's?

30 A.—I gave you the Royal Bank. McClary Realty, on McGill Street, 14.7%. Phoenix Assurance, 15% Royal Securities, 240 St. James Street, 15.4%.

Q.—Give me the important buildings below 15% — the important buildings below 15% and the ones at 15%?

A.—I have not a list here to give you that information.

Q.—You mentioned a building on St. Paul at \$80,000.

A.—There is no other building in the City to compare with the Sun Life.

40 Q.—There are no two buildings that appear absolutely alike. I want to know the big expensive buildings, how many you put below 15%, and how many above 15%, and how many at 15%. Don't speak of the \$80,000 building on St. Paul Street.

Mr. St. Pierre, K.C.:—You mean, more than \$5,000,000.

A.—I have not got the information available.

By Mr. Geoffrion, K.C.:—

Q.—Can you give me some examples there?

A.—Not now.

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Q.—Can you give me a little statement by tomorrow?

A.—Will you give me your demand in writing?

Q.—I have this man (The Reporter) writing for me.  
That's why he's here.

10

I want monumental buildings or expensive buildings. I know there is none like the Sun Life, none like the Bell Telephone, none like the Royal Bank. I want the buildings you put above 15%, at 15% and below 15%?

A.—Will you stipulate the buildings?

Q.—The buildings in Schedule G in the admissions.

20

That gives the commercial value. Now we will turn to the other value, entitled as replacement cost as taken by the assessor. How do you arrive at that?

A.—What paragraph is that?

Q.—The conclusions, remarks, replacement costs as taken by the assessor, \$14,404,578?

A.—All that information I had on hand in a letter or admission by the company as to the cost of the building, as at April 30th, 1941, at \$22,377,769.26.

30

Q.—Where do you find that?

Mr. Seguin:—This was a figure supplied by the company to the City, but the assessor has taken some figures out of that.

Q.—Have you the original of that letter?

A.—I have a copy here, June 10th, 1941, to Mr. Hulse, Chief Assessor, from Mr. McAuslane, inspector of real estate. That gives \$22,377,769.26.

40

By Mr. Geoffrion, K.C.:—

Q.—I would like to see what there is in writing. Have you the letter there?

A.—No.

Q.—That is the cost given you?

A.—Yes.

Q.—Is that all?

A.—(Reading from Letter):—

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10 “In answer to your letter of April 5th, addressed  
“to the secretary of this company, I would advise you that  
“the total gross cost before depreciation of our head office  
“building, as at April 30th, 1941, was \$22,377,769.26. This  
“figure includes the Power House Building with a gross  
“cost of \$709,257.14, and land for the Head Office Build-  
“ing and Power House, the cost of which totalled  
“\$1,040,638.20, so that the total cost of Head Office Build-  
“ing, exclusive of land and power house, is \$20,627,873.92”.

Mr. Seguin:—Reference is made to an admission, and I would ask that the original be filed.

20 Mr. Geoffrion, K.C.:—Yes, I would rather that the original be filed.

Q.—Will you file that letter as Exhibit P-3?

A.—Yes.

Q.—Did you bother about the date when the building was built?

A.—Oh, yes.

Q.—What dates have you got?

30 A.—That is why it comes from \$22,000,000 down to \$14,000,000.

Q.—How do you proceed to reduce?

A.—We took everything the Sun Life asked us to take off, and something more besides.

Q.—I want something more precise.

A.—You have a total cost of \$22,377,769.26. They quoted the Power House and equipment at \$709,257.14. The land for your Head Office and Power House, \$1,040,638.20. Cost of sidewalk \$70,335.

Q.—What I want to know is what did you take off?

40 A.—That is what I am telling you.

Q.—The sidewalk, it belongs to the City?

A.—It is a City property, but it is bracketted with the building.

Q.—Do you always charge on the sidewalks?

A.—When the space underneath is occupied by the company, we charge rent.

Q.—That is the third concession.

A.—Then they stated the cost of temporary partitions during construction, \$233,713.38, and then they stated the cost of portions demolished in connecting up the new and the old build-

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ing, \$1,215,450. That makes a total of \$3,269,393.72, makes the reported cost of the Head Office Building without land as \$19,108,375.54.

Q.—What next?

10 A.—Assuming that the largest part of the expenditure was made equally in 1927, 1928, 1929 and 1930. Then I got the index figures for those years. I added them up and I took a mean.

Q.—The index figures, the costs?

A.—The construction costs, including labor.

Q.—And you took a mean on the assumption that the whole construction was built 1927, 1928, 1929, 1930? You took the mean construction cost?

20 A.—And compared it with our figure for 1941. All this was made out of the 1941 index figure, which makes a difference 7.7%.

Q.—Up or down?

A.—Up.

Q.—How do you proceed at your index figures. Do you go by cubicing or what?

A.—No. By the ratio between labor and material in the various buildings.

Q.—How do you get the quantity of materials and labor in each building?

30 A.—That is given us by the Minister of Labor in Ottawa.

Q.—No. He gives you the price but not how much labor and material?

A.—No.

Q.—Where did you get that figure?

A.—I did not have that figure.

Q.—You made a percentage then?

A.—Yes.

Q.—If the cost of construction fell by 5% you would reduce by 5%?

40 A.—It happens to be 7.7%.

That gave \$1,471,344. Then I allowed 5% for the extra cost in erecting a building like this in three units. But in that case there I must say I would not do it by allowing that 5%, because I think the \$1,215,000 stated before cover that amount.

Q.—What is that?

A.—That is the cost of parts demolished to connect up the new and the old buildings, and the other item above that, — the temporary partitions.

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Q.—The cost of removing partitions?

A.—The cost of erecting partitions.

10 Q.—That represents the whole difference in cost between building in three units and building in one unit?

A.—Yes.

Q.—You have allowed it then?

A.—Yes.

After the index figure was adjusted that made it \$17,637,031. Now I allow the 5% for the extra cost and it takes off \$881,851, making a cost of \$16,754,180.

20 Then I take the depreciation, the total cost of the building as it appeared at that date, and I take the depreciation.

Q.—How do you take that?

A.—Well, you take it usually from our tables, on our depreciation tables.

Q.—What are they?

A.—They are in our Manual.

Q.—What depreciation do you allow, for how many years and how much per annum?

A.—On the first two corner buildings, \$2,176,000.

30 Q.—How did you come to that amount?

A.—That is the amount that was on the roll.

Q.—What do you mean by saying “the amount on the roll”? I mean depreciation. That is not on the roll.

A.—We are talking of two different things.

Mr. St. Pierre, K.C.:—That was on the roll at that time. The corner building.

40 Mr. Geoffrion, K.C.:—I am sorry.

Q.—You took the assessed value of the building, of the two corner buildings, at that date.

A.—I gave them 25% depreciation.

Q.—When did you take the assessed value? As of what date. Can you tell us as of what date. You took the assessed value of the buildings at a given date. What date?

Mr. Seguin:—You have that in Schedule H.

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By Mr. Geoffrion, K.C.:—

Q.—You took a date and you made a certain figure for depreciation. I want the starting point and how you made the 10 deductions.

By Mr. St. Pierre, K.C.:—

Q.—You have nothing in your papers?

A.—No. We can get it in the roll.

By the President:—The witness will get the information and give it to you.

20

By Mr. Geoffrion, K.C.:—

Q.—Yes. I want to know how you figured out the depreciation. Did you give me every list that put you to \$14,404,000?

A.—No. I gave you \$2,176,000 for the cost, the assessed value of the two buildings. I took of the allowance for the parts demolished at \$1,215,500, that left a portion of that building at \$961,000, and I took a depreciation of 25% on that, giving me \$240,250.

30

The total as above, \$16,755,180, less the two corner buildings, the remainder of the two corner buildings, \$961,000, leaves a total of \$15,794,180, less fifteen years depreciation at 18% gives you \$2,840,952. After depreciation that makes a total of \$3,081,202. The net cost, 1941, of the building after depreciation is \$13,673,978, to which we add the cost of the land, \$730,600, making a total of \$14,404,578 as the replacement cost.

40 Q.—I would ask you to be good enough to file a detailed statement of these calculations and complete them with an explanation of the depreciation item. The rest is fairly clear.

A.—Yes.

Q.—Let me summarize that: Eliminating the things you do not count, as they were destroyed, old parts of the building you take the original cost of the construction, as you assume it to be, and correct it by the Index and you depreciate, and that is all?

A.—Yes.

Q.—Original cost of the building, eliminating what has been destroyed, creating by the Government index of cost of

*G. E. VERNOT (for Complainant) Examination in chief.*

building and depreciating, as you will explain to us, and that gives us the amount?

A.—Yes.

10 Q.—So that is your process. There is a third process.

Then you decided to take this method of calculating by taking the original cost less that which was destroyed, which does not count, correcting by the variation of the cost of building between the various dates and depreciating, as you will explain tomorrow; you take that for 90% and the capital value for 10%?

A.—Yes.

Q.—What is your reason for 90 and 10?

20 Mr. Seguin:—Do you make reference to the 5% allowance?

Mr. Geoffrion, K.C.:—Yes, I said change in cost index.

The Witness:—

A.—That is above that.

30 Q.—Oh, yes, I forgot that. And some allowance for the additional cost of building by pieces, which you said you regretted having allowed.

Please tell us why you allow 90% for this value and 10%, almost zero, for commercial value.

A.—That is one of the things that was in Mr. Munn's notes, and I considered it, after study, to be fair.

Q.—I you studied it you should have some information about it. You must have some reasons for it.

40 A.—When the assessors were making up the large buildings, we decided that capitalized value of the building should be taken into consideration.

Q.—Why 10%?

A.—I am trying to get to it.

We decided that on the large buildings in our Wards, in the large buildings of our Wards that were rented, totally rented, we took into consideration 50% commercial value and 50% replacement value; that is where the building was built solely for commercial purposes and occupied solely for commercial purposes by tenants.

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Those that were occupied by owners we would take at 100% replacement cost, and nothing for commercial value.

10 So the Sun Life happened to fall between these two categories. The total floor space occupied by the Sun Life and the tenants is given by their list, and came out to be 60% and 40%.

Q.—You take that, anyway.

A.—So, if it was in a commercial building where there is no owner, we allow 50% replacement and 50% commercial.

In a place where the owner is in the building that would mean 20% commercial and 80% replacement.

20 But that would be if the owner was mixed up among the tenants in the more or less poorer parts of the building as well as the better parts of the building, as if the building was completely divided down the middle.

In this particular case the Sun Life occupied the best part of the building, and I thought 10% was fair.

Q.—I will go back.

30 You say here that the Sun Life occupied the best parts from the rental point of view. That is your basis? The best parts?

A.—Yes.

Q.—Second, you say the Sun Life occupied 60%?

A.—Yes.

Q.—You don't count the vacant space?

A.—No.

40 Q.—You count that in the revenue?

A.—Yes.

Q.—If you think the vacant space will be rented after being finished?

A.—Yes.

Q.—Therefore, should you not count that amongst the rented space?

A.—It is the possible revenue from it.

Q.—Figuring how much is occupied and how much not occupied, should you not divide it by half?

A.—No.



*G. E. VERNOT (for Complainant) Examination in chief.*

Q.—Can you tell me why you take 50-50?

A.—That is for assessment purposes, not for sale. We don't guarantee. . .

10 Q.—We don't ask you to guarantee it.

Dealing with the actual value, why should a man who operates a building and builds a building only for renting, establish the possible revenue to be 50% and the cost 50%? Could you give a reason for that?

20 A.—The assessors at a meeting, I think it was on the instructions of the Board of Revision, decided that commercial values should be taken into consideration, and at the end of our meeting we decided that in the tenant occupied building, like flats and apartments, the commercial value should be taken as 75% and the replacement value as 25%, and it was the majority opinion that the capitalization figure should not be used as one figure in estimating valuation of a property unless the result of its use given by itself is a fair indication of the real value of the property; also it is evident that it cannot be used in proprietor occupied properties, or stores in high priced retail districts.

30 After that the ones who had to authorize on large buildings had to make up their table, another table, and that is the table. 50%.

Q.—Who decided that?

A.—The assessors who had buildings in these Wards.

Q.—You conferred with the other assessors?

A.—I happened to be in St. Ann's at that time. Mr. Munn did mention the fact.

Q.—It was a total of the Ward assessors, who said 50-50 would be right?

40 A.—Yes.

Q.—The 100% idea followed the same process?

A.—Yes.

Q.—There is no decision as to mixed properties?

A.—That was up to the assessors own judgment.

Q.—And you decided in the present case on 90% and 10%?

A.—Yes.

Q.—And you cannot give us a sample?

A.—No.

Q.—Do you remember many other big buildings where you put it at 90 and 10?

A.—Not now. I can't remember.

*G. E. VERNOT (for Complainant) Examination in chief.*

Q.—I would like you to get that with the other information.

A.—I am afraid you are putting too much on me for one day.

10 Q.—Take two, if you like.

A.—This is one case in twenty thousand.

Q.—There are not twenty thousand monumental buildings in Montreal.

We want to know why we get a jump of four million, when no one else does apart from us.

20 And I want the same treatment meted out to the other fellows.

A.—The treatment is the same.

Q.—That is what I am doubtful about. What about the Royal Bank, for example?

A.—I have not got it here.

Q.—You decided on one solitary building in Montreal for a jump of any size, and quite a jump.

30 In Schedule "I" you have a dozen buildings there. Partly owner occupied. I would like very much to know who got 90% replacement and 10% commercial, and who got a greater commercial.

By Mr. St. Pierre, K.C.:—

Q.—Can you give that to me?

A.—Not right now. Tomorrow.

40 By Mr. Geoffrion, K.C.:—

Tomorrow will be fine. And that includes the Royal Bank. We consider as partly occupied the Tramways, Montreal Light Heat, Canada Cement, Royal Bank, Star, Banque Canadienne Nationale, Bank of Nova Scotia, Canadian Pacific Express, Royal Trust.

I would like to know who were assessed 90% on the replacement value.

*G. E. VERNOT (for Complainant) Examination in chief.*

Can you tell us when you were working as assistant to Mr. Cameron as building engineer for the Sun Life, in what stage was the building as to structure?

10 A.—The two corner buildings were completed and a portion of the building on Mansfield was completed, and a part of the job I had to do was to check or keep the foundations correct for the portion of the building on Metcalfe.

Q.—While you were there you were working on the foundations, and you were there two months?

A.—Yes, sir.

Q.—You spoke of tables of structural depreciation. Have you got those tables?

20 A.—They are in the Manual.

Q.—1941?

A.—Yes, sir.

Q.—Are you familiar with the current 1941 prices, when you made the valuation, the building costs, or did you take the Government tables?

A.—No. That work is prepared for us by the Technical Service.

Q.—Subject to what I want you to get, that is all I have to ask for today.

30 Cross-examined by Mr. Seguin, Attorney for the City of Montreal:—

Q.—When you made the assessment you said to this Board that you had some information and data from Mr. Munn, the previous assessor?

A.—Yes.

Q.—And you said also that as a civil engineer you had worked on that building for a few months, two months.

40 A.—Yes.

Q.—At that time the first part was completed, and they were working on the second extension.

A.—I think they carried up to the fourth extension at the time.

Q.—You also said to the Board that from day to day, or from month to month, year to year, you went at the building casualty as a visitor?

A.—Yes.

Q.—You also visited the building with the Civil Engineers?

A.—With the Engineering Institute of Canada.

*G. E. VERNOT (for Complainant) Examination in chief.*

Q.—Mr. Vernot, besides that, had you some information published from the Engineer's Journal?

A.—Yes.

10 Q.—Will you tell the Board if you had this information available when you made this assessment?

A.—Yes, I read it through when I made the assessment, and prior to that as well.

Q.—Will you give the title of the Book to the Board?

A.—Head Office Building of the Sun Life.

Q.—No, give the title of the book.

A.—Engineering Journal, February 1931.

20 It is in the Engineering Journal of February 1941, it is a complete description. . . .

By Mr. Geoffrion, K.C.:—

Q.—Let us see the book (is handed book).

Objection as being illegal evidence. But I will not press it.

A.—. . . complete description of the building, structural, mechanical. . . .

30 Mr. Geoffrion, K.C.:—The thing speaks for itself. First of all, I object generally to this being in, and at all events I object to its being summarized.

The President:—You yourself, Mr. Geoffrion, asked the witness upon what he based his opinion. This is one of the things.

Mr. Geoffrion, K.C.:—I object to a summary of it. If it is going in, I want it all in, not a summary.

40 The President:—This is an expert and he is giving a description of something on which he based his opinion, or helped to form his opinion. He says he has read this and was influenced by the article.

Mr. Geoffrion, K.C.:—Possibly it is for me to call for the filing, as long as it goes in.

*G. E. VERNOT (for Complainant) Examination in chief.*

By Mr. Seguin:—

Q.—Will you continue with your statement, by whom the article was written and . . .

10

The President:—It will be shorter if he files the original and we will read it later.

Mr. St. Pierre, K.C.:—Summarize what the whole article says.

Mr. Geoffrion, K.C.:—No! I don't like summaries. You can draw attention to the paragraphs which influenced you.

20

Mr. Seguin:—We will try to secure an extra copy, and will you file this copy, Engineering Journal of 1931, February, as Exhibit D-1?

There is articles for the description of the building, some articles for the plumbing system, some for the steel structure, some for the walls, and I think it is a complete picture of the whole building.

30

A.—Of the Main Building and Power House.

Q.—As to the rentals taken into consideration, Mr. Ver-

not, and put on the valuation sheet, you said it was Mr. Munn?  
A.—Yes, Mr. Munn made the water and business tax roll that year.

By Mr. Geoffrion, K.C.:—

Q.—For what year?

A.—1941.

40

By Mr. Seguin:—

Q.—As to the rented space or tenanted space, you rely on what the company had said, the list sent to the City?

A.—Yes.

Q.—And as to the owner occupied space, you said it was yourself?

A.—Yes, on the same basis as the tenants.

*G. E. VERNOT (for Complainant) Examination in chief.*

Q.—You did not take the measurements or areas given by the Sun Life to the City?

A.—No.

10 Q.—In other words your rental value relied mostly on information supplied by the City?

A.—Yes.

Q.—As to the services, you did not consider that in, because you made your commission value on the gross income of the property? You have figured it at 15%?

A.—Yes.

Q.—That is the gross income?

A.—On the gross income.

20 Q.—Now, Mr. Vernot, Mr. Geoffrion did not find you very generous.

When you made your assessment were you aware that in the figure supplied by the Sun Life there was nothing included for taxes during construction or interest on the money spent during construction?

A.—No, I was not aware of that.

Q.—You are a civil engineer?

A.—Yes.

30 Q.—To the best of your experience, what time would it take to build the property, and the power house?

A.—It could not be built in less than two years, and possibly three years.

Q.—You were not aware of that?

A.—No.

Q.—If you had been aware of the fact that those had not, that those figures had not been included in the amount of \$22,377,769.26, would you have considered it in your assessment?

40 A.—I would have had to add something to the figure of Twenty-two million.

Q.—A few minutes ago you said to Mr. Geoffrion that you had assessed that building on the 1941 figure, or prices. Will you tell the Board what you mean by the 1941 figures or prices?

A.—Well, the Index we used in this valuation. . .

Q.—You mean to say the whole valuation?

A.—The complete valuation of the City.

Q.—Reflected on the roll in 1941?

A.—Yes.

*G. E. VERNOT (for Complainant) Re-examination*

As I understand it, it is the last of 1939 and the beginning of 1940 is the Index figure. Because we had so much work to do, and we had to have some figure that we could apply to the whole City. That 109 that we use as the Index is not really the true  
10 Index for 1941.

Q.—So you made the correlation between the prices 1927, 1928 and 1929 and the prices prevailing in the last part of 1939 and the first part of 1940?

A.—Yes.

Q.—You eliminated from that all the extra costs or expenses, priorities, derived from the war conditions?

A.—I think so.

Q.—Then the last part of 1939 and the first part of 1940,  
20 do you consider that as about normal?

A.—Almost.

Q.—I think you said to Mr. Geoffrion, when you were considering the 5% deducted from the total amount for allowance for presumed extra costs for a building erected in three units, I think you said you would not allow it again?

A.—Not if I was making it again.

Q.—And I think the explanation given was that. . .

A.—I think it is already included.

Q.—Reflected in the amount of nearly One and a half  
30 million already credited for temporary partitions?

A.—And also due to the fact that there is no interest during construction or taxes on that Twenty-two million amount.

Q.—You have made reference to depreciation contained in a table of Mr. Parent's book, at page 197?

A.—Yes.

Q.—If you took the age of erection of several parts of the building and power house, do you consider that you have given more depreciation than provided on the table.

40

Mr. Geoffrion, K.C.:—We don't know yet what he did. We are waiting for that. He will tell us tomorrow.

Re-examined by Mr. Geoffrion, K.C.:—

Q.—You referred to a book in which something is written by the Sun Life. Can you point out the passages which influenced you?

A.—I have told you I read the whole thing through.

*G. E. VERNOT (for Complainant) Re-examination*

Q.—The fact that it was in stone and not in brick did not influence you, because you saw it in the street.

A.—Yes.

Q.—What did influence you?

10 A.—In the first paragraph it is stated that there are twenty-two million feet. In our little figure here we got 21,931,761.

Q.—That was a very important discovery.

A.—It means it was a check with something else.

Q.—Particularly in view of the fact that in your testimony you did not seem to bother about the cubic feet.

A.—You filed it.

Q.—You did not refer once to cubic feet.

20 What is the next important point you found. Something that affects the value. As far as the description of the building is concerned, it is there. I want to know what influenced you specially.

A.—There is only one real thing that did influence me, that was in the Power House. That was designed for an eighteen storey building above the Power House.

Q.—That was the original design?

30 A.—Yes.

Q.—They changed their mind?

A.—Yes, they changed their mind. That is in the last paragraph.

Q.—That is on page 81?

A.—Yes.

Q.—The first column of page 81. You gather that the plan was to build the building not on the other side of the street, but over the Power House?

40 A.—Yes, and the foundations were designed for eighteen storeys.

Q.—And never built?

A.—Not yet.

Q.—And these foundations, designed for a building that was never bilt, you value on the basis of their costs, 90%?

A.—Yes.

Q.—And as a matter of fact they are purely wasted moneys?

A.—I don't know if they are going to use it.

Q.—At present they are wasted moneys?

A.—At present. That's not my fault.



*G. E. VERNOT (for Complainant) Re-examination*

Q.—You say that the water and business roll had been prepared by Mr. Munn. You will pardon my ignorance, that is, I understand, on the annual value?

A.—The assessed value.

10 Q.—Did you notice that the percentage of rental value compared to your value of this building is far lower than on any other monumental building?

A.—I don't get your question.

20 Q.—If you took the ration between the rental value of Mr. Munn in this building and the capital value of this building as fixed by you, as compared with the rental value of other buildings and the capital value of other buildings, will you find there is not a big disproportion, suggesting that the rental value of Mr. Munn is much too low, or your capital value much too high?

De you know, or not. If you don't we will prove it by others.

A.—I guess I can't answer your question.

Q.—Do I understand you to say that you had taken the rental value of the space occupied by the Sun Life on the same basis as that of other persons?

A.—Approximately.

Q.—Are you sure of that?

30 A.—Yes.

Q.—You did not take the figures that they gave you, or check it?

A.—The figure they gave us.

Q.—You did not check it. You assumed it to be so?

A.—Yes. Excuse me. The Sun Life gave us no figures for their occupied space except the square feet, and we put in the value approximately the same as the rental space.

40 Q.—Are you quite sure that you are the ones that fixed the rental values of the space occupied by the Sun Life? It was figured by you to 1,187. . .

A.—By Mr. Munn.

Q.—So you don't know.

A.—Not generally. I have only his figures.

Q.—Let us see. One last question. I understand that your fundamental valuation is 90% cost of construction less depreciation corrected by the change of the index price and also corrected by the fact that the structure was not all made at the same time.

A.—Yes sir. Without figures, that is right.

*G. E. VERNOT (for Complainant) Re-examination*

Q.—That is not exactly the same as the replacement value?

A.—No. Replacement value would be 100% of that.

Q.—According to you.

10 Before your assseing here, you had no experience in charging?

A.—I was a civil engineer, I did some estimating and constructing work.

Q.—As a civil engineer?

A.—Yes, for various companies.

Q.—Which companies?

A.—Fraser Brace, Foundation Company,

20 estimate?

A.—Well, part of my duties in their organization, I estimated quite a few jobs.

Q.—You were not the chief estimator?

A.—Oh, no.

Mr. Seguin:—On the document produced by the Complainant as P-1. . . .

30 The Witness:—That is an admission.

Mr. Seguin:—On the joint admission of the parties, reference is made to about forty properties. On each of these forty properties they refer to the assessment since ten or twelve years, giving the assessment of the land, the assessment of the building, the tenant occupied space and so forth.

40 The first paragraph of the joint admission says: “The parties hereto, by the undersigned their attorneys, . . . admit “the following facts”.

They sent us this admission and they ask us to verify some of the information and all of the information for these forty properties.

The depreciation were made according to our rolls, but none of these forty properties were visited or checked in view of this case. I want to know the purpose of including that in the admission. If it is a case of comparing the price of the land, or price per cubic foot of each building, we have not the age, the cubic content, and so forth. We would have to visit the properties.

*G. E. VERNOT (for Complainant) Re-examination*

The President:—We have here this admission, Joint Admission of the Parties. You don't expect me to order your opponent to tell me right now what argument they intend to raise about these buildings.

10

What is the object of your demand?

Mr. Seguin:—If it is a question of comparison between two buildings, we have to visit the other buildings.

The President:—I am not going to make a trial of forty buildings.

20 Mr. Geoffrion, K.C.:—My learned friend may have refused to sign the admission. He signed it.

If the admission is not authorized for argument, I will suffer. And if I feel I have evidence to plead it, I will plead it.

The President:—What is the effect of your question, Mr. Seguin? What is the demand?

30 Mr. Seguin:—I don't know where the Sun Life is coming with this. . .

The President:—You will in the course of time.

Mr. Seguin:—If it is to compare buildings, yes. Then the objection will be raised at the proper time. And if we have not time to visit, you will perhaps suffer.

40 Mr. Geoffrion, K.C.:—If it is especially found the admissions to be useful to me then we should have evidence for each property, otherwise I will not be able to use my evidence.

The President:—We are not making a trial of any of these properties.

Mr. St. Pierre, K.C.:—I want to make an application that the case be adjourned to the 5th April.

Mr. Laurendeau is Counsel to the City in this case. He was here, but he was called before the Court of Appeal, and it would be unfair for the City to be deprived of his services.

*G. E. VERNOT (for Complainant) Re-examination*

I make application that the case be adjourned until the 5th April. No one will suffer. The case has been begun and everyone knows that we are willing to proceed.

- 10 It is on account of the sickness of Mr. Laurendeau that we were deprived before of his services, and now we are deprived of them because he is in the Court of Appeal.

The same thing might have happened to Mr. Geoffrion. And the application would have been made and we would have made no complaint.

I make this application at the present time.

- 20 The President:—You renew the application made by Mr. Laurendeau and Mr. Seguin, at the beginning of the trial, and on which, unfortunately, a ruling was given.

Now you renew it. I don't know what your opponent is going to say.

- 30 Mr. Geoffrion, K.C.:—Our answer is: we had tremendous difficulty to gather in our experts. We will lose them by the 5th April, and we don't know when we will be able to gather them together again. There have been several postponements at the request of the City, and now Mr. Laurendeau is in the Court of Appeals. This is more important.

It is true that the Court of Appeal was fixed peremptorily, so was this, and I regret that I will have to hold to the same as before. Mr. Laurendeau will lose a Brief, the same as I have had to do more than once.

- 40 Mr. Seguin:—Last week, Tuesday, the representative of the City and Sun Life were still measuring the building.

Mr. Hansard:—These figures were for the benefit of my learned friend, and had to do with the question of minor differences. The figures were got together last year.

The President:—Now that Mr. St. Pierre is here, I must declare that yesterday or the day before Mr. St. Pierre came to me and told me that, unfortunately, Mr. Laurendeau will not be ready to proceed to the case for the reasons given, and Mr. St. Pierre asked me to adjourn until the 5th April.

*G. E. VERNOT (for Complainant) Re-examination*

My answer to him was, I don't want to decide this demand in the absence of your opponents. As far as tomorrow is concerned, you will have to proceed. And then you make application, and as far as I am concerned I will do my best to oblige you.

10

At that time I was not supposed to know that Mr. Geoffrion and Mr. Hansard would oppose the request or demand and would give very substantial reasons to sustain their opposition. Under the circumstances, I am sorry, as I told Mr. Laurendeau, it is regrettable that we cannot oblige the City in the circumstances. I am sure that you and Mr. Seguin are well able to defend the case of the City, which you represented so well for many years.

20

The Chairman then adjourned the sitting, and stated that the Board would reconvene tomorrow, March 23rd 1943, at 2.30 p.m.

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23rd March 1943

The Board reconvened at the City Hall, Montreal, on Tuesday March 23rd, 1943, with the same members being present. Mr. Vernot continued with his testimony.

30

Examined by Mr. Geoffrion, K.C., for the Complainant:—

Q.—Mr. Vernot, I understand that you have prepared a statement giving the figures which you gave in your testimony yesterday by which you arrived at your valuation?

A.—Yes, sir.

Q.—Will you please file that as Exhibit D-2?

A.—Yes, sir.

40

Q.—I had a book but I have not got it with me. The book of Mr. Parent, from which you took the depreciation table. I don't want to put the whole book in the record, but could you tell me the depreciation table you took is the one at Page 197?

A.—Yes, sir.

Q.—Will you please then file as Exhibit P-4 copy of that page 197, with the foot note — the full page. Will you do that?

A.—Yes, sir.

Mr. Geoffrion, K.C.:—I suggest to Mr. Seguin that he show me the valuation sheets or the equivalent for the six build-

*G. E. VERNOT (for Complainant) Re-examination*

dings. I want him to show them to me. I may not want all of them, and he may object. I suggest that we keep the testimony open and we will decide later whether to file them or not.

10 Mr. Seguin:—I must say with reference with the same six buildings there was no complaint made against the 1942 roll. I am not sure the sheets are prepared.

The President:—You can have them prepared.

By Mr. Geoffrion, K.C.:—

20 Q.—You referred yesterday to some Government indexes you took to demonstrate the difference in cost of labor and construction between the date you took as the average date of construction, I suppose, and today or last year.

What do these index figures give?

A.—Well, they are based on a 1926 figure of 100, but our figures that we use in the City of Montreal are based on a 1936 figure as 100. They have been adjusted by our Technical Department.

30 Q.—The difference is that your 100 was for 1936 and the 100 of the Government was 1926?

A.—Yes.

Mr. St. Pierre, K.C.:—Not the Government, the City of Montreal.

By Mr. Geoffrion, K.C.:—

40 Q.—The City of Montreal datum is 1936 and the Ottawa Government 100 is 1926?

A.—Yes.

Q.—Where do you get the figures for the Ottawa Government?

A.—I got them from our Technical Service. Our Technical Service supplied us.

Q.—From what book?

A.—The Canadian Year Book. The Department of Labor supplied it to us.

Q.—The result of your calculation, you say, was a difference of what?

A.—7.7%.

*G. E. VERNOT (for Complainant) Re-examination*

Q.—In your Exhibit D-2 you see an item, the third one, adjusted cost to 1936. Are those the City index figures, or the Government index figures? ,

A.—The index is the Government, but are adjusted to  
10 the City.

Q.—I suppose another 100. If we took the 1936 figure we could do the calculation, if we see the difference, I think.

Now, sir, there is a question of the rental valuation which I had forgotten completely yesterday.

Is it the practice in the City of Montreal to assess the rental value at two-thirds of the actual rental, assuming the actual rental to be normal?  
20

A.—No, sir. That depends on what you mean by actual rental. We assess it at the rental value. The rent paid less services.

Q.—You took the actual rent less services?

A.—Yes.

Q.—What do you mean by services?

A.—The place must be heated, cleaned, elevator service.

Q.—You don't know the percentage you deduct for that?

A.—It depends on the building.  
30

Q.—Does this statement give the date from which you started the depreciation? If not, give it to me.

A.—No, sir.

Q.—From what date or dates do you start your depreciation?  
tion?

A.—Your question yesterday was where I obtained the \$2,176,000?

Q.—That is what?

A.—Starting depreciation.

Q.—Oh, yes.  
40

A.—You asked the date.

Q.—What I want to know is the date from which you started depreciating. Did you start the whole property from the same date? Give me how much from what date for each amount?

A.—\$2,176,000.

Q.—You say that is for 16 years?

A.—Approximately 16 years' depreciation. But it started really in 1928. 1927, I think.

Q.—Give me the other depreciation. Is there none?

A.—15 years depreciation.

*G. E. VERNOT (for Complainant) Re-examination*

Q.—For the balance. You gave it 16 years for the smaller sum of \$2,176,000 less \$1,215,000, and 15 years on the balance?

A.—Yes. That is an extra depreciation of 25%.

10 sent? Q.—What is the part of the building the \$2,176,000 repre-

A.—The first two buildings on Dorchester Street.

Q.—Now the Power House?

A.—No.

By Mr. Seguin:—

Q.—After the index figures which were supplied to you, these are the technical staff figures, I presume?

20 A.—Yes, sir.

Q.—And the better man to answer this question would be Mr. Cartier?

A.—Yes, sir.

Q.—As to the rental value of the property you are bound by the Charter of the City of Montreal?

A.—To put in full rental.

Q.—But you are bound to assess according to the Charter of the City of Montreal?

A.—Which calls for valeur locative, annual rental value.

30 Q.—I remark that in your depreciation, Mr. Vernot, you have taken more than exists in reality since the completion of each part of the building?

A.—Yes, there is a slight discrepancy there.

By Mr. Geoffrion, K.C.:—

Q.—Since the completion?

A.—Well, it is not completed yet.

40 And further deponent saith not.

J. T. Harrington,  
Official Court Reporter.

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*O. LOBLEY (for Complainant) Examination in chief.*

DEPOSITION OF OWEN LOBLEY

10 On this twenty-third day of March, in the year of Our Lord one thousand nine hundred and forty-three, personally came and appeared: Owen Lobley, real estate agent, property manager and professional valuer, residing at No. 135 Lazard Avenue, Town of Mount Royal, District of Montreal, who having been sworn doth depose and say:—

Examined by Mr. Hansard, for the Complainant:—

20 Q.—Colonel Lobley, before proceeding to qualify you further, let me ask you, have you been requested to prepare a report on the actual value of the Sun Life Building?

A.—I have.

Q.—Have you a copy of that report available?

A.—I have.

Mr. Hansard:—Mr. Chairman, I suggest that it would be simpler if, as we are tendering this report in evidence, we should put it in now and give a copy to our learned friends. On the back of it is a list of Mr. Lobley's qualifications, and it will save some time.

30 Q.—Will you please produce your report as Exhibit P-5?

A.—Yes.

Mr. Seguin:—Subject to any objection I have against the report, since I have not read it.

Mr. Hansard:—Obviously.

40 Q.—As I say, Colonel Lobley, on the last page of your report, you have a list of your qualifications. Is it not a fact that in addition to the information given there you are also Rentals Administrator for Eastern Canada?

A.—Yes.

Q.—Would you explain briefly for the record what work that involves?

A.—The administration of the Wartime Prices and Trade Board Rental Regulations for the Province of Quebec, Nova Scotia, New Brunswick and Prince Edward Island.

*O. LOBLEY (for Complainant) Examination in chief.*

Q.—In connection with your work as Rentals Administrator, do you have to have regard to the rate of rentals currently prevailing in that territory?

A.—I do.

10 Q.—Do I take it then that you are familiar with the rentals prevailing in that territory?

A.—I am.

Q.—And in particular with the City of Montreal?

A.—I am.

Q.—You have told us that you have prepared a report and have filed it. I would ask you first of all to tell us whether you have arrived at a valuation for the Sun Life Building?

A.—I have.

20 Q.—Would you state what your opinion is in that regard?  
A.—In my opinion the valuation of the land and the building and the heating plant is \$7,250,000.

Q.—By the heating plant do I understand you to mean the property across Mansfield Street, from the Main Sun Life Building?

A.—It is the property as it stands on part lots 1373, 1374 and 1375 on the official plan and book of reference of the St. Antoine Ward, in the City of Montreal.

30 Q.—Before asking you to explain how you arrive at the valuation you have mentioned, may I ask you, Colonel Lobley, what is that valuation. Is that the actual value in your opinion?

A.—That is the actual value.

Q.—Can you give us an idea of the general principles you followed in arriving at that valuation?

40 A.—The principles I invoke and believe in are these: To state the value of anything in terms of money is to express the opinion that the thing valued is susceptible to being exchanged for the amount of money stated. To express the value of anything in terms of money with a provision that it can never be exchanged for the amount of money stated is as offensive to the intellect as a promissory note in the body of which is incorporated a declaration by the debtor that he will never be willing or able to pay the debt.

Qualities which are imparted to a thing by the owner but which cannot be transferred to another along with the thing do not affect the value of it. Any particular and perhaps profitable use which the owner of a thing makes of it does not increase its value; it is the use which can be made of the thing by others which determines the value.

*O. LOBLEY (for Complainant) Examination in chief.*

Replacement cost is not a measure of value; it merely constitutes a ceiling over which value cannot normally go.

10 Q.—Colonel Lobley, before arriving at your valuation did you visit the building and can you tell us whether or not you are familiar with the building?

A.—I did. I visited it, every part of it, and I am familiar with it.

Q.—Can you perhaps give us for the record a description of the building?

A.—I would like to give you a photograph if I may, as a starter.

20 Q.—You show me a photograph which I understand you say is a photograph of the Sun Life Building?

A.—Of the complete building.

Q.—It is marked "A", and I would ask you to produce that as Exhibit P-6?

A.—Yes.

Q.—Do you wish to refer to this photograph in your explanations?

30 A.—Possibly later on. The building may be described as three blocks of diminishing size, each superimposed upon the other, together with a heating plant which is below the grade, separate from the building and connected therewith by two underground tunnels for the accommodation of pipelines and traffic.

Q.—I don't want you to go through the whole report.

A.—I wanted to make it clear that there are three blocks, each superimposed upon the other.

40 Throughout the building the quality of the materials and workmanship and construction are of the highest order. The building is in a good state of repair and maintenance throughout. Except, of course, such accumulating items of repair and maintenance as cannot be dealt with from day to day, namely boilers, wiring, elevators, roofing, steam piping and the like.

The economic life of a building of this height is a comparatively brief affair in comparison with its physical life. Physical depreciation of the shell of this building will take place slowly. Obsolescence will occur more rapidly, but by far the most important thing to bear in mind is the economic life, the profitable career of the property.

*O. LOBLEY (for Complainant) Examination in chief.*

Q.—You refer to the economic life. Would you tell the Board in summary just how you have approached the problem of valuing this building. What considerations have you taken into account?

10 A.—Well, from a study of the building, I first of all studied the utility of the building, its functional utility, and analysed the size of the space in it and the actual potential use of the space.

I was able to develop figures to enlighten this Court on that subject, and on this point I would like to produce my Exhibit D.

20 Q.—When the witness refers to an Exhibit D, that is the number given to it in his report.

You show me a statement entitled “Analysis of Space”, marked Exhibit D, which I ask you to file as Exhibit P-7.

A.—Yes.

Mr. Seguin:—Does that correspond with the figure contained in our admission?

30 Mr. Hansard:—We will come to that right away. There are minor changes.

Q.—I notice in this Exhibit 7 that it is an analysis or breakdown of areas, occupancy, rental rates, and income for each floor of the building.

Would you just explain for the record exactly how, first of all, you made up this exhibit — where you got the information it contains?

40

A.—The first column of figures in this statement set forth the gross inside area of every floor in the building, including of course the heating part.

Q.—Can you tell me —

A.—I developed these figures my measurement myself.

Q.—Can you tell me for the benefit of my learned friend who asked the question, whether your figures for area are substantially in accordance with the figures which have been included in the joint admission, or not?

O. LOBLEY (for Complainant) Examination in chief.

A.—As far as I know, the joint admission does not set forth the gross areas. That is the first column. I know of no figures in the joint admission which sets forth the gross figures. If it does I am mistaken.

10 Q.—So far as the net figures are concerned, can you tell us if there is any substantial difference between your figures and those of the experts for the City who have also measured the building, and if so, point out as you go along where the difference is.

A.—The first column is the gross inside floor space. The next column is the service area which is also on my calculations. The third column is the rental area, which agrees with the figures set forth in the joint admission with a difference of 1,864 feet. 1,864 feet in a calculation of this kind is as close as anyone can get, and I think it is reasonable to say that the figures are in agreement.

I vouch for these figures.

Q.—Do I understand you to say that so far as the rental area column is concerned there is a difference of 1,864 feet in a total of 1,878,000?

A.—The main question I was asked was my observations and methods in reaching a valuation. On that point I asked to be allowed to produce this, this Exhibit P-7.

In making my investigation of the building, combined with my calculations and measurements, I was impressed by the amount, the relationship of the service area to the rental area; and you will see in actual figures the total gross area is 1,436,283 square feet; the service area is 657,447 square feet, leaving a rental area of 778,836 square feet. Now, this indicates a percentage of service area of 45.8% which is a very unusual proportion.

40 Q.—Unusual in what way?

A.—The proportion that one most usually encounters in office buildings is something like 30%. Here we have 45.8% and that is very unusual, and I think I can say, a very great handicap to the efficient operation of the building. That was the first point that struck me in my study of the building.

The next point is that in order to cover such a very large plot of land, that building is in itself a block, many difficulties

*O. LOBLEY (for Complainant) Examination in chief.*

were encountered. In the designing of a modern office building the shape of the envelope is made to conform as much as the enterprise will permit to the efficient layout and functioning of the interior space. But when an attempt is made to cover in one  
10 block, such a very large block of land, layout design, efficient functioning of the interior space must be sacrificed to the general effect of the exterior of the building. For instance, it is a known fact that the depth from standard windows of 25 feet constitutes the limit of practical daylight illumination. Beyond that limit artificial illumination must be employed and resorted to. There is a sort of twilight area, as I call it, of about 15 feet, and then the rest of the space is dark space.

Q.—To make that clear, do you say the first 25 feet from  
20 the windows is the space that is properly lit; then there is another 15 feet to the forty-foot band which is twilight, and beyond that you call darkness?

A.—Yes. On this point I would like to produce Exhibit B.

Q.—You show me Exhibit B which consists of four photographs and which I will ask you to file altogether as Exhibit  
P-8.

A.—Yes.

By Mr. St. Pierre, K.C.:—

30 Q.—Taken at what time of the day?

By Mr. Hansard:—

Q.—Can you explain when these photographs forming  
Exhibit P-8 were taken?

A.—I do not know what time of the day they were taken.

Q.—Will you explain what they are?

40 A.—They are demonstrating the instances of the columns and the size of the windows, and as long as it is light enough to take the photographs they will clearly display that.

Applying these rules to the ground floor of the Sun Life Building, which has a total of approximately 81,000 square feet, we find that only 28,000 square feet occur in the 25-foot band. 14,000 square feet occur in the 15-foot band, and the remainder of the space is dark space. This condition occurs throughout the whole of the main block. There is a light well at one end, a small affair 50 feet by 100 feet and does little to mitigate the situation. This light well occurs only in the first block.

*O. LOBLEY (for Complainant) Examination in chief.*

Lighting conditions in the upper blocks are somewhat better but the improvement is not what you might expect, because the facards of the building are throughout and the set-backs are on the ends, so that the improvement in lighting conditions is not proportionate to the reduction in space.

Q.—That is with floor area?

A.—With floor area.

There is another point in regard to the lighting conditions. In order to produce the effects of symetry and variety on the enormous facades of the building, certain of these floors have been surrounded by high stone balustrades, namely the fifth, seventh, twentieth and twenty-third floors.

Q.—Can you point this out by Exhibit P-6?

A.—Here they are (Witness Shows the Exhibit to the Board).

In the case of the twentieth and twenty-third floors, these balustrades shut off effectively about 50% of the light. In the case of the fifth and seventh floors the effect of the balustrade is not as serious but it is quite a handicap.

Q.—Before leaving the question of lighting I would like you to refer again to P-8 and explain first of all whether these photographs, the floors that they refer to, are typical?

A.—These are all typical of the floors in the main block, which is the largest block in the building.

Q.—That is the bottom block?

A.—Yes, the main block.

Q.—Can you say anything with reference to the columns and the question of dividing up office space in this building?

A.—Because of the huge mass of structure that has to be supported which is made to cover this block, this huge block of land, supporting columns occur with great frequency. They are about five or six feet square. They also have to contain the air ducts, and they make it most difficult to cut up the space into offices.

Q.—You have spoken of three blocks. Could you, for the purpose of the record, give the floor space comprised in these blocks. With reference, for example, to Exhibit P-6.

A.—There are not all included above the grade. We will start below the grade. Below the grade there are three base-

*O. LOBLEY (for Complainant) Examination in chief.*

ments, a basement, a sub-basement, and a sub-sub-basement, and then there is a heating plant over to the side, in another basement.

10 The main block contains twelve storeys, the middle block or second block contains nine storeys or floors, and the top block contains seven floors.

The basement contains space for machinery for the operation of the building, other than the heating plant, and also store-rooms for the use of tenants and for the accommodation of materials necessary for the operation of the building.

20 In the first block, containing twelve floors, one floor of that block is entirely given up to the accommodation of mechanical equipment for the operation of the building.

The next block, which I call the middle or second block, contains nine storeys. Here again we find one floor given up to the mechanical equipment for the operation of the building.

The uppermost block contains seven storeys, three of which are given up to the operation of the building.

30 I emphasize the number of floors entirely given up to mechanical equipment as demonstrating one of the reasons for this abnormally high percentage of service area.

Q.—What is the nature of this equipment?

A.—There is ventilating machinery, elevator machinery, machinery of all kinds necessary for the operation of a building of that kind.

40 Q.—Colonel Lobley, you have described the building to us and you have told us that you arrived at a valuation. Would you define to us the process, before going into the details, by which you reached that valuation?

A.—I believe there is a market for this building. I believe there is a market for almost any building. It will be a specialized market.

I have long experience in the background of Canada, politically and economically, and I do not know whether there would be a market for anyone for a building of this kind to use



*O. LOBLEY (for Complainant) Examination in chief.*

it solely for this own occupancy. But I do think there would be a market for a building of this kind as an income-producing investment.

10 I think that we might safely say in this case that value which pretends to actual value is the price which an owner, who does not have to sell, would accept from a buyer who is willing to buy but does not have to purchase, and I think that such a buyer would essentially be an investment buyer who could purchase this building as an income-producing investment.

The President:—I imagine they must be very scarce.

A.—I can conceive of that.

20 Q.—For this property, which you call one of the largest office buildings in Montreal, you think there is a market value?

A.—Oh yes.

Q.—What do you mean by market value? Do you define that by the definition you have just given?

By Mr. Hansard:—

30 Q.—You have described to us what you consider to be the situation regarding the possibility of a willing buyer. Will you tell us the process?

A.—I will try to detail the process of the willing buyer. The willing buyer would examine the proposed investment from the following viewpoints. The physical characteristics of the building, its dimensions, workmanship and material of construction and the state of repair. The utility of the building and its functional capacity; the net yield which the building presently produces and to the extent which such yield may vary as the future unfolds. The rate at which the expected net yield should  
40 be capitalized.

Q.—Did you do these things?

A.—I did these things as well as I could.

Q.—Explain how you did that.

A.—If I could recapitulate myself to date: I have examined the physical side of the building and reported to myself thereon.

I have made a plan of every floor in the building and accounted for every foot of space on every floor. I would like to submit that as my Exhibit C.

*O. LOBLEY (for Complainant) Examination in chief.*

Q.—You show me and I ask you to produce as Exhibit P-9 a series of plans of each floor of the Sun Life Building?

A.—Yes.

10 By Mr. Seguin:—

Q.—Is it scale plans?

A.—Yes, they are plans of every floor.

By Mr. Hansard:—

Q.—Will you refer to P-9 and explain any particulars feature you wish to draw to the attention of the Board?

20 A.—This plan accounts for every square foot of floor space in the building.

It discloses the space rented to tenants, the space occupied by the Sun Life, the service areas, the unfinished vacant space, and the finished vacant space.

By Mr. Seguin:—

30 Q.—When a document of this importance and size is produced I would like to enter a formal objection and reserve my right to object to it later.

The President:—That is understood.

The Witness:—The set of plans reflects the situation as I saw it in the month of January of this year.

40 The name of each tenant is shown on the plan, the number of square feet that the tenant occupies, the rate per square foot that is being paid by the tenant, and the total amount of rental per annum that is being paid.

So each square foot of space in the building is accounted for, and the particulars of its occupancy and of its income, if any, are set forth.

By Mr. Hansard:—

Q.—I see certain of the areas are cross-hatched?

*O. LOBLEY (for Complainant) Examination in chief.*

A.—The cross-hatched areas are services areas, given up to machinery, equipment, elevator shafts, public corridors and other unproductive space.

10 It displays very clearly this abnormally high proportion of service areas with which the building is handicapped.

Q.—You stated the rental payable by each tenant was shown in the relevant areas. What have you done by the area occupied by the Sun Life Company itself?

20 A.—My considerations under that heading were that a very large office building of this kind which provides shelter and places of business for a great number of enterprises and business activities, including some of the biggest in the world, like the Aluminum Company of America, creates its own community. And the going rates which tenants are prepared to pay for space in such a building constitute the most dependable index of the value of the space.

I assessed the Sun Life Assurance Company for the space which it occupies in the building at rates which are in keeping with the rates that are being paid for very substantial quantities of space in the same building by a similar character of tenants.

30 Q.—You say very substantial quantities of space. Can you give us figures of the relative occupancy by tenants and the Sun Life?

40 A.—If you will look at Exhibit P-7 you will observe that according to my measurements the tenants occupied 310,000 square feet of space, and the Sun Life 379,000. The table of occupancy might perhaps be better displayed in a percentage form. Of the rentable space in the building 39.9% is occupied by tenants, 48.7% by the Sun Life, 2.1% of the space is vacant finished space, and 9.3% of space is vacant unfinished space.

In the vacant unfinished space there is a matter of 27,000 square feet of space on the 20th and 23rd floors. These two floors, as I said before, are surrounded by the high stone balustrades, and it is questionable whether it would pay to finish the floors because the highest rentals that could be obtained for them might not warrant the cost of finishing and servicing these two floors.

By The President:—

Q.—What is the distance between the balustrade and the wall?

*O. LOBLEY (for Complainant) Examination in chief.*

A.—I can only guess. I would say from the outside of the stone balustrade to the window, I should say eight or nine feet. It is a guess. I was there and saw it.

10 By Mr. Hansard:—

Q.—But you did not measure it?

A.—No.

Q.—Now, you have told us the portion of Sun Life and tenant occupied space. Let me ask you this question. Is the space generally occupied by tenants comparable to the space occupied by the Sun Life, or is there any difference?

20 A.—In order to answer that question we have to consider the three blocks, the main block, the middle block and the top block. And perhaps we might consider the ground floor separately.

On the ground floor there are tenants and there is the Sun Life. The Sun Life occupies the banking hall. That is about twelve or thirteen thousand square feet of space. That is a peculiar kind of space and I have assessed that at \$7.50 a square foot. The rest of the space on the ground floor is used without much pattern by the Sun Life and the tenants. And I have  
30 assessed that, as you will see, the tenants at \$1.80 per square foot, and the Sun Life at \$2.12 per square foot, because I felt I had to bend over a little towards the City on that floor.

Q.—When you say you have assessed the Sun Life for these figures, do I understand you to mean that it is your considered opinion of the rental value of the space in question?

A.—The rentals that I have attributed to the Sun Life on this and the other floors are, in my opinion, the highest rentals that could be secured for this space at the present time from any  
40 first-class tenants, and as far into the future as I can foresee from here.

Q.—You have spoken of the ground floor. Is there anything more you wish to say about that?

A.—As to the rest of the space in the main block, I have charged the Sun Life \$3 per square foot, for the Sun Life Club. I have used that in my calculations, \$3, and the space in the hall.

Q.—You say the hall. Do you mean the Auditorium?

A.—Yes. The club has a gymnasium where they played badminton and those things.

*O. LOBLEY (for Complainant) Examination in chief.*

Q.—Is that special treatment that you give for these?

A.—These areas of space are very high ceilings and occupy more cubic value than the ordinary floor, which I think is the highest rate of rental that space could command.

10

As to the other space occupied by the Sun Life I have assessed it at \$1.50, which is in keeping with the rates of rental paid by the other tenants for very substantial quantities of space in that block.

Q.—The substantial quantities being the scale you gave us before?

A.—In that block the tenants occupy 128,000 feet and the Sun Life 314,000 feet.

20

128,000 is a quite large piece of space. I should say it would be about three floors of this building. It is a tremendous piece of space.

Q.—We started to discuss whether the space occupied by the tenants was comparable to the space occupied by the Sun Life.

A.—I think that the space occupied by the tenants and the space occupied by the Sun Life on the whole is comparable.

30

There are small pieces of space, the odd pieces of space on the ground floor, a few hundred or a few thousand feet; but when we get such great big areas of space as this we take the over-all average, and the over-all average being charged to Sun Life in my comparison is undoubtedly in keeping with the average paid by the tenants and in keeping with the going rentals of the time.

By Mr. Seguin:—

40

Q.—The Sun Life pay \$1.50 for everything?

A.—No. The basement is 55c.

Q.—I was just asking the general average for the building.

A.—I will give it to you in every way if you wish it.

By Mr. Geoffrion, K.C.:—

Q.—First of all, by floors. The basement?

A.—For the Sun Life, 55c.

*O. LOBLEY (for Complainant) Examination in chief.*

By Mr. Hansard:—

Q.—That is space occupied by the Sun Life in the basement?

10 A.—Yes. Ground Floor, banking hall — \$7.50; other space on the ground floor, \$2.12.

Q.—That is the Sun Life space?

A.—All Sun Life. Auditorium and Club, \$3.00. All other space \$1.50.

Q.—So far as that much bigger of all their space is concerned, do I understand that \$1.50 rate that you have given as average covers not only the space in the 25' band, but also the space in the 15' band and the dark space further in?

20 A.—Yes. And that is the highest rate that it could obtain.

Q.—The highest average rate?

A.—Yes.

Q.—If you applied yourself to breakdown that average so far as the outer space is concerned, what would be the effect of that?

A.—I really did not need to do it in this case, because I have no less than 310,000 square feet of space rented to tenants and they are discerning tenants and good business people, and if they have bought this space on the average at average rates of  
30 exactly equivalent space, of \$1.50, \$1.48, \$1.47, \$1.51, I have best fulfilled their judgment.

Q.—Quite. In other words, you have used the rentals fixed in the leases as a yard stick to apply to the space of Sun Life?

A.—I have used the market, than which there is no better value.

Q.—You have told us of space occupied by tenants and the Sun Life in the first block.

A.—In the next block, the second block, there is no Sun Life occupancy.

40

In that block, in which the floors are not as large, there is 186,000 square feet of rentable space. Of this 160,000 is rented to tenants at an average rate of \$1.58.

The reason why we get a little better rental rate in this block is obvious. We have quite a lot better lighting conditions. Not good light, but a noticeable improvement in the lighting conditions.

*O. LOBLEY (for Complainant) Examination in chief.*

Q.—Due to the alignment?

A.—Due to the alignment of the ends.

10 Proceeding to the top floor, there, of course, the lighting conditions are much better. There are 13,927 feet rented to tenants and the rate there is \$2.05.

Q.—I gather that there is no Sun Life occupied space in the top two blocks?

A.—No.

Q.—Did you hear the evidence of Mr. Vernot yesterday?

A.—Yes, I did.

Q.—Did you hear it all?

20 A.—Yes.

Q.—Speaking generally, would you subscribe to his suggestion that the Sun Life occupied the best space in the building?

A.—Oh, no. Certainly not.

Q.—Which, in your opinion, is the best space in the building?

A.—In my opinion there is nothing to touch the top floors. Not only in the Sun Life building, but we all know that. I think your own company has learned that in the Royal Bank building.

30 The President:—It is nearer the sky.

By Mr. Hansard:—

Q.—After discussing the space, let us return to your valuation. Having made this assessment, as you call it, of all the space in the building, what have you done with the figures you arrived at?

A.—Well, I am trying to put myself in the place of the willing buyer.

40 He has determined what his present gross income is. He has examined every floor, every square foot of space in the building, to determine what it is presently producing in the form of rental income, and put it down in figures.

Q.—And he has done that, and he arrives at what gross rental income?

A.—He is receiving as at the time of that examination, \$1,108,000 in gross rental income — in annual gross rental income.

*O. LOBLEY (for Complainant) Examination in chief.*

Q.—Your willing buyer has got that figure. What does he do now?

10 A.—He then contemplates what is going to happen to this figure. Is it going to get more, or is it going to get less. The willing buyer is looking into the future. He is going to produce a stream of income, and wants to know. He has to make up his mind whether he is going to get that next year, or more, or less. That is next.

Q.—Projecting yourself into the position of the willing buyer, what do you arrive at in the way of conclusion?

20 A.—Well, I will not take up your time with a recitation of my thoughts and considerations, for they are all set down in the record. I came to the conclusion that the willing buyer would not be over optimistic if he were to look upon \$1,108,000 as the dependable rental income from the long range view point.

Q.—Where do you go from there? You arrived at a gross figure. Did you do as Mr. Vernot did, apply a percentage to that?

30 A.—No. I suppose many of us have different routes by which we reach the same goal. My education as a valuer is that we do not use the percentage of gross. We endeavour to determine what will be the operating expenses from the short and long range viewpoints, and subtract them from the gross income and find out what the net income is.

Q.—Did you go into the question of the operating costs of this building?

A.—I did.

Q.—With what result?

40 A.—I studied the operations in the years 1941 and 1942 and the cost of these operations and the nature of these operations. I came to the conclusion that the building was skillfully and efficiently managed, and not extravagantly. I took into consideration the circumstances of these two years, the cost as disclosed by the books of account of the company, and reached the opinion a figure of \$430,000 would be a true, sound, and sufficiently optimistic determination for the long range ordinary operating expenses. By ordinary, I mean that is before depreciation, obsolescence, accumulating repairs, municipal taxes and the like.

Q.—You say the gross figure you arrived at was from a long range point of view?

A.—Yes.

Q.—And your operating cost, the same?

A.—Yes.



*O. LOBLEY (for Complainant) Examination in chief.*

Q.—Do you mean that that is the expectable amount that these two items would average over the accumulated life of the building?

A.—Yes.

10 Q.—You have arrived at a net operating figure, what does that come to?

A.—I was then in a position to recapitulate to that point, my considerations.

I had my gross operating income of \$1,108,000 and my ordinary operating expense of \$430,000, leaving a gross operating profit or net income of \$679,000.

20 Q.—Then what did you do?

A.—I then considered two more factors or conditions. One, the major item of renewal, of replacement, and depreciation. And the second item was obsolescence and extraordinary tenants' repairs.

By Mr. Seguin:—

Q.—That is not in the \$430,000?

A.—No.

30 By Mr. Hansard:—He drew attention to that a few moments ago.

The Witness:—I was most careful to state that was not in the \$430,000.

Q.—I see by your report that you set aside two figures of \$50,000. Would you explain briefly.

40 A.—Under the first heading we have the ordinary day by day repairs. At the same time there are the accumulating items of repair, of which no better example can be given than the boilers. The wiring, steam pipes throughout the building, elevators, the roof; there are many, many of this class of repair and replacement that has to be done at long intervals of time; and I set aside for that class of repair and maintenance and for ordinary depreciation depreciation and the recovery of it \$50,000 a year.

Q.—The second \$50,000, what does that cover?

A.—That, in my opinion, is probably the most important of the two, although hard to deal with in such specific language as the first. I refer to obsolescence.

*O. LOBLEY (for Complainant) Examination in chief.*

The willing buyer has to make up his mind and look into the future as far as he can see, both as regards the gross income and the matter of ordinary operating expenses. He has there a good deal to go on in the past history in the operation of big buildings the world over.

But in obsolescence the problem is more difficult. He knows that the past fifty years has produced inventions and discoveries which has made many things obsolete almost over night, and he knows that he might well be faced with the same problem with regard to his building. There is no reason to think that the progress of invention and discovery has come to an end, or that the next fifty years would not bring as many things to change our method of doing business as in the past fifty years.

And if the willing buyer wishes to keep abreast of the times and to protect himself as much as he possibly can against the inevitable depreciation in the economic life or profitable use of his building, he must make some provision for this.

I am of the opinion he should set aside at least \$50,000 a year under this heading.

Q.—Having done that, you arrive, I understand, at your net operating return before providing for municipal real estate taxes, of \$579,000?

A.—That's right.

Q.—Then you calculate the provision for your real estate taxes. How do you do that?

A.—My provision for real estate taxes. My valuation is \$7,250,000 and I have charged the rate of 2.988 per hundred dollars.

Q.—So you are applying current tax rates to the valuation you say the building should have?

A.—Yes.

Q.—What does that bring you as to final operating return?

A.—A net operating return of \$362,000.

Q.—Please carry on your process to its conclusion.

Q.—The willing buyer, as I said, is definitely an investment buyer. He has a tremendous amount of money to invest. He has certain theories and beliefs. He has faith in real property; he believes in real property. But he will not go so far as to pro-

*O. LOBLEY (for Complainant) Examination in chief.*

pose than an investment, any investment in Canada, is more secure than an investment with the Dominion Government.

10 He would recognize the well established investment principle that the rate of yield varies inversely with the liquidity of the security; that if a Dominion of Canada bond, which can be immediately liquidated, yields 3%, an investment in real property which might demand years to liquidate, would demand a yield in excess of 3%. The question which the willing buyer must decide is what the differential should be.

20 Being real estate minded, the willing buyer might invest in a portfolio of mortgages at the going Canadian rates of 5%, but from this rate, at the going rates, he should make some deduction for the cost of management of the mortgages, and for casualties. This I estimate to be one-half of one percent.

On the other hand, the security afforded by these mortgages would provide a margin of approximately 40%, and the risk would be spread over a number of properties.

30 On the other hand, the willing seller has his point of view, and we have referred to him before in this evidence. He is not forced to sell. He is not compelled to liquidate his assets to pay his debts. He merely desires to try a transfer of one investment into another. The price he must pay for this is a reduction in his yield.

If his investment in the Sun Life yields him 5% and he wishes to transfer it to an investment of more liquidity and absolute security, namely the Dominion of Canada, the price he must pay is 2% in his yield.

40 I have combined the land and the building in one total, because I believe the parcel of land upon which the building stands is fully developed. My valuation of the property, including land, building and heating plant, is developed by capitalizing the net expectable operating return, after making reserves for depreciation and obsolescence, at the rate of 5%, namely \$7,250,000.

Q.—You take a 5% capitalization rate.

*O. LOBLEY (for Complainant) Examination in chief.*

In his evidence yesterday, Mr. Vernot expressed some, what I would call, more or less vain regrets on the return of investment included in his 15% rate, and suggested that all you should receive is a 3% return on an investment of this size. Will  
10 you comment on that?

A.—I think that would interfere with the recognized principles, the two principles, which I mentioned a moment or two ago.

The rate of yield varies inversely with the liquidity and inversely with the security. Therefore, the most liquid and the most secure of any security we have in this country is our  
20 Dominion of Canada bond, and everything must be compared with that. And anything that is less liquid or less secure most demand a higher rate of yield. That is an elementary principle.

Q.—Did you explain why you had included the heating plant in your valuation, in the total figure?

A.—Because a building needs a heating plant like an automobile needs an engine.

Q.—You say the building needs a heating plant like an automobile needs an engine. Do I understand there is no heating plant in the basement of the building?  
30

A.—No. The heating plant is in another basement. It is accessible by tunnels. It is an integral part of the whole.

Q.—I would ask you, Mr. Lobley, to revert for a minute to the evidence of Mr. Vernot, which I believe you heard yesterday?

A.—Yes.

Q.—You heard it all?

A.—Yes.

Q.—Would you tell the Court what in your opinion —  
40 what you have to say about the method of valuation that he employed.

Mr. Seguin objected to any criticism of the evidence of Mr. Vernot on the ground that Mr. Vernot was called by the Complainant itself.

Under reserve.

The Witness:—Well, I suppose there are many ways of killing a pig without choking it to death by butter.

*O. LOBLEY (for Complainant) Examination in chief.*

10 My methods are not the same as his. The art and science of valuing depend upon the observations, studies and deductions of a trained and experienced mind. It is therefore essential that the valuer should inspect, examine and study the property in all its physical aspects. I walked a distance in excess of ten miles on the floors of the Sun Life Building in the course of my investigation. Surely Mr. Vernot worked at a disadvantage because he was unable to make himself intimately acquainted with the physical characteristics and proportions of the thing he hid not see but that he became aware of the certain handicap the building suffered by reason of the depreciation of the amount of service areas.

20 Mr. Vernot appears to attach supreme importance to a series of calculations which he recapitulates under the heading of cost of reconstruction less depreciation. These calculations proceed from a basis of the book cost of the property as disclosed by the owner. To this figure, he makes certain adjustments: an allowance of  $7\frac{1}{2}\%$  representing reduction in an index of the costs of the labor and material as between the time when the building was erected and 1939-1940;  $5\%$  because the building was erected in several units; certain allowances for demolished partitions, etc.; an all-over depreciation allowance of  $18\%$ .

30 Mr. Vernot had before him a building, the product of materials and labor, stone, bricks, mortar, steel and several trades. He apparently set out to determine what it would cost to reproduce the building. For such a calculation I cannot help feeling that the book cost is not the proper basis from which to proceed. He should have calculated the quantities of material and the labor necessary to construct an identical building in the identical place at the time of the valuation and used this as his basis.

40 Under the heading of depreciation he should have taken into consideration the physical and chemical effects of time upon the materials of construction and physical and chemical effects of time upon the materials of the equipment, but as a result of his careful study of the building and his experience and knowledge of his profession, he should have made proper provision for the handicaps imposed upon the building by faulty planning and other such subjects as obsolescence, changes in use of occupancy and the like. Having thus by sensible and scientific methods established a depreciated replacement cost, he should have

*O. LOBLEY (for Complainant) Cross-examination.*

set it aside to be used as a control of the upper limit of value, but not as he has done to establish the major index of value.

10 Mr. Vernot then proceeded to value the property by a methodical process of capitalizing the existing gross rental income at 15%. He has said nothing which indicates that he studied this gross rental income to ascertain whether it was normal or otherwise, or that it might be exceeded, or that the gross rental income at this level could or should be depended upon from the long-range viewpoint.

20 The capitalized amount of the dependable future income of an office building is regarded by all authorities as the chief instrument for the measurement of value. Mr. Vernot has relegated it to an insignificant place, viz., 10%. He has attributed 90% of the value to his so-called cost of reconstruction less depreciation and 10% to the capitalized amount of the future income.

30 Although it is recognized that the experience and judgment of the valuer play an important part in the use and employment of figures and calculations developed in the process of valuing, there should and must be elementary principles as well as theories behind all formulae. I cannot imagine any principle or theory from which the 90:10 formula has been developed.

I listened most carefully to Mr. Vernot's evidence. He said that it was one of a series of formulae which had been agreed upon by a Committee of assessors, but he gave no information to enlighten us as to the theories, principles or notions that were behind it. Unless or until these theories or principles are disclosed and explained to me, I find myself unable to comment on them, and to tell the truth, I cannot help feeling that there is nothing behind them.

40

Cross-examined by Mr. Seguin, for the City of Montreal:—

Q.—You were before this Board a few weeks ago with many complaints, representing people?

A.—Yes.

Q.—And if I remember well, you have laid us some principles before the Chairman and Commissioners that the assessment of property was a cooperative and a civic duty and something of that kind. That the public should cooperate with the City.

*O. LOBLEY (for Complainant) Cross-examination.*

A.—In any evidence that I have given I don't remember saying that. But I should imagine that the public should cooperate seeing as the public is the citizen.

10 Q.—Were the principles right?  
A.—What is the question?

What is your point?

In order to clarify this point I did have some personal discussions with the assessors and I would most certainly object to these being brought in.

20 Q.—You realize that the object of taxes is to distribute the burden of taxes equally between the citizens?

Mr. Lobley, you have adopted in your figuring the theory of the willing buyer and the willing purchaser.

A.—Yes.

Q.—Up to this time you don't know the willing buyer in connection with this property. I presume the Sun Life is not willing to sell the property?

30 A.—The Sun Life is not willing to sell?

Q.—Yes?

A.—I don't know that.

Q.—But your reaction is that the Sun Life is not willing to sell?

A.—I have no reaction.

Q.—You have said that it is the largest office building, practically, of the British Empire.

40 The President:—Was it said, one of the largest in the world?

A.—It is one of the largest office buildings in the world.

By Mr. Seguin:—

Q.—Is it not also one of the largest buildings — no, — is it not one of the nicest buildings in the British Empire?

A.—I don't think so, no. My house is that.

The President:—You're now going all over the British Empire. Let us confine ourselves to the Sun Life Building.

*O. LOBLEY (for Complainant) Cross-examination.*

By Mr. Seguin:—

Q.—You have criticized Mr. Vernot for his assessment.

10 A.—I did not criticize Mr. Vernot. I contrasted his methods with mine.

Q.—Did you take into account in your assessment the replacement value of the building?

A.—No.

Q.—Not at all?

A.—No.

Q.—You did not consider that at all?

20 A.—No. I am going to qualify that, because I am suggesting that it is greater than my value, and according to my definition the replacement cost, the depreciated replacement cost, merely constitutes the ceiling over which a value cannot normally go, and because I know that ceiling is higher than the income value I did not bother with it.

Q.—In Mr. Vernot's assessment, the assessment is still lower than the admitted value by the company on its original statement?

A.—I don't get the question.

30 Q.—By Mr. Vernon's system, the assessment appearing on the books of the City is lower than the admitted market value by the company itself?

A.—The company has never admitted a market value. I don't want to be rude. When you talk of market value, what do you mean?

By Mr. Hansard:—I think it would be fairer to Colonel Lobley if you showed him, before putting Schedule "F" to him, the paragraph in the admission which refers to that, paragraph 16 which talks of the respective amounts for book value and market value.

40

By Mr. Seguin:—

Q.—You come to a figure lower than the figure put on the admission by the company as being for what they call the market value for their company?

A.—It seems to me that in one of the forms required by the Inspector of Insurance there is a column which has a heading, booke or market value. I don't think we should be talking of insurance forms.



*O. LOBLEY (for Complainant) Cross-examination.*

Q.—You mean the Inspector of Insurance imposed to the company a limit or standard to figure their market value?

A.—I am here to give a valuation of this property not to define what is the meaning of a heading in a form prescribed by  
10 the Inspector of Insurance in the City of Ottawa.

Q.—And so you come to a figure of less than one-third of what the company admitted having spent a few years ago for the property?

A.—Certainly.

Q.—And considering only the rental which can be derived from this property, as to the rental space you considered the leases and the space in the lease. As to the tenanted space by the Sun Life you make an assessment of it to arrive at a rental figure?

A.—That's right.  
20

Q.—So, with your theory of considering the rental value only, what value would you give to the Windsor Station, for instance?

A.—If I am retained to value the Windsor Station, I will do so.

Q.—Would it be possible to value it?

A.—Yes. At present I am valuing the Sun Life property. If I am retained to value the Windsor Station I will do it.

Q.—Would it be possible to put a real value today on the  
30 Notre Dame Cathedral if there is no revenue.

Mr. Geoffrion, K.C.:—There is revenue.

The Witness:—I would like to answer that question as well as I can. On one hand you have something purely monumental, like the Nelson monument on Bonsecours square, on the other hand you have something useful.

Here, we have something that is essentially useful and it  
40 is valued by one method and that is by its utility method.

You ask me to give a valuation on a Church and a valuation on a station. I am not valuing a Church or a Station. I am valuing the Sun Life.

By Mr. St. Pierre, K.C.:—

Q.—If you were called upon to value the station, on what basis would you proceed?

A.—If I was called upon to value the Windsor Station?

*O. LOBLEY (for Complainant) Cross-examination.*

A.—Yes.

A.—I am not going to answer that question. I am not retained to value the station.

Q.—Is it possible for you to answer?

10 A.—No. I can't answer. I am valuing the Sun Life.

Q.—You are here to answer that question, and I insist on it.

He is supposed to be an expert, and he should be in a position to say how he would value another building.

By The President:—

20 Q.—What method would you follow to value the property of a nature of the Windsor Station? Would you follow the same method as in this particular instance?

A.—Yes.

Q.—Are you in a position to tell me what method you would follow?

A.—Yes.

Q.—In order to satisfy the Attorneys for the City, would you tell us that please?

30 A.—Well, in the first place I should study the land and I should reach my valuation of the land by ordinary commercial purposes. I should endeavour to find out how a modern station should be designed to fulfill its function most efficiently and inextravagantly, and I should equip the land with that in the first instance. That is, if the pattern had changed. And I should endeavour to equip the land with an efficient modern station and depreciate it backwards.

40 If I should think the station as it is presently designed, to be efficient, I should take it as it is.

I should not go to the books of the C.P.R. and see what it cost.

By Mr. Seguin:—

Q.—To value, would you start by considering the replacement cost?

A.—In that particular case?

*O. LOBLEY (for Complainant) Cross-examination.*

Q.—You are concerned today with one case. You realize that the assessors have to assess all properties in Montreal. Do you realize that? Do you know that?

A.—Yes.

10

Mr. Geoffrion, K.C.:—Not the Windsor Station or the Notre Dame Church.

Mr. Seguin:—They have to assess it just the same.

By Mr. Hansard:—

Q.—You used in your evidence the word “purpose”. Did you try to know what purpose this monumental building was to be constructed?

20

A.—No. If I found that the Windsor Station was occupied as a warehouse although it is a station. I should take that into consideration.

By Mr. Seguin:—

Q.—You don't compare the Sun Life with a warehouse?

A.—No, I took it for the purpose it is being used. 90% occupied for general office use.

30

Q.—How much?

A.—Approximately 90%, 88.5%.

Q.—You include the Sun Life space in that?

A.—Yes. It is 88.5% occupied for general use.

Q.—Did you remark in that building there is some special halls and other things which are devised specially for the Sun Life, with that object in view.

A.—Yes.

Q.—Will you please tell this Board what you did remark in that building which was specially built for the Sun Life.

40

A.—The only thing I can see as special probably to them is the banking hall.

Q.—Is there also a gymnasium?

A.—That is not peculiar only to the Sun Life. It is not a peculiar thing to find in an office building, a very large office building, large open spaces of that kind.

Q.—There are some elevators also used by the Sun Life?

A.—There is one small elevator at this end of the building. A small affair.

*O. LOBLEY (for Complainant) Cross-examination.*

Q.—There are some cafeterias also used by the Sun Life?

A.—I think that is the way the space just happened to be used. That space could be used for anything.

Q.—Is there not also some very expensive vaults which  
10 were built specially for the Sun Life?

A.—Is that not a moveable?

By The President:—

Q.—Is it really an office building?

A.—Yes.

Q.—In your mind you have no hesitation in saying this is  
a regular office building erected for the purpose.

20 A.—It is an office building.

A building in which people do office work.

Q.—By that you mean the laying out of the floors and the  
general. . .

A.—It is not a factory. It is not a store. It is not a place  
where light manufacturing is done. It is a building in which  
people do office work.

30 By Mr. Seguin:—

Q.—Is it not what you would call a service building?\*

A.—No. 90% of the building is occupied by people for  
office work.

Q.—Don't you realize in that building there is some  
special features which can only be of worth to the Sun Life?

A.—No. It is used for office work and it is used for office  
work.

40 Q.—Is it not the most expensive part of the building the  
space occupied by the Sun Life?

A.—What do you mean by expensive?

Q.—Expensive to build, to replace.

A.—Per cubic foot?

Q.—Yes.

A.—I think in a building you have to take in every cubic  
foot, not just one portion of the building. You have to have the  
total of the building at so much per cubic foot. I don't think that  
the cost of parts of a building can be broken down.

*O. LOBLEY (for Complainant) Cross-examination.*

Q.—Taking a realistic view; you pay someone to build, does it not seem to you that the most expensive part of the building is the down part — from the tenth floor down?

10 A.—In the ground block, the main block, are all kinds of columns to support the upper part. When you get up you get no columns, so naturally the cubic cost, by reason of the supporting columns, would be higher at the bottom.

Q.—All that is special in the building, is it not located mostly at that part of the building?

A.—I don't know what you mean "all that is special". It is a big office building and each floor has its characteristics, and lighting, and space. There is nothing special.

20 The best space is the top storey, that is why we get more money for it.

Q.—You have said that there are at least three or four storeys upon which there was no light on account of the balustrade.

A.—Two storeys, the twentieth and the twenty-third. They have light, but the light was affected fifty-percent by the balustrades.

30 Q.—The architecture of the building is of Corinthian, Greek style?

A.—Corinthian? Oh, no. I say no.

The President:—It is supposed to be Corinthian. From an architectural standpoint I wonder if it is Corinthian also. It was intended to be.

By Mr. Seguin:—

40 Q.—When the Sun Life contemplated to build this building, and they were willing to carry on that style all through, they had the option to have better light and no balcony, or have balcony and bad light inside? They had the opportunity?

A.—I presume they did.

Q.—And in order to carry the style and have the style they did without the light inside.

The President:—They sacrificed utility to beauty.

The Witness:—Like as if I wear a hair-shirt.

*Q. LOBLEY (for Complainant) Cross-examination.*

By Mr. Seguin:—

Q.—If they are losing, if the Sun Life are losing perhaps a few cents on the inside, is it not compensated on the other way  
10 by the style of the building and the beauty of the building?

A.—I don't know. What I can say is, that a willing buyer takes all these things into consideration, and the willing buyer would find that the twentieth and twenty-third floors are poorly lighted.

Q.—You cannot give us the name of the willing buyer today?

A.—I can imagine one.

Q.—With your theory of considering the income only, if  
20 two smaller buildings built on the same place at the same time, one being a duplication of the other, would call for the same assessment provided the income is the same? If you considered only the income?

A.—If I had two Sun Life buildings built at the same time, on the same piece of land. I could not do that. Do you mean if they are built side by side?

Q.—Yes.

A.—Under the same management?

Q.—Under the same management.

A.—Two buildings identical, both on the same site?  
30

Q.—With the same income.

A.—If I had been the manager I would build the one building.

Q.—If we have two buildings separate?

A.—The two locations are the same, and so on. If we had two side by side.

Q.—Consider the income alone, the two buildings bringing the same net income should be assessed at the same price according to you?

A.—If you show me the building I will value it.  
40

Q.—Take two theoretical buildings bringing the same income. Will you put the same assessment?

A.—Show me the buildings. I make provision for all sorts of things. For obsolescence, depreciation, and those things. They are all figured out.

By Mr. St. Pierre, K.C.:—

Q.—You are getting a net income after taking in everything.

*O. LOBLEY (for Complainant) Cross-examination.*

A.—I don't think you have paid sufficient attention to the special reserves I set up in connection with this building. Special reserves in connection with another building might be different. Show me the building.

10 Q.—You have a net income after taking all you have said, and you say the net income of the Sun Life is so much.

A.—There are my variables.

Q.—Suppose I go to you and say I want to buy that property at the corner, are you going to find out the revenue of the property and say you will buy it at ten thousand or fifteen thousand dollars, only on the net revenue?

A.—You show me a property and I will value it.

Q.—Would you think only of the net income revenue?

20 A.—I shall go and see the property and go through it from one end to the other and set up certain reserves special to that property.

Q.—Are you going to take net income. No, I mean — are you going to take into account the amount paid by the proprietor?

A.—No.

Q.—You are not interested in what was paid?

A.—No.

Q.—Are you going to take into account that there is a mortgage on the property?

30 A.—I am not interested in whether it was mortgaged.

Q.—Are you going to take into account insurance?

A.—No.

Q.—The only amount that you will put on the property will be the net revenue of the property after taking account of so much depreciation on that property?

40 A.—I shall not answer that yes. I shall go and look at the property first of all. I should go through the property from top to bottom and study its utility. And then after that I shall study what reserves need to be set up for that particular property in view of its particular physical condition, and its utility, and obsolescence, and set those reserves aside.

Q.—And if there is no market for that property, you will fix a value for it?

A.—I should take that into consideration too.

By Mr. Seguin:—

Q.—When you have fixed the rental value for the tenanted space or the space occupied by the Sun Life, you have taken the value on the open market?

*O. LOBLEY (for Complainant) Cross-examination.*

A.—The value of the market? As I said, I cannot imagine a willing buyer for this property.

Q.—For the rents. Did you apply the open market theory for fixing rental valuation.

10 A.—You mean the rents being paid for the tenanted space?

Q.—No, for the space occupied by the Sun Life. By what principle did you come to this?

A.—I think I considered them to be the going rentals for that class of building in the City.

Q.—Deducting from what the other tenants were paying on the other part of the building?

A.—Deducted from nothing.

20 Q.—You did not consider the value to the Sun Life of the tenanted space?

A.—I did not consider the value in dollars of the space occupied by the Sun Life?

Q.—Yes?

A.—I very definitely did, and assessed it at the going rentals for such space.

By The President:—

30 Q.—With your theory, a valuation of such an immoveable as the Sun Life cannot be arrived at without imagining a change of proprietor?

A.—Definitely, sir. And I am capable of imagining it.

Q.—And you consider only the commercial value?

A.—I valued it by this method.

And further for the present deponent saith not.

J. T. Harrington,  
Official Court Reporter.

40

(At this point the Board adjourned to reconvene tomorrow afternoon at 2.30)

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Cross-examination of Owen Lobley (Continued):—

By Mr. Seguin:—

Q.—Mr. Lobley, you are a member of the firm of Molson, Lobley & Company?

A.—Yes, sir.



*O. LOBLEY (for Complainant) Cross-examination.*

Q.—Since how many years have you been that?

A.—Seven years, six or seven years.

Q.—This firm is a real estate agency firm, I presume?

A.—Yes.

10 Q.—During that time that you are dealing in real estate with that firm had you many properties of the size or expanse or nature of the Sun Life Building to sell?

A.—No.

Q.—We can generally say, I presume, that there is no market for such a building?

A.—I will not answer that in the affirmative. I can imagine a market for such a building.

20 Q.—As a matter of fact, there was none sold for many years in Montreal?

A.—The Sun Life Building has not been sold.

Q.—And any similar buildings?

A.—I don't think there is any duplicate building.

Q.—Is it impossible to imagine a market for such a building?

A.—No.

Q.—But the market is not existant?

A.—I can imagine a market.

Q.—In fact?

30 A.—I can imagine people, I can imagine people coming from New York at this time with the idea of investing money in properties. I can imagine a market.

Q.—Do you always apply the same principle, that is, the willing seller and the willing buyer principle. Is it the only approach you had to use on the properties given to you?

A.—Whenever it is possible I endeavor to create a willing buyer and a willing seller approach, because it is the most satisfactory and most reasonable approach. In the case in point I can very easily do so.

40 Q.—There are lots of cases that it is impossible to do that?

A.—There are cases it is impossible to take that approach?

Q.—Supposing you are called upon as an expert to buy the Sun Life in an expropriation case, will you take the same approach to fix the value of the building?

A.—Everything has to be taken into consideration.

Q.—The Sun Life. If you were called by the Sun Life in an expropriation case?

A.—If I was called upon to value this building by anyone for any purpose I should value it to the best of my ability and in accordance with the beliefs I believe in, and as set forth in my report.

*O. LOBLEY (for Complainant) Cross-examination.*

Q.—If you were called upon to assess the same property adjacent to the Sun Life, would you apply the same procedure?

A.—I would approach it in this way. If I was asked to assess a property I would approach it with absolute sincerity.

10 Q.—Would you apply the same theory and the same principle?

A.—Certainly, I would apply it for any purpose.

Q.—So you definitely state that the value is no more than \$7,250,000?

A.—I say the value of the property is \$7,250,000.

Q.—Would you say the value for expropriation is that?

A.—For any old purpose. That is the value. Under the meaning of the words “actual value”.

20 Q.—You have visited the building, I suppose?

A.—I have.

Q.—You are familiar with the affairs of the company, and know they have about eighty branches all over America and Canada, and also in other countries?

A.—I have no idea how many branches they have.

Q.—Just the same you know that the idea is that that is the head office for all the branches of the company?

A.—It is the head office of the Sun Life Assurance Company. I know that.

30 Q.—You don't know anything in the building which departs from a standard office building?

A.—Oh, yes, I find that the area of service space is quite disproportionate. That, in the design and planning of the building the amount of service space is quite out of line with what it should be in a good office building.

Q.—And you have seen a large hall or offices?

A.—One large hall and the banking hall, 13,000 square feet.

40 Q.—And that is the only thing you recollect departing from the standard building?

A.—Any building containing 800,000 square feet of rental space I can imagine a banking hall of twelve or thirteen feet. It is not a big proportion and might be useful for a bank.

Q.—Did you remark that the structure of this building is far more expensive than any other office building in Montreal?

A.—It is a common banking hall.

Q.—Taking the building as a whole, as a unit?

A.—I am not surprised to find that a building of twenty-two million cubic feet and 800,000 square feet of floor space has

*O. LOBLEY (for Complainant) Cross-examination.*

a matter of 13,000 square feet, not more than 2%, set aside as a banking hall. It is possible that a bank might want to occupy a large building of that kind.

10 Q.—When you have fixed the rental value for the space occupied by the Sun Life you have adopted as a standard the market value?

A.—I think it is the price a bank would be prepared to pay.

Q.—As if the space occupied by the Sun Life was rented piecemeal to ordinary tenants in the city?

A.—Certainly.

20 Q.—You have not considered in any way the amenities which can have a value to the Sun Life but no value to a tenant such as a notary or an advocate?

A.—I found that the Sun Life was comfortable in that building. It should be comfortable in that building provided it was large enough to contain its staff.

Q.—According to your theory the willing seller is a man who is willing to advertise, I should say diversify or change his investments. He well is able to invest in bonds?

A.—Certainly, if he is a seller he has an idea that he will transform his investment in this building into something else.

30 Q.—For the time being, would you advise the Sun Life to take \$7,250,000 for its building and invest the proceeds at 3% as you suggest. . . ?

A.—If the Sun Life wished to sell that building for any purpose at all, if it desired to sell at all, it should be \$7,250,000.

Q.—For the time being, seeing the company occupies its own building, you don't advise them to sell?

A.—Is the question whether or not I would advise the Sun Life to sell their building?

Q.—Yes?

40 A.—I could not really answer that question. I don't really know about the Sun Life to advise them whether or not they should sell the building.

Q.—We have produced in the record some joint admissions, and of these there is some area agreed upon. If I understand well your report, you have fixed no rental value for the vacant space?

A.—No.

Q.—You have not considered the vacant space?

A.—I think I covered that in the report. 88.5 is occupied. 237,000 on the 20th and 23rd floor are dark space and it is ques-

*O. LOBLEY (for Complainant) Cross-examination.*

tionable whether that will ever be occupied. Something between ten and eleven per cent of the building is vacant. From the long range viewpoint as a willing buyer, I would be imprudent if I would assume that my building is always 100% occupied. No  
10 building is. There is a certain percentage of vacancy. There is turnover of business and so forth, and 10% is not an unreasonable vacancy.

I did not make provision on the other hand for bad debts, and I assume that 1% could be a figure, from the long range viewpoint.

Q.—On our joint admission there is around 30,000 feet that the company and the City does not agree, and are considered  
20 rentable by one and considered not rentable by the other?

A.—The amount I consider to be rentable is 778,000 feet. I am one thousand one hundred and sixty-four feet (1,164) different from the Sun Life. This difference occurred on about three floors. It is a difference as to certain elevators. So you will see that I am more severe on the City than the Sun Life.

Q.—You have practically adopted the figures of the Sun Life?

A.—I actually made them in the first place.

Q.—When you were fixing your rental value for the Sun  
30 Life occupied space did you have something for the fact that the Sun Life occupied half or more than half of the entire building?

A.—No. I was inclined to subtract something. As a rental man I believe in the same old theory of quantity decline in rental rates as in anything else.

Q.—The larger the space rentable in one unit, the lower the unit?

A.—Figure it out for yourself. That's the way it works.

40 If you wanted to rent just a little amount of space he might charge you \$2.50, but if you took a good piece of space you could get a better rate.

Q.—When you fixed your price did you consider the fact that the building is rented piece-meal to other tenants?

A.—Yes.

Q.—I see nowhere in your reports which way you arrive at your unit price; at so much a foot for such a floor, or block?

A.—You mean for the Sun Life space?

*O. LOBLEY (for Complainant) Cross-examination.*

Q.—Yes. Did you compare that with other buildings?

A.—Could I look at that exhibit, please? I think it is schedule “C”.

Q.—You have compared your rates with the rates prevailing on how many buildings?

A.—On the rates generally prevailing in Montreal for that class of building in Montreal.

Q.—Can you mention the rates prevailing on such and such a building? Can you mention a few buildings and the rates?

A.—Yes. In the Insurance Exchange Building there is a great deal of space at \$2.50, \$1.11, \$1.13; in the Dominion Square Building there is some at \$1.50, \$1.40 to \$2.10. I know pretty generally the rates by reason of my business. I can give a great many examples of the rates generally prevailing. That is the way I make my living.

Q.—You have considered the rates in the Insurance Exchange Building because that is one of the cases brought to your attention?

A.—No. From my experience, the rates I have attributed to the Sun Life are, if anything, in my opinion on the high side in comparison with the rates prevailing generally.

Q.—Are they on the high side as compared with the rates in the Insurance Exchange Building alone?

A.—No. They are on the high side in regard to the general rates for that class of space, taking into consideration the lighting conditions, the columns, the darkness. It is a complicated thing to weigh and balance that up. The building is handicapped. As I mentioned earlier in my testimony there are the 25' and the 15' bands, and the dark space, and it is difficult to cut these into bays. It is difficult to assess a bay at the Sun Life at \$2.00, when you can get as good as an equivalent area in the Aldred Building at \$2.10.

Q.—I think you said you did rely on your general experience, but I am a little more curious.

Did you investigate the rates of any special office buildings besides the Insurance Exchange?

A.—Oh, yes.

Q.—Can you mention me some?

A.—The McGill Building, the top floor is \$1.25; the Alfred Building.

Q.—Did you go through all the rentals prevailing in the University Tower, the Royal Bank?

*O. LOBLEY (for Complainant) Cross-examination.*

A.—I know the rates in these two buildings, and the rates I have fixed are, if anything, on the high side taking into consideration the handicaps of the building, the darkness, those big columns and the difficulty of laying out and cutting up this space.

10 Q.—Do I understand that you made a more careful study of the Sun Life?

A.—No. I did not mention that I made a more careful study of the Sun Life.

Q.—You occupy some function with the Dominion of Canada government for the time being?

A.—I am employed by the Dominion Government, yes.

Q.—And as far as I know you deal with frozen rents?

20 A.—I deal with all kinds of rents.

Mr. Geoffrion, K.C.:—He has the right to increase them.

By Mr. Seguin:—

Q.—Have you occasion in your official capacity to study or fix the rates of many office buildings in Montreal of the type and kind of the Sun Life?

30 A.—I don't think I have had any building that was quite as handicapped as that. With the darkness and columns. I have had some space that was pretty bad, but I don't think it was quite as handicapped as that.

If you study the plan you will see this immense amount of dark space and twilight space, and these columns, and it makes it difficult.

Q.—Can you refer this Board to any specific building to which you have had to fix the rates recently?

40 A.—No. I don't fix the rates. I review the rates after they have been fixed. They are fixed by the Court as a general rule.

Q.—Have you reviewed any?

A.—Yes. I have reviewed one in the Sun Life, in the Aldred; several in the Aldred Building. In the Insurance Exchange Building. These are all that come to my mind at the moment.

Q.—The Sun Life?

A.—I have reviewed one in the Sun Life.

Q.—Was the company asking for an increase?

A.—No. There were two tenants in the Sun Life. I forget just how many feet of space it was, a few hundred feet of space;

*A. C. SIMPSON (for Complainant) Examination in chief.*

and one had a little more space than they wanted, and the War  
Time Prices & Trade Board wanted the other space, and the other  
pieces of spaces had been rented, and it was a little higher than  
they wanted to pay. I think it was about five or six hundred feet  
10 of space. And I fixed a rental of \$2.00 a square foot. It was a  
ground office, and it was pretty nice. And there are lots of pieces  
of space worth that. Take it all together with the dark space and  
the twilight space and so on, and it works out pretty close.

By Mr. Hansard:—

Q.—In valuing the space occupied by the Sun Life, did  
you in placing the values on that space make any reduction be-  
20 cause of the quantity of the space?

A.—No. My prices, if anything, are on the high side.

Q.—In your capacity as Rentals Administrator I under-  
stand you have the authority to permit increases of rental?

A.—I have.

And further the deponent saith not.

J. T. Harrington,  
Official Court Reporter.

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DEPOSITION OF ALAN C. SIMPSON

On this 24th day of March, in the year of Our Lord one  
thousand nine hundred and forty-three, personally came and  
appeared: Alan C. Simpson, of the City of Montreal, and there  
residing at Number 900 Sherbrooke Street West, Real Estate  
Agent, who having been duly sworn doth depose and say as fol-  
40 lows:—

Examined by Mr. Hansard, for the Complainant:—

Q.—Mr. Simpson, have you been asked to prepare a report  
on the actual value of the Sun Life Building, here in issue?

A.—I have.

Q.—I would ask you to submit your report as Exhibit  
P-10.

*A. C. SIMPSON (for Complainant) Examination in chief.*

I see, Mr. Simpson, that on the back of your report you have a list of your qualifications?

A.—Yes.

10 Q.—Now, how long have you been in the real estate business?

A.—Since about 1911 or 1912, over twenty years.

Q.—And during that period you have been continually in that business in Montreal?

A.—Except during the last war.

Q.—Have you had occasion, Mr. Simpson, in the course of your operations as a real estate expert to value properties in Montreal?

A.—Yes, that is one part of my business.

20 Q.—Have you had occasion to determine rental values of space for rent in Montreal?

A.—In connection with some of the appraisals we make, yes.

Q.—I understand that your report arrives at a valuation for the Sun Life Building. Will you state for the record what valuation you arrived at?

30 A.—As far as the actual value of the property, I get a value of \$7,500,000; that is including the power plant, the site of the main building, the building itself, and the power plant itself.

Q.—Would you just summarize your report and tell the Board what processes you followed in order to arrive at that valuation.

40 A.—I went over the building thoroughly, examined it from top to bottom, saw the different types of space, and I considered the different approaches to the question of the value. But what I wished to arrive at was the real or actual value. And I decided that the original cost, the replacement value, had very little bearing, if any, on the real or actual value at the present time. I am taking this at as December 1st 1941.

There are no sales of building in Montreal to help establish the value of a building like that. So I found I had to regard it as a commercial building, which it is, and look upon it as a commercial building and arrive at the real actual value from the point of view of revenue.

Q.—You have mentioned replacement cost. Before you leave that: I understand you to say that you did not find that



A. C. SIMPSON (for Complainant) Examination in chief.

would help you in determining the actual value of the building. Would you explain, briefly, why?

10 A.—It is not a building which is designed purely as a commercial building. It was designed for the head office of the Sun Life, and it was designed a number of years ago. The building has many faults. It has many good points, but it has also a distinct number of faults in its planning.

There are various things there much in the manner of wastefulness of space, the amount of service space, the lighting of many of the offices, and the fact that some of the office windows are more or less obscured or partly hidden by balustrades.

20 The building was designed to have a massive or imposing appearance, and in order to get it they sacrificed somehow the utility of the building.

Q.—You said the building is a commercial building. Will you tell us whether or not in fact the building is being used as a commercial building?

30 A.—Yes, on the 1st December, 1941, the company's occupancy was about 50.4%, and about 35.7% by tenants. And the balance was vacant, partly unfinished. 278,910 square feet at that time was occupied by tenants.

Q.—Tell me this. So far as the space in that building which is occupied by the Sun Life is concerned as compared with the space occupied by tenants, will you tell me if there is any difference in the space in the sense of its being more valuable for office space?

A.—Except for the ground floor the tenanted space is nearly all on the upper floors. And as usual in buildings of that type the upper floors are the best, That is the best part. That is the part that is rented.

40 Q.—Is there any difference in the tenanted occupied space and Sun Life space insofar as its being suitable for office space?

A.—No. The Sun Life space is suitable for office space.

Q.—And I am not speaking at the moment of the banking hall.

A.—No. You mean the office space.

Q.—The general space occupied by the Sun Life. Can you tell me from your figures in a general way how much of the space occupied by the Sun Life is similar from the point of view of value, to the tenanted space?

*A. C. SIMPSON (for Complainant) Examination in chief.*

A.—The Sun Life space is 393,232 square feet, that includes 64,952 square feet in the basement. There is little tenanted space in the basement.

Q.—I am talking above the ground floor.

10 A.—I have not the exact figures here. If you deduct special space like the basement and the banking hall you would have about half the space, a little bit less.

Q.—Let us go back to your report. Would you please continue and explain the method you followed in arriving at your value?

A.—As I say, in my opinion, the only fair approach to get the actual value of the building was by the method of revenue.

20 Therefore, my first point was to try and establish a fair potential gross revenue for the building. In my figures I am working on a total amount of rentable space of 780,590 square feet. I took the rentals being paid by the tenants as probably the best indication of what the space is worth. This space was rented to tenants in the open market, in competition with other buildings, uptown and downtown. With other good buildings. And there is no reason to believe that the rents they are paying differ very much from the fair value. If the space had been rented at a lower rate the chances are the building would be fully  
30 occupied, which it is not.

On the other hand there is no indication that any undue influence has been used by the company to get people in there irrespective of the rates. Then the rates would be secondary and the rates would be high. If a company had to go in there to satisfy the Sun Life it would not be in a position to say anything about the rates.

The rates can be said to be on fair basis.

40

Q.—Apart from the considerations you mentioned did you compare the rentals paid by the tenants in the Sun Life with rentals current in the rental market in Montreal at the present time, and did you come to any decision?

A.—I am not in the same position as Mr. Loble. I don't deal much in office rentals. I know generally how they go. I know generally what the rents are in other buildings for comparable space. When you make the allowances for the Sun Life that you have to make on account of the space being difficult

*A. C. SIMPSON (for Complainant) Examination in chief.*

for division for small offices, the depth of windows and so forth, the rentals charged to tenants there are fair rentals.

Q.—You said you took the rentals being paid by the tenants as being a fair indication of the rental value, and they  
10 were in fact that, from your point of view?

A.—Then in comparing space occupied by the Sun Life with the space that was rented to tenants, I arrived at what I figured a fair value for the Sun Life space.

Then, on top of that, I realized that there are probably some cases in which certain concession have been made to get the tenants established and the rentals they were paying, in several cases, were less than other tenants were paying, and less probably than a fair rental, so I adjusted some of the rentals and  
20 added on an amount to cover any cases like that.

Having done that according to Schedule A of my report. . .

Q.—To explain for the record, Schedule A in the case of your report, is bound with the report?

A.—Yes, and deals with the potential rental value of the building, in my opinion, as of December 1st, 1941.

I arrived at a potential gross annual revenue of  
30 \$1,260,544.70. That is including the adjustment for some of the space that I felt the rentals might be low in comparison with others paid.

Taking that figure as potential gross revenue I made the customary 10% reduction for vacancies, amounting to 126,055, bringing my gross revenue to \$1,134,490. My gross revenue took in all of the space in the building, the occupied space and the vacant space. I put a value on vacant space as well. The 10%  
40 deduction is the usual one made.

Then, to see how that would work out on the basis of the present valuation. . . .

Q.—The valuation under attack?

A.—Yes, and the taxes being paid on that valuation.

I took the expenses for the year 1941, and with the taxes for the assessment under attack, deducted that from my gross

A. C. SIMPSON (for Complainant) Examination in chief.

revenue. That comes to \$863,560. Deducting that from my gross revenue less the 10% I arrived at a net revenue of \$270,930.

10 On the same assessed value, the City values the buildings at \$13,471,300. That includes the Power Plant. Allowing a depreciation of 1½%, which is \$202,070, and deducting that from the \$270,930, you arrive at a potential net revenue of \$68,860, which would give a return of about .48%. Less than half of one per cent of the assessed value.

20 Q.—You have worked this out to test the valuation you are attacking and the effect of that is to show that the return as net revenue you could expect from the building would be .48% of the capital invested?

A.—Yes, to test out the assessed value. That was absurd.

30 As an alternative I assumed the real or actual value of the property, and of the assessed value, was \$7,500,000. And I worked out the net revenue on the same basis. The potential gross revenue was the same, \$1,134,490. The expenses, 1941 expenses, with taxes on a real value of \$7,500,000, came to \$660,093. Deducting that from my gross revenue leaves \$474,397. Deducting the value of the land from the value of the property, and allowing a depreciation of 1½% on that, that is on the value of \$6,695,300, the depreciation would come to \$100,430. Deducting that, you have a potential net annual revenue of \$373,967. That represents just under 5% on a value of \$7,500,000.

40 In my opinion the Sun Life property has little or no speculative value. I cannot see where anything is going to happen to add greatly to the value of the property. In arriving at the real value, the market value, any person who is interested in purchasing could not count on any future increase. He would want, in my opinion, a 5% return on his investment, with the risk that he is taking in buying that building and therefore the market value is not \$7,500,000.

Q.—You have referred to the expenses of operation of the building for 1941. Where did you get that information?

A.—That was furnished to me by the Sun Life. From their auditors.

Q.—I may say for the benefit of my learned friends, and the Board, we will have a witness to deal with that later.

*A. C. SIMPSON (for Complainant) Examination in chief.*

So far as the measurements of the areas shown in your Schedule A in your report are concerned, I understand that these are in agreement with the figures obtained in the joint admission?

10 A.—I believe so, yes.

Q.—Have you tested your valuation in any other way, Mr. Simpson?

20 A.—To see whether the operating expenses as given me by the Sun Life were reasonable and fair, and I had no reason to believe the building was not efficiently managed, — to test that I compared the operating expenses taken from the annual statements of other large buildings, the University Tower, Keefer Building, Insurance Exchange Building, Castle Building and the Dominion Square Building. This is in Schedule C of my report.

Taking operating expenses, not including taxes, the percentage of the revenue is 39%. The operating expenses amount to 39% of gross revenue, whereas the operating expenses for the Sun Life on the basis I have estimated came to 38.5%, practically the same figure.

Q.—I see you have annexed to your report a Schedule B. Would you explain that?

30 A.—Perhaps while still on C I might mention that I have worked out there the taxes for 1942/43, as a percentage of the revenues of the five buildings, and the average is 22.9%. The taxes for 1942/43 amount to 22.9% of the revenue for these five buildings, whereas in the case of the Sun Life, if you took it on the basis of potential revenue, it is 37.5%. There is a difference there between 22.9% as an average the other buildings are paying, and 37.5% for the Sun Life if its present assessed value is maintained.

Q.—Would you explain, Mr. Simpson?

40 A.—It seems to me the important thing in assessing property for taxes purposes, everyone should be treated on the same basis. I see no reason why it should not be so. The rate might have to be increased or lessened, but everyone should be paying his own taxes and not someone else.

In looking over the figures for the different buildings in Montreal, I find, if you take 41 of the large office and commercial buildings in Montreal, compare the valuations for 1932/33 with those of 1942/43 you will find three of the same figures

*A. C. SIMPSON (for Complainant) Examination in chief.*

have been maintained. 35 have been decreased. The total of the decrease during that period being about 16%. And only three have been increased. The Canadian Pacific Express Building was increased by \$40,000. The Montreal Light, Heat & Power  
10 Building was increased by \$73,000, and the Sun Life with the boiler plant was increased \$5,551,000.

My information from the Sun Life is that during that period an amount of \$1,636,695 was spent finishing the building, new floors. Deducting that from the increase of \$5,551,000 you have \$3,914,305 increase for which there seems to be no justification, and it is out of line as compared to other large office building and commercial buildings in Montreal.

20 Q.—Mr. Simpson, were you present when Mr. Vernot gave his testimony?

A.—Yes.

Q.—On the first day of the hearing?

A.—Yes.

Mr. Seguin, on behalf of the City of Montreal, renewed his objection to Complainant's Attorney criticizing Mr. Vernot's methods, in view of the fact that Mr. Vernot was called as Com-  
30 plainant's own witness.

The Board took the objection on reserve.

Q.—Mr. Simpson. I take it you answered that question?

A.—Yes, I did hear it.

Q.—Will you please tell the Board whether you agree with the method of valuation he explained as having followed in assessing this property for the City?

A.—I don't think I would have followed the same methods.

40 I realize that Mr. Vernot, like the other assessors, is confronted with a great many valuations and he cannot go through every building and examine it as carefully as a man making an investigation.

In certain cases you can use tables very adequately. If you are dealing with a number of duplexes in Notre Dame de Grace, street for street, and the same type of construction, you can use tables there and work it out very adequately. Coming to deal with a building like the Sun Life, you have to investigate

*A. C. SIMPSON (for Complainant) Cross-examination.*

the building yourself. That is what I would do. I don't admit that the replacement cost has any bearing. If I was trying to arrive at a replacement value I would not depend upon tables, where I would make an arbitrary reduction for such and such  
10 a thing. I would examine the building to see its advantages or disadvantages and try to arrive at something net, without using tables prepared by some technical commission.

Q.—What have you to say about a system of arriving at a valuation by two different methods and then weighting your final result 90% at one end and 10% at the other?

A.—I can see no advantage in doing that. Buildings have one value, whether they are occupied by the owner or by tenants.  
20 This is a commercial building. There is no space there that cannot be rented. It is absolutely a commercial building. It is not a one-purpose building like a church. The space which is occupied by the Sun Life can be used by others as it is now, or it can be divided up and used for office space. The cafeteria, if they did not want to use it as a cafeteria, could be rented for office space. Nothing makes it necessary to use it as a cafeteria. The banking hall, it might be hard to find a tenant for that.

The building is a commercial building and there is no  
30 reason why there should be a difference in value whether occupied by tenants or the owner. It has a market value. And the system of dividing it up and taking a certain percentage according to whether it is occupied by the owner does not seem to be logical. If you applied that to one kind of building you would apply it to another. If you had a couple of duplexes, one was rented and the other was occupied by an owner. How would it apply there?

One other point as regards Mr. Vernot's testimony. He  
40 said if he was doing it over again it would reduce his return from 6% to a lower figure. I can't see any person who is going to buy that building and receive only 3 or 3½% on his investment. I can't realize anyone taking this for less than 5%. They might want more. That would be the least return.

Cross-examintd by Mr. Seguin, Attorney for the City of Montreal:—

Q.—The figure you have mentioned to this Board in your brief, do you call it an assessment or a valuation?

A.—It is my opinion of the real value of the property.

*A. C. SIMPSON (for Complainant) Cross-examination.*

Q.—As far as I can see you have adopted the theory brought by Mr. Lobley, the theory of the willing buyer and the willing purchaser?

A.—There is nothing new about that. I imagine the Board  
10 had heard of it before.

Q.—You did not take into consideration the replacement value?

A.—I don't think it has any bearing on its real or actual value. I would not say that the cost or replacement value has any bearing on it at all.

Q.—In fact, you did not consider that figure at all?

A.—No.

Q.—And you have arrived at your total by only considering the factor of gross rentals and net revenue?  
20

A.—The potential revenue from the property.

Q.—You call the Sun Life Building a commercial building?  
30

A.—It is a commercial building.

Q.—But what you have seen, does it seem to be an ordinary office building, or is there something special?

A.—As I explained, it was built for the head office of the company. It was designed to be an imposing building, partly as an advertisement, I suppose, for the company, and to that extent  
30 some of the building was sacrificed to that. But it is definitely an office building.

Q.—When this building was built do you think the main object was revenue from renting or utility to the company itself?

A.—I really don't know what the company's plans were.

Q.—By what you can see and what you can realize in that building, does it not seem to you that the building with a view to utility of the company and its future requirements?  
40

A.—They must have designed it for their own use. They must have designed it for the purpose they wanted for their own use. If they wished to derive as much revenue as possible from it, they would not have designed it that way.

The President:—Can that be admitted? That the building was erected for the purpose of the head office of the company, and only that?

Mr. Geoffrion, K.C.:—We have a witness to discuss that.



*A. C. SIMPSON (for Complainant) Cross-examination.*

By Mr. Seguin:—

Q.—I think you said that the better part of rental area is from the 10th floor and up?

10 A.—In my opinion, apart from the ground floor, the upper floors except the pent, are the more popular floors. They usually pay the high rentals on the upper floors, and the tenants try to get on the upper floors if they can, not down on the second or third or fourth floors. The upper floors have better light, better air, there is less noise from the street, and in a good many of the buildings the floor space is less and tenants can take an entire floor.

Q.—Am I right to say the better space to be rented to tenants piecemeal is from the 10th?

20 A.—It is not as deep. It is easier to divide one of the upper floors than the lower floors.

Q.—For the company itself, can we imagine the company occupying the space it is occupying now and being located on the upper floors? The building is not for that?

A.—I believe it is the intention to put some of the offices on the upper floors.

Q.—The actual space for the Sun Life provides for some special utilities for the company?

30 A.—Apart from the vault the company could use the upper floors as well. Apart from the vaults and the banking hall. As far as office space, they could use the upper floors better than the lower floors because they get better light.

Q.—Taking the business of the company as it is run today, they are better located on the lower part than on the upper part?

A.—I don't know enough about the business of the company to say where they should be. From the point of view of office space I would think they would be netter on the upper floors.

Q.—Their vaults would not be there?

40 A.—No.

Q.—And their banking hall would not be there?

A.—The company would have to say where it would be.

Q.—Their cafeteria would not be there?

A.—The cafeteria is something that can be moved.

Q.—The gymnasium would not be there?

A.—With the elevator accommodation that they have and the speed they go it is not hard for them to go up or down a few floors.

Q.—Is there not more prestige for them to occupy the whole of the lower floors rather than the top?

*A. C. SIMPSON (for Complainant) Cross-examination.*

A.—The Aluminum Company is quite happy on the 17th and 18th floor, and that company is large enough to go wherever it wants.

10 Q.—As a matter of experience, when a big firm builds its own building, they generally occupy the ground floor?

A.—That depends a great deal on the business. Some would rather be on the lower. Some would rather be on the upper; the company itself would decide that.

Q.—I am sure you have not examined all the leases of the tenants?

A.—No.

20 Mr. Hansard:—He said he got the information from the company.

By Mr. Seguin:—

Q.—Have you fixed your rates for the space occupied by the Sun Life by comparison with the rates paid by some other tenants in the building?

A.—I have used that as the fairest basis to arrive at it.

Q.—You don't know if some of the leases of the tenants were not passed five or six years ago?

30 A.—I don't know. I suppose they were passed at different times.

Q.—At that time we were in depression time and the rates were low?

A.—I could not say when the leases were made.

Q.—As a general statement, you did not read the leases and you did not take communication of them?

A.—No.

Q.—The Royal Bank occupies the lower part of its building?

40 A.—Naturally, in banking they would have to.

Q.—They have to be close to their vault?

A.—For the banking part of it, yes.

Q.—In making your total of rentals have you followed the figures included on the admission of the parties filed in the record?

Mr. Hansard:—I think you can safely say he has. Yes, he has.

*A. C. SIMPSON (for Complainant) Cross-examination.*

By Mr. Seguin:—

Q.—You have adopted the figures which are not in dispute between the parties?

10 A.—For rental area?

Q.—Yes?

A.—My figure I state here is 780,590. I think it is approximately the same.

Q.—I presume that you did not fix any value for the space which is in dispute between the City and the company, and which is not admitted?

A.—Which space is that?

Q.—It comes to about 30,000 feet.

20 A.—I am taking the rental area floor by floor at 780,590 square feet, which I think includes all the rental space in the building. There is some space there which should not be considered, lockers and so forth. I have taken in some space which I don't think is, strictly speaking, rentable.

Q.—When you state you considered only the rental value to arrive at the value of the property, can you quote some authorities or judgments or some books by which your opinion is substantiated?

30 A.—I have read some articles in the books I would not like to quote now. It is one of the most reliable approaches to the value of a property of that type.

D.—Do you know of any author or books who is recommending to put a value on office buildings like that only relying on the income or revenue?

A.—I don't know that I have ever seen any article dealing with anything as unique as that. You generally have to approach from different angles and you have to take the angle to get the basis.

40 Sometimes you can use sales, if they are desirable property. A row of cottages or houses where three or four have been sold, and you can decide what you will get for the next.

In dealing with the Sun Life there is no sales in Montreal that you can go by.

Q.—There is no market?

A.—There is no sale you can go by. I can imagine someone buying it. But there is no sale to go by. I don't know of any building like the Sun Life in Montreal.

*A. C. SIMPSON (for Complainant) Cross-examination.*

Q.—You can imagine a sale through an expropriation or bankruptcy?

A.—No. Someone might buy as an investment. But they would buy on a revenue basis.

10 Q.—According to your theory, Mr. Simpson, a large building and a smaller building provided the net income is the same, should be assessed at the same figure?

A.—You have to see the building to know what deductions to make and how to arrive at your net income. The erection of a building certainly comes into that. If I am making an appraisal I don't ask the income and not bother looking at the property.

Q.—Each building constitutes a problem of its own?

20 A.—Yes, and you have to consider it as a problem of its own.

Q.—You said that in 1932/33 that the assessment of the Sun Life was so much, and 1941 it was jumped by so many millions. Do you know that since that time the company has spent a lot of money in finishing space or floors?

A.—It is the amount I mentioned.

Q.—You realize that the problem of the Sun Life now is not the same as it was in 1932/33?

A.—Probably.

30 Q.—Then it was not finished?

A.—No. There was a number of floors not finished. That is why they spent \$1,600,000.

Q.—As it is now the building is nearly 100% occupied for its normal use, or nearly 90%?

A.—There are four floors not touched. Two good and two not so good which have not been finished at all.

Q.—And the ventilating system floor, it is not finished?

A.—They would have to increase the ventilating system when they use the other floors. It would take up more space.

40 Q.—Are you aware how much time the assessors spent in making this assessment?

A.—I have no idea.

Q.—You are not aware of the publications or data they had to collect to make the assessment?

A.—It must have been a great deal. I have no idea.

Q.—You cannot say that Mr. Vernot's assessment was made too quick?

A.—No. I don't know how long he spent on it or anything like that. It was just a question if I was valuing a property of

*A. C. SIMPSON (for Complainant) Cross-examination.*

that type I would prefer to examine it thoroughly from top to bottom and then decide what deductions could be made, rather than to go by some arbitrary tables established by someone else.

10 Q.—To assess a building by revenue it is not necessary to visit it?

A.—Very necessary. You have to know your expenses and deductions for depreciation and things like that.

Q.—It would not take months or weeks?

A.—To examine it?

Q.—Yes?

A.—No.

Q.—Let us say you would have to spend a long time.

20 By Mr. Hansard:—

Q.—Did you, in fact, spend quite a long time on your examination of the building?

A.—I did.

By Mr. Seguin:—

30 Q.—After having seen the building occupied as the head office of the company, you quite realized that the company if it intended to move, there is no other building in Montreal which can accommodate the whole staff and the whole documents of the company?

A.—It is a lot of space to get at once. If the suddenly wanted to move they would not find 392,332 square feet at the present time.

Q.—It would take two of the largest buildings in Montreal to accommodate that staff and keep the documents and locate the vaults?

40 A.—It would probably fill two or three of some of the buildings.

Q.—And all of the staff will not be located in one place?

A.—It would not be as convenient as now.

Q.—Did you reflect that in your rental values?

A.—Space for that?

Q.—No. The fact that they have all their staff in the one building, which cannot be provided anywhere else in Montreal?

A.—I doubt whether that has much effect on the rental of the space. No suggestion has been made that they are going to move out.

A. C. SIMPSON (for Complainant) Cross-examination.

Q.—You have put lower prices for the Sun Life than the space occupied by the tenants piecemeal on the upper floors?

10 A.—Because the space is not as good from a rental point of view. Some of the space occupied by the Sun Life are practically 60 feet from the central lighting space. 25 feet is quite another thing. If you took my figure as an average, there are offices in the Sun Life Building which are quite shallow, not more than 20 or 25 feet deep. The \$1.50 I have put is an average figure for everything, taking the good with the bad.

Q.—I don't think you charge any amenities to the Sun Life on the rental you have fixed?

A.—A lot of the space has none, except that it is a good building and a good address. I put in \$6 for the banking hall.

20 Q.—It is lower than the Bank of Montreal or any other bank?

A.—I don't know what you would get if you tried to rent the space. You might get another dollar.

Q.—I am told that today they are building some office buildings without windows?

A.—You hear about things in the papers, in some of the architectural papers, of buildings without windows. I think a lot of educational work will have to be done to get people to move into buildings without any windows.

30 Q.—In the Sun Life there is a modern air-conditioning and air-washing and air-regulation system?

A.—I believe so.

Q.—That does not exist in any other building in Montreal?

A.—Probably not to the extent it is there. I have not studied the question sufficiently to compare it with other buildings. It is an engineering question rather than a real estate question.

By Mr. Hansard:—

40

Q.—Are you prepared to accept that it is a modern one?

A.—That it is a very good one.

By Mr. Seguin:—

Q.—Did you increase your rents for that account?

A.—No. Because, as far as I know, the space wherever it is necessary has been ventilated, and some of this vacant space is also ventilated, and it is reflected in the rentals.

*A. C. SIMPSON (for Complainant) Cross-examination.*

Q.—It is mostly the Sun Life who get that?

A.—For the deeper space.

Q.—You told this Board that there were some floors on which the light was bad on account of the balustrades?

10 A.—There are two floors on which the light is not as good. Because, in order to make the building look better from the outside, they have put up these balustrades, and shut off a certain portion of light.

Q.—You appreciate that it was necessary to have the balustrades to carry on the pure Corinthian style?

A.—Apparently the architect considered it necessary.

Q.—Suppose that instead of having one building and the Sun Life had two, and one was completely rented to tenants, and the other completely occupied by the Sun Life. What would  
20 be your approach to assess these buildings?

A.—I would approach it in the same way. I would try to arrive at the rental value for each, and if they were exactly similar the rental value would be the same.

Q.—Considering only the revenue for both?

A.—I don't think it makes any difference whether the building is occupied by the owner or whether it is occupied by tenants, if you are looking at it from market value.

Q.—Even if one is built with gold and the other with  
30 stone?

A.—Probably the stone might be preferable from a building point of view.

Q.—Oh, yes. There is a restriction now on gold.

And further the deponent saith not.

J. T. Harrington,  
Official Court Reporter.

*J. J. PERRAULT (for Complainant) Examination in chief.*

DEPOSITION OF JEAN JULIEN PERRAULT

On this twenty-fourth day of March, in the year of Our  
10 Lord one thousand nine hundred and forty-three, personally  
came and appeared, Jean Julien Perrault, architect, residing  
at No. 2135 Gouin Boulevard West, Montreal, who having been  
duly sworn doth depose and say:—

Examined by Mr. Hansard, for the Complainant:—

Q.—Apart from being an architect, Mr. Perrault, I under-  
stand you have other qualifications.

20 Have you been asked to prepare a report on the valuation  
of the Sun Life Building?

A.—Yes.

Q.—Have you a copy of it?

A.—Yes.

Q.—With your permission, Mr. President, — I have a copy  
of the report, — we will keep the original and substitute a copy.

30 Mr. Perrault, will you file a copy of your report as  
Exhibit P-11?

A.—Yes.

Q.—Attached at the back of your report is a sheet giving  
your qualifications. Is that so?

A.—Yes.

Q.—In addition to being an architect, have you had any  
engineering experience?

40 A.—Not in the full sense, but in the sense of the construc-  
tion field. I was general manager of a large contracting firm  
for five years, in full charge of building operations.

Q.—Would you tell the Board what valuation you arrived  
at for the Sun Life Building, and explain to the Board how you  
did that?

A.—First, I wish to state that certain figures such as the  
cube of the space, the age of construction, floor areas and et  
coetera, this information was given to me by the officials of the  
Sun Life and I used these figures.

I have valued the property searching to obtain the real  
value of the building. I have used the cube method and taken into



*J. J. PERRAULT (for Complainant) Examination in chief.*

consideration whatever depreciations or factors which should be taken into account, which would reduce said depreciation value.

10 I have given full consideration in establishing the unit price per cubic foot to the various expensive materials incorporated in the building.

20 I have assumed that the building was constructed in one unit and not over three separate blocks as was done, because I feel that the real value is how much it might take to rebuild the property as one enterprise and the additional cost that might be involved, and was involved in putting up the building in three separate units, due to removal of part of one to attach the other one, or to take care of operating services while that was going on, or any other such items, should not come into the real value of the property in passing on the replacement cost particularly.

I have taken into consideration that the floor heights generally are about 14'6", which creates a much larger cube than normal buildings of this type, or buildings which are used for similar occupancy.

30 I wish to draw attention also that there are in this building some rather large units of empty cube. The figures for the basement, blind floors, central hall, public hall, assembly room, gymnasium, and et cetera.

Usually these large spaces composed entirely of air generally represent a lower cost per cubic foot than if they were entirely subdivided with partitions, doors, and et cetera.

40 There is a factor also that the depth of the offices generally are quite deep, much deeper than usual space. Generally we find from 20' to 25', while in this case we find depths that go to 40' and 48', and over.

The power plant is not located on the premises, but across the road. I have valued this property both ways. Taking the Main Building and the Power Plant, and I have also prepared the valuation separately.

As to the replacement cost, I am of the opinion that the replacement cost of a building to establish a real value should be

*J. J. PERRAULT (for Complainant) Examination in chief.*

based on the normal cost that it would take to reproduce said building in a normal time. Not a high figure composed of high costs of labor and material during a time when such things are less readily purchased, as at 1941 because of the war, nor should  
10 we use a low figure which would obtain during a period of depreciation when labor and material would be a glut on the market, and could be purchased at a ridiculous figure.

I feel that the last normal period when we had normal prices was in 1939, so I have taken the replacement value as at 1941 and am reducing that figure by 10%, which I figure is the difference between the two periods to bring it down to what is the normal cost.

20 By Mr. Seguin:—

Q.—You have taken 1941 and reduced it to 1939?

A.—Yes, by deducting 10%.

I have looked at the building to establish the real value from the point of value of the service that it would give to its owner. That service can be interpreted in moneys in the sense of the space that can be used, can be rented, or is worth. It can be  
30 interpreted in the terms of space that can be used adequately or less so, and that determines the real value of the property.

If I put up a building which cost so much, but I designed it in such a way that it cannot be utilized generally for the purpose for which it was designed, or for another adequate purpose, the building suffers therefrom, in the proportion to the difference that the building should produce and what it does produce.

40 If I build a house and put gold bricks inside the walls, I am spending the money but I am not enhancing the value for the amount of money I am spending for the gold bricks.

I take it that this building is being used now for space in which people work at desks, at machines attached to desks, and et cetera. Let us call it office space, clerical space, it is immaterial. It is space at which the human person follows the application of the ordinary routine in a clerical or semi-clerical fashion.

*J. J. PERRAULT (for Complainant) Examination in chief.*

In a building of that type 70% to 76% of the total gross floor area should be valuable as usable rentable floor space.

10 Now, in the Sun Life building here we have a future away inferior to that, and I maintain that the building has suffered a functional depreciation immediately upon completion due to this difference.

No matter what was spent in the planning, when the premises were completed if it could only be used to a certain extent that is what it is worth to the owner or a buyer, or from any other similar point of view.

20 I have attached a table to my report in which I show a column of the gross floor areas. Those are the areas outside the walls. In totalling my various columns I have omitted the areas shown in the table for the basement and I have omitted the 7-A floor, which is the mechanical floor, for the reason that if included for my percentages it would be unfair in the sense of arriving at a proper judgment, because of this floor there is less rentable floor area than on the other floors and it would reduce the average.

30 My second column shows the total occupiable area. This is a column showing figures given to me in a document between the Sun Life and the City.

These areas contain certain areas which in my opinion are not rentable floor space. I have divided these into three categories because some are less so than others, and I have accordingly deducted them from the main total rentable area.

40 The first column which I deducted are for areas for elevators, space for elevator banks B and C, which are not used and have been floored over and have been used as storage space and other similar space. I deducted these areas and came to a new column of rentable floor space area.

Then I deducted a second group for potential corridors and for locker room space where such space has been used as locker room and rest rooms for tenants. I feel they are public service spaces, and should not be included.

*J. J. PERRAULT (for Complainant) Examination in chief.*

The third column which I deducted is locker room space occupied by the tenant for other purposes than locker and rest rooms and other simliar service area which was deducted in the first place. There are small areas for the Postal Terminal Station, and things of that kind.

10

After deducting these figures I came to what I call a net rentable floor area, which totals 648,459 square feet, always exclusive of the basement and the 7A floor.

My total for the gross floor area on the same basis is 1,207,351 square feet. This gives me a percentage of net rentable area to gross area of 53.7, instead of 70.76%.

20

If I use the columns previously mentioned my percentages run up to 55.2, 58.1, and finally 58.5, if we take no reduction at all.

This ratio based on a 70% basis gives me a depreciation of 23.3%. If we base it on 72% normal, we obtain 26.1%.

In my valuation I have used 70%, the lowest amount, and I have used 53.7% net rentable area.

30

Now, that is a functional depreciation which the property suffered immediately upon completion due to the type of planning.

40

We must not forget that the building was constructed by the Sun Life when the curve of employees showed an upward trend which in ten or fifteen years would fill the entire structure. This condition did not materialize. Their operations were further decentralized, thereby further reducing their staff. The building by that fact became a building which had to produce revenue. It is like a building, a certain type of building in a certain district. If the district changes the building has to be adapted to the new environment. If the community changes the building has to be adapted to the new community.

Today that building is about 50% occupied by the Sun Life and 50% by the tenant. It is roughly 50%.

By Mr. St. Pierre, K.C.:—

Q.—Mr. Lobley and Mr. Simpson say about 35% by tenant.

A.—I may be three or four percent out.

*J. J. PERRAULT (for Complainant) Examination in chief.*

Mr. Geoffrion, K.C.:—It depends where you put the vacancies.

10 The Witness:—Whether it is 5% more or less would not affect much the position.

Now in this building I have too little rentable space to produce either money enough for renting it, or by the owner occupying it, for the amount that it cost to put up the building. Furthermore, of the space which I have, much is inefficient — part of that space is inadequate to produce the rental it should produce or the service to the tenant or the owner occupying it which it should produce.

20 Offices should vary between twenty-five and twenty-six feet from the light to the inside wall. I have offices here thirty, thirty-eight and fifty feet and over in depth. The space beyond the 25' or 26' or 27' line has a lesser value. Again, whether in terms of money or occupancy by the owner.

I maintain the lighted space beyond the 27' line is worth half what it is worth inside the 27' limit.

30 I have prepared a table on page 5 of my report, assuming a \$2.00 unit for space within the 27' limit, \$1.00 for space beyond the 27' limit, and 0.30 for entirely unlighted space.

I have prepared four lists based on the four columns I used before. In other words, a rental area of 648,000; a rental area of 667,000; 701,000, and on 706,000.

40 The difference in the money revenue, or the difficulty or inadaptability of that space produces a depreciation suffered again immediately upon completion of the building.

In the first case you will see that instead of \$2.00, I get \$1.5748, producing a depreciation of 21.26%. If I assess the other columns by allowing more rentable space I get 23.05%, a middle figure of 26.08%, and a final figure of 26.46%. I have used in my table the figure of 21.26%.

On page 7 I have compared the four rentable floor methods. As the depreciation of one goes up the depreciation of the other goes down. If I included more of the dark spaces the

*J. J. PERRAULT (for Complainant) Examination in chief.*

percentage of flower rentable value goes up. By combining the two we have 28.52% to 39.6%. The difference is only 1% should you look at the rentable floor area based on these four tables.

10 On page 8 I give a valuation of the Sun Life, including the heating plant. I give a cube of the three units A, B, and C, and a total cube of 21,931,761. I add the heating plant of 551,300, giving a total of twenty-two million odd. I estimate the replacement value of these two properties in 1941 would be 81c per cubic foot, to give \$18,212,000.

I deduct from this figure \$250,000 for the unfinished floors, because my cube price is based on a completed building, that leaves a net of \$17,962,000. I take off 10% reduction to  
20 bring it down to 1939, which gives me \$16,165,800. I remove 23.3% due to the planning functional disability, that is, the inadequate amount of floor space that can be used or rented, which brings it to \$12,399,200. Then I take off 21.26%, due to loss of rental, leaving a balance of \$9,763,200.

That is the difference between the two. The first depreciation is due to the fact that I have not got enough rentable floor space for a building of that size. The second is, that of the space  
30 which I have, some is not of current normal rental value.

Then the physical depreciation. To get this I have spread out my value of \$9,763,200 for the A, B and C units, plus the heating plant. A was built twenty four years ago; B seventeen years ago; and, C and the heating plant, eleven years ago. I am always talking from 1941. So I depreciate at 28½%, 21%, and 14½%. This gives a net value of \$8,202,600.

This valuation is based on the heating plant and the building as a whole.  
40

Then I proceed to value the Sun Life Building alone. I use the same procedure except that my net cost is 80¢ instead of 81¢. Going down the line, this gives me a net valuation of \$7,894,600 for the Sun Life Building proper, alone.

The heating plant. If I take it as being part of the building, but being across the road, I am subject to the same reduction in value and the same depreciation as if the heating plant

*J. J. PERRAULT (for Complainant) Examination in chief.*

was in the building. The only return that I would get for the moneys invested is revenue in my main building due to rental, occupaney, or use. I evaluated the heating plant at \$1.20 per cubic foot, giving a value of \$662,760.

10

Following our 10% reduction for 1939 basis, our two depreciations of 23.3% and 21.26%, leaves a balance of \$360,300; less 14½% for the physical aspect, leaves \$308,100.

This amount added to the valuation for the Main Building gives a total for the two of \$8,202,700.

20

The above valuation of the Heating Plant has been considered with the same depreciations as the Main Building, and on the same lifetime. If it should be considered entirely apart it is not subject to the functional depreciation for the Main Building. But on the other hand, the life of the Heating Plant becomcs much shorter, and is based on twenty-five years. So again, I evaluate it at \$1.20, less 10% for 1939 basis, which gives me \$596,500; less the physical depreciation due to age of eleven years based on a twenty-five year lifetime, of \$262,500, leaving a balance of \$334,000.

30

This, in my opinion, is the value of the property exclusive of land in 1941.

The real value can only be taken one way. What a man who is willing to buy but does not have to buy, is willing to pay for a property that a man is willing to sell but does not have to sell. A man who does that will probably arrive, in my opinion, at a figure through channels similar to the one I have done. But he will go farther than that. After arriving at that, he will check.

40

Here is a building which cost so much and has a cost now of so much due to depreciation. Did I spend wisely so as to produce what it should produce? If that was done it should be worth what my figures establish. If that money has not been spent in that way, it would mean that the rental which I should get per square foot I will not be able to get. In other words, I have built a type of building which the market cannot buy per square foot. I will get, therefore, a lower rental to supply a return for the capital. If that is so, the building is only worth what the return can give.

*W. MacROSSIE (for Complainant) Examination in chief.*

My figure should give the proper value if the construction is right. But in Montreal here, when you start with a building of 80¢ per square foot and you want to rent it, I doubt if the market can absorb it.

10

If the market can pay the rental it is worth the money I have spent. If not, it is not worth it.

And further for the present deponent saith not.

J. T. Harrington,  
Official Court Reporter.

20 (The Board adjourned to reconvene on the 25th at 2.30 P.M.)

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DEPOSITION OF WILLIAM MacROSSIE

On this 25th day of March, in the year of Our Lord one thousand nine hundred and forty-three, personally came and appeared: William MacRossie, Real Estate Broker and Appraiser, residing at Number 89 Maple Avenue, Greenwich, Connecticut, U.S.A., who having been duly sworn doth depose and say:—

30

(Mr. Hansard requested permission of the Board to proceed with Mr. MacRossie's evidence before continuing with Mr. Perreault, in order that Mr. MacRossie could make train connections).

Examined by Mr. Hansard, for the Complainant:—

40 Q.—Mr. MacRossie, you say you are a real estate broker, and you gave your address as Greenwich, Connecticut. Do you carry on your functions as an appraiser elsewhere than in Connecticut?

A.—Yes. I have an office at 41 Park Row, New York. And at the moment I spend a good deal of time there on behalf of the United States government.

Q.—Could you give us briefly your qualifications as an expert appraiser?

A.—Well, sir, I have prepared a list here.

Q.—Perhaps we could file that, and you could give us just the highlights.



*W. MacROSSIE (for Complainant) Examination in chief.*

A.—I have been over twenty years in the real estate business, valuing properties in New York, New York State, Connecticut, New Jersey, and in various States of the Union.

10 I have taught on appraisal courses conducted at probably eight or ten of the leading universities of the United States including Yale, Columbia, Massachusetts Institute of Technology, Wharton, Indiana, Tulane and others; and last year and this year I have the honour to be the President of the American Institute of Real Estate Appraisers; past president of the New England Chapter of Real Estate Appraisers; of the New York Chapter; a member of the Institute of Real Estate Management; of the Real Estate Board of New York; a member of the New  
20 York Society of Real Estate Appraisers; of the Real Estate Board of Greenwich.

I have prepared appraisals for the Metropolitan Life Insurance Company; the Equitable Life Assurance Company, the Mutual Life, the Bank of New York & Trust Co., The Guaranty Trust Co., and most of the insurance and banking companies in New York.

30 During the past year I have served principally as a consultant with the United States Army. I was general consultant, although I did not have the title, of the real estate section of the War Department, and of the real estate section of the United States Navy; the Federal Housing Authority.

Q.—There is one thing that you have not mentioned. Is it not a fact that you were invited here to address the real estate section of the Montreal Board of Trade recently?

A.—Yes. In October. This is the second time.

Q.—What was the subject of the address?

40 A.—The subject was a very general subject. It was the appraisal process; to be covered in three-quarters of an hour.

Q.—In connection with your work for the United States Government, have you had to concern yourself with valuation of real property and leases as well?

A.—Recently I was a member of a Board of Review appointed by the War Department, and my particular duty was to review all of the leases made by the War Department in and about the States of New York and New Jersey, and one of the requirements of the Government is that there has to be a rela-

*W. MacROSSIE (for Complainant) Examination in chief.*

tionship between market value and the rental which the Government will pay. In New York the Government had leased office space in various buildings owned by finance insurance companies and private individuals. I had to ascertain either through a  
10 review or in my own opinion that the market value of the space was in line at the time of the lease.

Q.—Were you present in this room when Mr. Vernot gave his evidence before the Board on Monday?

A.—Yes, I was.

Q.—You heard Mr. Vernot tell us how he arrived at the assessment under appeal in this case, and I would ask you if you have any comment to make on the process, so-called, that he described.

20 A.—Yes. I made some notes at the time and I have, since then, refreshed my memory by reading this copy of his report, which is in the record as Exhibit D-2.

Mr. Vernot approached value, and started by considering what I call the reproduction cost. New, as of the date of assessment. And the method he used, as I understood it, was to take the out-of-pocket costs and figures supplied to the City by the Company over a period of years less certain deductions, and these deductions were figures, I believe, except in one instance,  
30 supplied by the Sun Life Assurance Company.

And then he adjusted the cost as he then found it by certain index figures that had been supplied to him.

At that time I wondered, and still do, whether these figures when they were promulgated were intended to cover this type of construction. Certainly the type of construction of the Sun Life Assurance Company is not typical of the construction of most of the buildings in your cities and mine. I rather doubt if  
40 these figures would apply to this type of building.

If you take four figures and add them together and average them, there is the danger always of an error and an error in one might be compounded.

He subtracts from his cost an amount of \$1,471,000 additional, which he calls an allowance of 5% for presumed cost, extra cost for a building erected in three units.

*W. MacROSSIE (for Complainant) Examination in chief.*

Mr. Seguin:—This is always in reserve of my objection of other witnesses criticising the methods of Mr. Vernot.

10 The Witness:—I certainly doubt whether this method proves that \$16,755,000 is the actual reproduction cost of this building now today. By today, I mean the date on which the assessment went on the books.

Furthermore, I doubt if any of us would give out a contract to build this building, if it was not already built, at a figure thus arrived at. Historical cost is knowledge, and it undoubtedly is a guide, but it is not usually accurate in reflecting current reproduction cost.

20 From that point he proceeds to a study of depreciation. I am not sure that I agree with his theory of depreciation, because depreciation to me means a loss of value from any cause. From every cause. That is, physical depreciation, wear and tear, and the wearing out of some of the materials. And the consequent loss of value through obsolescence, functional obsolescence, which is inherent in the building; the change in the arts and sciences, the too thick walls, too high ceilings and poor space.

30 Then there is what I understand to be the economic obsolescence, which has to do with the change in economic conditions, either of the war, the city government, or the neighbourhood in which the property is located.

I admit that the estimating of depreciation is one of the most difficult steps in appraisal. At the same time I confirm that it is one of the most important. And if this estimate of depreciation is correctly figured, that is if lost value from all causes is included, the result should be approximately the same  
40 as a valuation arrived at by an income approach, provided there have been no errors in the estimating of gross or net income, or the capitalization rate in the income approach.

But that is not the method that is used in this instance.

By Mr. Hansard:—

Q.—As used by Mr. Vernot?

A.—By Mr. Vernot.

*W. MacROSSIE (for Complainant) Examination in chief.*

The production cost is between forty and fifty percent more than is estimated by the income approach. In my opinion it is not possible to have such a wide bracket in commercial properties.

10

To proceed to his capitalization value — his capitalization estimate. The assessor uses the rule of thumb. I think we all use rules of thumb. My personal rule of thumb, the one which is used by many assessors in the United States, is 5% of the gross. In this case, if the gross income as testified to by the previous witness is correct, and if this rule of thumb can be used for all kinds of commercial buildings, it would bring a value of between — and I am not valuing the property — would bring a value of between five and six million dollars as the percentage shown in all kinds of commercial buildings.

20

Rule of thumb, while they are guides and helps, cannot be trusted too far. They might throw the appraiser.

For instance in large, not the very large, but in office buildings, sizeable office buildings, certain classes the cost of operating is fifty to sixty cents a square foot, and if it should happen that I wanted to use that rule of thumb to Number 1 Wall Street, or the Empire State Building, I would be way out of line, because a city with large office buildings like New York, operating expenses would be another rule of thumb — they run between seventy and ninety cents a square foot, and my valuation is entirely out of line.

30

And now, having arrived at his estimate of the capitalizing value of this property, he approaches probably the most difficult part of his work, and that is: his actual valuation. And throughout he has used percentages and ratios. And he uses then a ration of 9 to 1.

40

Why that ratio, I personally do not understand. Possibly he used just enough to admit an obvious fact, that cost does not necessarily equal value.

Don't misunderstand me. I believe it is correct and the usual procedure to weigh the estimate arrived at by various approaches. But the assessor is seeking the actual or real or market value of the real estate which he has assessed, and I

*W. MacROSSIE (for Complainant) Examination in chief.*

cannot believe that any informed intelligent board would be convinced on this type of property with this ratio.

10 I realize that the assessors method of valuing property, of valuing real estate, is different to many appraisers. I realize that in many communities they have relied largely on reproduction and depreciating, rather than on any other method of arriving at market value.

And in small communities where the amount is not worth the price and trouble of protesting this method has been generally adopted in many communities regardless of what the State law might ask as to how the appraiser found a market value.

20 I might refer to a Court decision in which a Judge in a certain jurisdiction said that regardless of the State law the assessors were not compelled to decide market value as long as they relied on an equalization. I am glad to say that that decision was recently reversed.

Now the method that they have used I think is a proper method if depreciation is properly estimated. But I believe in order to know whether depreciation is properly estimated the appraiser or assessor must approach the problem through the 30 three roads which lead to value — real value, actual value, market value.

Not to the economical pressure of the day. Even in small towns we are having many tax cases, and the property owner has found it necessary to go behind the equalization theory. They have asked the city governors to follow the law and find the true value.

40 A value is found in a market. An appraiser or an assessor does not make it. He has to look to the market for the value.

My feeling, after listening to Mr. Vernot's method, is that it is fragmentary and incomplete and that it was in the nature of a preliminary study in which he has not had the time or opportunity, or at least has not gone beyond the rules of thumb and checked the value by the understood appraisal methods.

I followed his method, and I trust with an open mind, and I was not convinced that it led to a conclusive value that could be supported.

*W. MacROSSIE (for Complainant) Examination in chief.*

I want at this point to say that what I have said, I do not want it construed as a criticism of Mr. Vernot, I personally have full sympathy with the problem of assessors.

10 We are inclined to forget that tax constitutes a first lien on real estate, and the present tax on the Sun Life capitalized at 5%, if given me correctly, means that there is a lien of \$8,500,000 on the property by the City, and I wonder where the equity money is above that.

Q.—You referred to a commercial property. As a matter of fact have you had an opportunity of seeing the Sun Life Building?

20 A.—Yes, I have seen the Sun Life Building; as a matter of fact I cannot testify on technical parts, but I have gone from top to the bottom.

Q.—Are you prepared to express an opinion as to whether it is a commercial building?

A.—In my opinion there is no question about that.

By Mr. Geoffrion, K.C.:—

Q.—Which way?

30 A.—That it is a commercial building.

By Mr. Hansard:—

Q.—You have heard something about a banking hall, cafeteria and gymnasium as being in that building. What have you to say to that?

A.—Why, that is quite customary in large buildings. It is not unusual.

40 Q.—Would you say that there is no market for the Sun Life Building, or a building of that type?

A.—Well, I have heard that testimony given and I cannot subscribe to it. As a matter of fact there have been in the States a number of sales of large properties.

We have today in the United States a large number of refugees who have come to this Continent somehow or other with a lot of money, and who are in the market for good real estate, not cats; and will pay a fair return provided the taxes are not excessive. I can tell you, I know of sales of large properties.

*W. MacROSSIE (for Complainant) Cross-examination.*

As a matter of fact when I was coming up here, in the Tribune there appeared a premature announcement of the sale of a very large building.

10 Q.—You have spoken of the income approach. Can you tell me from your experience whether, having followed the income approach and arriving at a net expectable income, the capitalization of that to determine your value at a rate of 5% is extraordinary, or is that rate too low, or too high; or what have you to say?

A.—You have asked me a question which, if I may be permitted to, I would like to take a moment to discuss. And that is, that I cannot generalize quite to that extent. It depends of course on a good many points, which are logical.

20 I do not know what rate of interest you get on your mortgages, on your bonds. As a matter of fact if I were appraising a similar building in a territory where I was knowing all the facts I have to know, in order to arrive at a rate, I think I would figure one of 4½%, I would say, for 4% First Mortgage money. That is high money, but this is big. Or on 4% an equity rate of 1% to 2%. And depreciation, I would add to my capitalization rate at perhaps one and a half to two per cent, depending  
30 whether I included in depreciation an allowance for depreciation of the shorter life of the building.

My capitalization rate in New York would be from seven to seven and a half percent for a good building with a good demand.

If it was an empty building there would be a secondary and speculative risk — my capitalization would get to ten and twelve percent.

40

Cross-examined by Mr. Seguin, Attorney for the City of Montreal:—

Q.—I assume that you acted several times as an expert in New York before the courts there?

A.—Yes.

Q.—You have acted there for the City of New York?

A.—No, I am afraid that I cannot act for the City of New York. I am not available as an expert for the City.

*W. MacROSSIE (for Complainant) Cross-examination.*

Q.—All the time you were before the courts in New York it was against the City — for the property owners?

A.—Yes. As a matter of fact I should qualify that and say that I do not make a specialty of appearing in certiorari  
10 cases. That kind of case happens not to pay very much and takes a lot of time, and I like to make more money.

Q.—You appreciate that the principle can be different in New York and in Montreal?

A.—What principle?

Q.—The principle of valuation.

A.—No, I am sorry. They are principles that I should apply anywhere.

Q.—In the courts of New York, does not a Judge apply  
20 what they call condemnation value?

A.—No. There you are talking of something entirely different. That is what I have been doing for the Federal Government.

Q.—In Montreal we have “real value” and in New York “fair value” . . .

A.—No. I possibly said that the assessors assess on the full value.

Q.—The “full value”. Is it not a fact that the trend of perhaps all the recent judgments in New York, in the New York  
30 neighborhood, that word has meant expropriation value or condemnation value?

A.—No. Absolutely not.

Q.—Mr. Tillie has written that — had said that when he gives that advice to his assessor.

A.—I am prejudiced as far as our assessment policy is concerned, and I hope you don't follow our bad example.

Q.—Did you know of that?

A.—Yes, I know that Judge M. Tyler in all these cases has  
40 allowed a considerable reduction when they go into court.

Q.—Does he interpret the words “full value” as meaning expropriation value or condemnation value?

A.—No.

Q.—You mentioned to this court the word “equalization”. In lots of states I suppose they have assessed property at seventy or seventy-five percent of the real value?

A.—You are embarrassing me, by pointing that out. Yes, in certain parts of the country it is assessed at thirty and forty, and in New York at one hundred and sixty to one hundred and fifty; so we cannot establish any unit.



*W. MacROSSIE (for Complainant) Cross-examination.*

It varies with the assessors. The amount of money the city needs.

10 Q.—You have mentioned, I think, three factors which should be reflected in an assessment, that is to say: the real value, the market value and the income value?

A.—No. The real value as you understand it is what I understand as market value. The three approaches I referred to are, cost approach, market approach, and capitalization and net income.

Q.—One of the first approaches to be considered is, I suppose, the market value for the property?

20 A.—No. The first one is the cost approach, because it tends to set the upper limit of value on the theory that a poor man would not pay more than he could build for.

Q.—As a matter of fact, is it not a fact in New York as in Montreal that the best way to ascertain the replacement cost of a building is to verify from the owner the figure of the amount spent and then check the figures to see if they were right?

30 A.—I don't want to be facetious: we have not the same amount of confidence in our property owners. We make our own study and don't rely on any of the figures which the owner gives us.

Q.—If the owner gives you the breakdown of all the money he has spent for the building year by year, is it not more accurate than thumb rules of so many cents?

A.—I would not give a contract to build property on that basis.

Q.—Do you say, for instance, that the cubic feet assessment is more accurate than securing the figure of the money spent by the owner and checking those figures?

40 By the President:—

Q.—Would you prefer a detailed estimate?

A.—If I am employed to appraise the Sun Life, I am not competent as a builder so I would employ a qualified man and would like him to look at the unit and space and make a quantity survey. I am not interested in a cube. I can get up a set of figures and send them to three builders and maybe get a 20% variation.

*W. MacROSSIE (for Complainant) Cross-examination.*

By Mr. Seguin:—

Q.—You would not be interested in the money spent year by year?

10 A.—No. It is historical, but that is all. I am interested in getting and considering every piece of data I can, but I don't necessarily rely on it. I go on my own estimate.

Q.—It might be a good practice?

A.—I don't think so. Where you have a building which starts with one unit and you add another building and then added a third building, and kept a record of every dollar spent, when you get through I would rather have someone who is qualified to estimate the cost of replacement of the property on the date  
20 of my appraisal.

They might not have spent the money wisely.

Q.—You have called the building a commercial building.

I presume there are many types or sorts of commercial building?

A.—Yes.

30 Q.—Will you call a factory a commercial building?

A.—An industrial building, I think is a class of commercial building.

Q.—A store?

A.—An income building I speak of.

Q.—It is also a commercial building?

A.—Yes, an income property I consider to be a commercial building.

40 Q.—Whether occupied by the owner or rented, it is a commercial building?

A.—Yes.

Q.—An apartment house?

A.—Yes.

Q.—The head office of a bank?

A.—Oh yes.

Q.—That is a commercial building?

A.—Yes.

Q.—Of a trust company?

A.—Yes.

Q.—Notwithstanding that it is rented or owner occupied or part owner occupied and partly rented?

*W. MacROSSIE (for Complainant) Cross-examination.*

A.—When we consider value we consider the value to the typical user, and this is a building which is adapted to the use of anyone, and we estimate what the income would be and that is our guide. And particularly is it true where the building is  
10 partially occupied by tenants. But it is true in all instances.

Q.—All commercial buildings you think should be assessed on the same principles?

A.—Yes.

Q.—Exactly the same?

A.—Yes.

Q.—When one is rented and one is owner occupied?

A.—I am trying to find the market value, and that depends upon the income which I can get. Any bank may go out of  
20 business. Any life insurance too. The building will stand. Life insurance companies and banks go out of business, but the property is still available.

Q.—Would you apply the same principle and fix the same value for the head office of the bank, that it will occupy for the head office of its bank, while it is occupied by the bank, as you would when it is dumped on the market after the company fails?

A.—It is value in exchange that I want — real actual market value.

Q.—Would you put exactly the same value on the head  
30 office of the Bank of Canada today, when it is occupied by the owner, as you would put the day after if the Bank was bankrupt or wound up, or moved away?

A.—If the laws are the same. My instructions on appraising at this time from the Assistant Attorney General of the United States Government, the chief of the land division of the Department of Justice, is that in buying properties we must not guide ourselves by value of assessments, because that is not market value.

Q.—I assume that in New York the Federal Reserve Bank  
40 must have a head office?

A.—That's federal property. I have a list here.

Q.—Just as an example?

A.—Yes, a big one.

Q.—Do you know on what principle they assess?

A.—No.

Q.—Replacement?

A.—I have never been called upon to study it.

I have friends that are assessors in New York, and they get familiar with me and discuss some of the problems, and they

*W. MacROSSIE (for Complainant) Cross-examination.*

attempt to arrive at what we call, what we consider to be, the market value.

Q.—They do not rely on replacement?

A.—They consider that. It is one of the elements of value.

10 It is a check. Value is the goal and three roads lead to it in different directions, but eventually they should arrive at the same place. One of the roads is cost approach. But it is only one of three. It should be considered.

Q.—You state there is three approaches to an assessment to fix the value?

A.—Yes.

Q.—Would you please mention the three again?

A.—Cost, market, income.

20 Q.—Is it in some instances or cases, is there some property on which it is impossible to fix a market value?

A.—Well, that is a very general question. There is the exception to every rule. I find it difficult sometime to capitalize it.

By the President:—

Your description has been very general.

30 Q.—Did you ever make any assessment for municipal tax purposes?

A.—No.

Q.—Have you been called upon in the ordinary way to make a municipal assessment?

A.—No.

Q.—You are an appraiser?

A.—Yes.

40 Q.—But for municipal purposes you have never been called upon to assess them?

A.—Excepting to this degree. At the present time there is a town in which there is a tax case and I am employed by the town, by the appraiser and the attorney for the town, to inform him as to my estimate for the valuation put on it and he is going to negotiate.

I did not make the appraisal.

Q.—That is one of the few municipal cases you have been interested in?

A.—No. I have represented property owners.

*W. MacROSSIE (for Complainant) Cross-examination.*

Q.—How would you value vacant land?

A.—Today, I would have to first of all consider and try and find if there is any market data. If there are any sales of similar properties. If I find no sales in that particular location  
10 I may go to another location and then I may weigh the advantages of one against the other.

If I cannot find a record of sales, then I will erect on that land a hypothetical building, which in my opinion is the proper and highest and best use of that land, and would assess the residual land in order to arrive at my land value.

By Mr. Seguin:—

20 Q.—Now that you have found represented in money the weight of the three factors, market, replacement, income, do you blend it or divide by three?

A.—No. That is the last thing I would do.

Q.—You use the brain instead of dividing it by three?

By Mr. Geoffrion, K.C.:—

Q.—What do you do?

30 A.—I endeavour to use my judgment based on my experience, but I give various weights, depending on the property under discussion.

By Mr. Seguin:—

Q.—Have you in New York what we call here the Service Building?

A.—You tell me what you mean by service building.

40 Q.—I mean to say a building erected by a company or a firm incorporating its own whims, institutions, a building built for the purpose and need of a certain company. That is my definition.

A.—And which they occupied exclusively, on one else in the building except that company?

Q.—Start by that.

A.—And I am asked to value it?

Q.—You have in New York some of these building?

A.—Yes.

*W. MacROSSIE (for Complainant) Cross-examination.*

Q.—Even if they have to rent for a certain time a few of their floors, or perhaps for many years, it remains a service building just the same?

A.—Yes.

10 Q.—Do you assess that in the very same way that you would do for a building used for commercial purposes?

A.—You are in a very contraversial subject. Our utility buildings are jumped up in assessment every once and a while and they have to go to Court to get them reduced again, and that is a constant procession.

20 And the evidence brought out by the experts for the defendant company — they argue one way, and the City argues another — and the judge makes the decision.

Q.—You mean that experts pass opinions and the Judge finds the value?

A.—He is the only ont that can decide.

By the President:—

30 Sometime he is greatly embarrasses when experts are in the case. Because you seldom find two experts of the same opinion.

By Mr. Seguin:—

Q.—Are you familiar with the history of the Sun Life building?

A.—I don't know that I would say that I was.

Q.—For your information or light, in 1914 that company was still a small company, and had an office on St. James Street.

40 By Mr. Geoffrion, K.C.:—

We don't admit that it was a small company. We never admit that. It was born big.

The Witness:—

A.—You are going-too far back for me.

*W. MacROSSIE (for Complainant) Cross-examination.*

By Mr. Seguin:—

Q.—They built the first building on the place where the Sun Life Building is now. In 1928 they built an extension and in  
10 1930 they built the final building you see today.

You have seen the building. Does it not seem to you that it is an institutional building or a service building?

A.—I have thought of that building a good deal and it seems to give the greatest utility, and as I look at it it seems to me a very fine office building and a building in which I would be proud to rent an office. I don't think they would offer me  
20 a job in the company.

Q.—Suppose you would go there to rent an office in that building, would you not feel a stranger in that building?

A.—I am afraid not. I have been treated very well.

Q.—Would you not feel that you are in the Sun Life home and the head office?

A.—No.

By the President:—

30 There is nothing dangerous in that.

By Mr. Seguin:—

Q.—You consider that as being a commercial building, the same as any other office building on St. James Street?

A.—Yes, definitely. Just as if the Sun Life did not own the building and I did and they wanted to rent from me their space.

40 Q.—If you were told that since 1927, since fourteen years, that the company has doubled its assets, what would be the reflection you would make as to the building?

A.—I would take some insurance in the company.

Q.—Would you draw from that the conclusion that if it continues like that from year to year they will come to occupy more of the building, or possibly the whole of the building?

A.—I would not venture that.

Q.—Was this building built to be rented to tenants or to be occupied by the Sun Life?

A.—I was not here at the time.

*W. MacROSSIE (for Complainant) Cross-examination.*

By the President:—

Q.—You have not made any valuation of that building?

A.—No sir, I don't feel qualified.

10

By Mr. St. Pierre, K.C., Counsel for the City of Montreal:

Q.—I understand you are assessing property for the United States government at the present time?

A.—Yes.

Q.—And buying property for them?

A.—No. I act as a consultant.

20 Q.—Suppose that the government of Canada asked the directors of the Sun Life to sell the building at Five million dollars, and you were consulted by the directors to agree to that sale, would you consider that it would be a good bargain if the Sun Life company sold the building at Five million dollars?

A.—I cannot answer the question because I have not made a valuation of the Sun Life building.

Q.—You know that in the United States they proceed that way, on the question of compensation of taking that property for the States?

A.—That is one of the things.

30 Q.—That is a judgment of the Supreme Court of the United States? (showing document to witness).

A.—May I see it?

A.—Yes.

A.—That is market value. They talk of market value. The definition may be different.

Q.—Condemnation, that means expropriation?

A.—That is expropriation.

40 Q.—So if the government decide to expropriate that property and deposits Five million dollars, and you are called by the directors of the Sun Life as an expert from New York to advise on this, would you advise them to accept?

A.—I will not accept employment from the Sun Life. I am not qualified.

Q.—Should they accept or not accept?

A.—I would not do that unless I had an opinion as to the market value.

Q.—You fix a market value.



*J. J. PERRAULT (for Complainant) Examination in chief.*

By Mr. Geoffrion, K.C.:—

He said he did not.

10 The Witness:—

I am not testifying as to the market value or any other value.

By Mr. Hansard:—

He specifically said he was not.

20 And further deponent saith not.

J. T. Harrington,  
Official Court Reporter.

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DEPOSITION OF JEAN JULIEN PERRAULT

On this twenty-fifth day of March in the year of Our Lord  
30 One thousand nine hundred and forty-three, personally came and  
reappeared: Jean Julien Perrault, architect, a witness called  
by the Complainant, who having already gave testimony in this  
case, continues to testify as follows:—

Examined by Mr. Hansard, K.C., Attorney for the Com-  
plainant:—

40 Q.—At the close of the sitting yesterday, Mr. Perrault, I  
think you had reached the conclusions in explaining your report.  
Is that correct? Was there anything you had to add to your re-  
port?

A.—Just one point. I am not sure in the copy of the report  
deposited with the Board, that the report had this sheet. On the  
last sheet of my report I show rates of rental floor area to gross  
floor areas outside exterior walls on various buildings in Mont-  
real. Where I could obtain the data only for a typical floor, I  
have given the typical floor. Where I could obtain the typical,  
plus the ground floor, I have given both. I arrive at these figures  
myself from plans of the various buildings. And I wish to draw

*J. J. PERRAULT (for Complainant) Examination in chief.*

attention that the floor areas there varied from 65.5 in the case of the Canada Cement Building — which is low because the offices are very shallow — outside of that they vary from 73% to 86%.

10

I have taken only 70%.

Q.—Now, Mr. Perrault, I believe you told us that you were not present for the entire time Mr. Vernot gave his testimony. Have you had an opportunity since he testified of examining his deposition?

A.—I have.

20 Q.—Will you comment briefly on the method of valuation he disclosed?

A.—Well, . . .

By Mr. Seguin:—

I don't think it is fair for Mr. Vernot. He as an assessor of the City came into the box and he was asked a few specific questions and gave figures and had no opportunity of explaining his complete assessment. It is not fair.

30

The President:—

You can take him as your witness.

The Witness:—

A.—My remarks are purely on the method used in arriving at figures. There is nothing personal as to what Mr. Vernot knows.

40

The method in the first place is clearly based on figures which were not arrived at on figures of his own, but which were supplied to him. Some of the deductions in the same way were with figures given to him, some of the deductions were derived by him.

But the only consideration given to a so-called original cost are items which apparently Mr. Vernot feels should not be included in the cost or replacement value, and the depreciation factor for time. There is no consideration in that method at all of

*J. J. PERRAULT (for Complainant) Examination in chief.*

any depreciation to those figures due to obsolescence, due to the financial planning of the building, or apparently there is nothing as a result of a consideration of whether the building is giving a full return on whatever it may have cost to put it up.

10        These may have been arrived at and he may have decided that they should not be included. I can only realize that there are none included. I feel in this particular building, after a thorough examination, that these items exist and should be taken into consideration in arriving at the real value.

20        Mr. Vernot has used another system, which he calls the capitalization system, based on 15%. He has told us that that 15% is based on the full gross revenue which the property does produce and can produce, including the unfinished floors. In other words that is the total possible revenue on the property.

30        I am not discussing the figure itself. This figure is composed, according to Mr. Vernot, of 3% for taxes, which I feel in there is right; composed of 4½% for services and repairs. In my opinion they are worth from 4½% to 5%, and I am willing to say that 4½% is a reasonably fair figure. Then he has 1½% for management insurance and depreciation. If I place my depreciation at 1% a year, allow 1/10th of 1% for my insurance, and ½% to ¾% for the management, I would have a figure slightly higher than Mr. Vernot, but not far enough to be of much difference.

So that gives us 9%. The balance of the 15% is 6%, which Mr. Vernot allowed for the money invested. He maintained that it is too high and if he had it over again he would allow only 3%. I may have misinterpreted him, but I understood that that is the return he feels is fair on the capital invested.

40        That is based on a 100% rental, and I don't think that anyone in this world can maintain that a building is going to produce 100% on rentals. It is the usual custom to accept 10% for vacancies, and in a large building of the type of the Sun Life Building I think that even 10% is conservative, and over a spread of years, over a long term that a man must consider, I think that the Sun Life is apt to have more than 10%.

By the President:—

Q.—Even if there are no vacancies at the time of the assessment?

*J. J. PERRAULT (for Complainant) Examination in chief.*

A.—The value of the property, the full value, has to be the value based on replacement values today. Over a term of years as far as the production of a building is concerned, I do not want to go back to the willing buyer, — the value of the building is not the return I am going to get this year, but tomorrow and five years and ten years from now, otherwise I would have to amortize my capital against it going down. We have to look at a fairly long span.

If he discounted 10% of the revenue, it is the same thing as discounting 10% of the 15%, or 12%, as the case may be. So that our 15% and our 12% became at 90%, 13½% and 10.8% on the whole revenue; and if you deduct from that 9% in every case it would not be 6% that he is allowing, it is 4½%; it is not 3%, it is 1.8%, and surely no one, in my opinion, would invest money in a property of this kind and be satisfied with 1.87%, and not even 4½% in my opinion.

By Mr. Seguin:—

Q.—Have you also considered the feature involved in Mr. Vernot's appraisal, having arrived at his so-called commercial value and a replacement value, he puts the two cut on a basis of 90% and 10%?

Q.—Yes?

Q.—What have you to say about that?

A.—These two methods of approach should be considered. I would hardly conceive of any case where the revenue producing angle should only be considered for 10%. In this particular case I cannot conceive of it. In this case and in smaller buildings the revenue angle is more important than the replacement value angle.

It is not a question of taking a percentage of one and a percentage of the other. One must add the two in relation to the buildings themselves. If the revenue for the year under consideration is abnormally high or abnormally low due to special conditions or circumstances, it is unfair to take 90% or 10% to arrive at the final figure. It is based on whether the revenue is a fair, normal revenue.

By the President:—

Q.—In your opinion, does the revenue come only from

*J. J. PERRAULT (for Complainant) Cross-examination.*

the property — from the building and the land — or might it not be the result of the administration of the property?

A.—Am I to understand that if a property is well administered the revenue will be larger?

10 A.—Yes.

A.—Undoubtedly, that is quite true.

Q.—Will you value a property only on revenue, — when you value a property only on revenue, are you not valuing not only the property but the ability of the parties who administer it?

A.—Yes, if we take the revenue as being the actual revenue, and if we take into consideration the fact that it is a normal revenue under fairly adequate administration.

20 Q.—Because you often can find two properties alike and at the same time, costing the same amount, and do not bring the same revenue.

A.—Yes.

Q.—There is a reason for that?

A.—If the buildings are identical, it is a case of administering properly. One might be planned efficiently and the other not.

Q.—Would you say in this instance that the property which brings the high revenue is worth more than the other one?

30 A.—No. I would not calculate my revenue on either property on which I find the owner is doing. I would calculate it on what I think best the owner should be doing.

Cross-examined by Mr. Seguin, Attorney for the City of Montreal:—

Q.—I have read with interest your report. I see you adopt the cube method in arriving at a replacement value of the Sun Life Building.

40 A.—Yes, sir.

Q.—Did you ask the Sun Life how much they spent since the beginning of the building up to the date of December 1, 1941?

A.—No, but I cannot say I was in doubt, because I was aware of it. I was not asked.

Q.—You did not investigate into the amount spent year to year?

A.—I did not take that into consideration. I must be honest — I knew of them.

*J. J. PERRAULT (for Complainant) Cross-examination.*

Q.—I see not one of the approaches to come to the replacement value of taking the disbursement and looking into it and have a breakdown of same.

10 A.—I may be professionally wrong — I never use that method. If I am going to give an opinion as to how much that building is worth, it is using my own judgment. The methods I use would be on my own initiative and on my own judgment.

Q.—Your figures are far lower than the money spent on the actual building.

A.—You are referring to what figure? — Replacement?

Q.—The figure of the money spent by the Sun Life for the building. The total spent by the Sun Life for the building is far higher than the replacement cost you fixed.

20 A.—Not very much. I have got a replacement value, 1941, of \$18,212,000. That is not very far away. I understand it cost Twenty million dollars (\$20,000,000), or Twenty-one million dollars (\$21,000,000), and I am taking my building as one building — as the three buildings reproduced at one time.

Q.—There is another way of finding replacement cost of a building I understand. It would be possible to make a quantity survey in this building in a year or two.

A.—No. It would be a lengthy job and I would probably arrive at the same thing.

30

I may say for the Court, if I feel I am not in a position to establish the cubic price for a building I do not do so, and I will take the time to take the quantities and establish the unit by quantity. I have done so in the past. I have done very few churches and I would not cube a church tomorrow. Some people may, I have not the knowledge to do it. I can cube certain buildings and have done so.

40 Q.—You will admit that the cube method is not the most accurate you can have?

A.—In our office as architects, I am here — I may be thrown out of the Association — there are many of my colleagues here; — when we make our plans we make a cube estimate, and it is seldom we are 5% out.

Q.—Do you mean contractors risk their money in cube figures?

A.—Many contractors are not capable of establishing proper cube figures.

*J. J. PERRAULT (for Complainant) Cross-examination.*

Q.—In order to arrive at the replacement cost as at December 1, 1941, you started by building a unit of 80¢ a cubic foot.

A.—Eighty and eighty-one cents.

Q.—You have adopted the figure of eighty.

10 A.—I have estimated that the replacement figure was eighty cents a cubic foot. I have not adopted the figure.

Q.—And you started to reduce this figure by 10% to bring your cost on price prevailing during the year 1939?

A.—Yes, sir.

Q.—You have not considered any of the prices prevailing in 1941.

A.—I cannot make a comparison between 1941 and 1939 without considering both prices. Yes, I have considered the prices of 1941.

20 Q.—By reducing your unit of eighty cents by 10% your prices are the prices prevailing from January 1, 1939 to the end of December of the same year?

A.—I cannot say that price was lowest during 365 days. I say what it would cost in 1939 to build. From 31st December 1939 to 1st February 1941.

Q.—You say late in April of 1941 that it would be impossible to acquire some material, I think some were very hard to get, and practically impossible to duplicate a building of that kind?

30 A.—I did not go as far as that.

The President:—

You want to know how Mr. Perrault arrived at eighty cents?

By Mr. Seguin:—

40 Yes.

The Witness:—

A.—Eighty or eighty-one cents is my considered opinion of the price for cubic foot that it would cost to replace the building as it is. The same building in the same Montreal in 1941, assuming that in Montreal I might want to erect that building.

The President:—

*J. J. PERRAULT (for Complainant) Cross-examination.*

But not composed of in detailed or precise unit prices for materials or for work at the time? That is an opinion which is a result of your experience?

10 The Witness:—

A.—Yes, sir.

By the President:—

Q.—You do not confirm that opinion in making any partial or complete quantity survey?

20 A.—No, that is what I explained. I examined the building, how it was built, and from that I arrived at my figure of eighty or eighty-one cents.

Q.—And you claim that this is as accurate a method as a quantity survey?

A.—I think so. I think that two men will take the quantity of the Sun Life independently and make an appraise and I would not be surprised to see 10% difference between the final figure and more. If two architects quoted a figure of eighty cents and eighty-two cents you would find a big difference.

Q.—Between us the cubic foot method is only a guess.

30 A.—I repeat I do not think it is a guess. I know in our office we gamble our fees on it. I would not be doing that if I was not sure.

Q.—And the property owner gambles his money?

A.—No. Then he steps out, if the contracted price is outside 5% of what I have cubed he does not owe me a cent.

By Mr. Geoffrion, K.C.:—

He does not need to build.

40

By Mr. Seguin:—

Q.—All your customers do not feel the same?

A.—I don't think the Association endorses very much what I have just said.

Q.—You started by eighty cents and reduced that by ten, making a balance of seventy-two per cubic foot.

A.—As at 1939.

Q.—What does it comprise — seventy percent — give the breakdown to the Court.



*J. J. PERRAULT (for Complainant) Cross-examination.*

A.—It comprises everything, everything of the building that exists there now, every part.

Q.—It comprises the labour and the materials?

A.—Yes.

10 Q.—What else?

A.—Employed architects and their fees. I am including the complete cost to the owners of this building.

Q.—Did you include engineers' fees?

A.—Yes. I am including complete building. If there is something I have omitted ask me.

Q.—Tell me first, there is something else you did not think of. Architects' fees, engineers' fees — is there anything else?

20 A.—Cost of the supervision on the job and the administration fees and administration work, that sort of thing, — that is part of the general contract.

Q.—Which you include in profit for the contractor?

A.—Yes. They don't work without any.

Q.—That is all that you have included?

30 A.—If I say yes you may pick on something else. I will think about it. I included fees, prices to build, that is outside of the buildings I think I said — occupation of sidewalk, which is a fee to the City; coal which you may have used for temporary heating during the building, the cost of the man that puts in the coal; any temporary heating system which might have been put in.

Q.—That is part of the building?

A.—No. Sometimes temporary lighting, that is included. I know I am going to forget something.

The President:—

40 If you think of something, put the question.

By Mr. Seguin:—

Q.—As a matter of fact did you include interest during construction?

A.—No.

Q.—Did you include taxes during construction?

A.—No. And no financing charges either. If they borrowed money during that time I did not include interest.

Q.—Did you try to know from the Company the numbers of architects on that building?

*J. J. PERRAULT (for Complainant) Cross-examination.*

A.—I don't know if I inquired. I did find out. I think the consensus is that the building was erected for their use, that if the personnel increased over a period of years that they would occupy the building. As it turned out that spread did not realize.

10 Q.—You are satisfied that the building was designed for them and built for them according to their own request?

A.—To the best of my knowledge it was. I may be wrong, but it is my impression.

Q.—Did you notice that the building is far more expensive than any other office building in Montreal?

A.—Yes, I think so.

Q.—10, 15, 25?

A.—Wait. That 25 is a big question.

20 self. Q.—We will take the Themis Building that you built your-

A.—There is a tremendous difference.

Q.—100%?

A.—Nearly.

By Mr. Geoffrion, K.C.:—

Q.—What do you mean, one hundred percent the cost of the building?

30 A.—About 80%.

By Mr. Geoffrion, K.C.:—

80%.

By Mr. Seguin:—

40 Q.—You have told this Board that you have found that in the Sun Life Building there was less rentable space than in many other buildings.

A.—Yes.

Q.—If this fact exists in the Sun Life, is it not by the fact that the building was built for one purpose, the purpose of the Company?

A.—No. The building can be designed for any purpose and if there is adequate light, and depth, for any offices.

Q.—Was this building built for tenants or was it built for the Company and its employees?

A.—As I said before, to the best of my knowledge. . .

*J. J. PERRAULT (for Complainant) Cross-examination.*

The President:—

That is what I want to know.

10 Mr. Geoffrion, K.C.:—

We are going to prove it by an employee.

By Mr. Seguin:—

Q.—In your report you said a certain percentage of the area was suffering on account of the light. What is the area you have taken?

20 A.—On page 5 of my report if we assume the total rentable area of six hundred and forty-eight thousand odd square feet, of that maybe four hundred and thirty-four thousand odd square feet are within twenty-seven feet from the outside wall, one hundred and twenty-five thousand odd square feet are lighted but beyond the twenty-seven feet, and eighty-eight thousand square feet are unlighted space.

Q.—Did you include the basement?

30 A.—No. All those figures in every case do not include the three basements, and not 7-A. On 7-A it is all services except for one little space. If I took my office space on that floor I am going to include a different area and it would be unfair to the City.

Q.—In buildings I believe you have compared to the Sun Life—is there some gymnasium, cafeterias, banking hall—similar to places covering two floors, for the height of two floors or three floors?

A.—In the other buildings I have mentioned?

Q.—Yes?

40 A.—No. Only some have very high floors. None have a two-floor room.

Q.—For the purpose of comparison have you considered the space occupied by the gymnasium and the banking hall or some other official space as being two floors or one?

A.—No. I mentioned that on the information of the building I have taken that the rentable floor area varies between seventy-three percent and eighty-six percent, and there is no room carried through two floors. In the Sun Life Building this varies any question; I have taken them once, maybe I should take them twice. But it is a very small percentage and in figuring depreciation I did not use seventy-two percent, seventy-four percent, or seventy-eight percent. which is the minimum of the accepted rentable floor area to gross.

*J. J. PERRAULT (for Complainant) Cross-examination.*

Q.—By whom?

A.—Authorities and design.

Q.—Can you give me some authorities to that effect?

10 A.—Yes. That is an accepted fact. I don't want to shout  
authorities at you. I have eight or nine or ten buildings here and  
they are all above the minimum I am taking of seventy. If I took  
the others the Sun Life would have gone down more.

Q.—As to the physical depreciation on the building, you  
have adopted  $1\frac{1}{2}\%$ ?

A.—No.

Q.—You have followed the schedule in the Manual?

20 A.—I have my own curve of depreciation which is so very  
close to the one which is in Mr. Parent's Manual that to avoid  
discussion I have adopted Mr. Parent's depreciations, and the  
figures are there. I have used that because it approaches my own  
estimate of the physical depreciation of that property.

Q.—You heard Mr. Lobley and Mr. Simpson saying that  
this building, owing to the nature of the materials, is subject to  
a slower depreciation than ordinary office buildings?

A.—I can't say I remember hearing them say that.

Q.—You have seen the building?

30 A.—Yes. And my physical depreciation is based on a  
seventy-five percent depreciation at the end of one hundred years.  
Surely it is not unreasonable to feel that the Sun Life Building  
at the end of one hundred years is depreciated seventy-five per-  
cent; that is a low depreciation and is what I have used.

Q.—Now, as to the space of the area — you have applied  
\$2.00 for outside space near the windows; and a second category  
was assessed by you at \$1.00 and a third at thirty cents.

In the whole of the Sun Life building do you know of some  
space that can be rented at thirty cents?

40 A.—In the first place I have not used the rental of any  
of that space at \$2.00. I am taking it as a unit basis. I may have  
taken \$1.00, I may have taken \$4.00. I took that figure as I might  
take any other.

If the normal rental of the outside space of the Sun Life  
building is worth more than two dollars, the inside is worth more  
than thirty cents. It is purely proportional.

When I come to depreciation I say that out of \$2.00 I get  
\$1.50. If I had used \$4.00 I should have \$3.00.

*J. J. PERRAULT (for Complainant) Cross-examination.*

Q.—Did you try to check up differences of \$2.00, \$1.00 and 30¢ with actual leases in the building?

A.—I did not, for the reason that it can't be done. The Sun Life does not write in on the same lease to you of space for  
10 forty feet that you are going to pay \$3.00 for the first twenty-seven feet and \$1.50 for the rest. I would be surprised to find out that.

Q.—Some inside space that got no light and is rented for more than thirty cents, that would be charged?

A.—No. That inside space is all which it is worth. Even if it was rented, I would maintain the price.

Q.—You have taken a depreciation of 23.3% due to planning functional inadaptability. Is it functional inadaptability to  
20 the Sun Life, or to a customer of the Sun Life?

A.—Both. It is as bad for the man who works for the Sun Life to be away from light as it is for a man working for Perrault, or anyone else. Office space decreases in value as it goes in in depth.

I want to correct that. The 23% is not for depth in space. It is for the lack of available space to rent in a building of a certain size. In a building of that size where I spent so much money I should have at least seventy percent of my gross to rent, or use,  
30 or occupy if I am the owner.

In this particular case I only have fifty-three percent. If I can only use six feet instead of eight feet, my building is worth three-quarters of what I put in.

Q.—It is the business of the company, I presume?

A.—Yes, but it does not enhance the value of the building.

I might build a very funny residence for myself and might  
40 like it, but others might not.

Even where the Sun Life is occupying, the Sun Life out of every one hundred feet of floor in the building it can only occupy fifty-three feet instead of seventy feet. Surely if my building produced only fifty-three feet to sit in and work in they do not get the value. They would have seventy feet. It is not there. It is used up with other things.

Q.—When you go to the Bell Telephone and to the Montreal Light Heat & Power, you will find large areas, and perhaps fifty and sixty percent possible in that.

*J. J. PERRAULT (for Complainant) Cross-examination.*

A.—We are going into the second depreciation. That one which is not the quality of space, it is the lack of space.

Q.—What is the first question?

10 A.—It is not enough space on each floor to be utilized by the owner. On every floor on a building of this kind the owner should have seventy to seventy-six feet to use, or rent, or sit down in. In the Sun Life it is fifty-three.

By the President:—

Q.—Too much space is occupied by structure?

A.—Yes.

20 Q.—What do you mean by “too much”? You have to have the structure?

A.—Yes. In a building you have public corridors, elevators, public stairs. That takes up much space. It can be designed to take up more or less space. If it takes up more, then you have less of this space to utilize.

Q.—And in such a building as the Sun Life this structural difficulty exists?

A.—Undoubtedly.

Q.—It should have been built in a different way to leave more space for occupation?

30 A.—Undoubtedly.

By Mr. St. Pierre, K.C.:—

Q.—The people to be blamed are the architects.

A.—I am not blaming any one. The owner is free to spend the money. That fact establishes the value of the building.

By Mr. Seguin:—

40 Q.—All the time you are not considering the building from the Sun Life viewpoint, but as the man on the street — the willing buyer?

A.—No. If I only have fifty feet instead of one hundred feet, that applies to the man on the street as well as to the Sun Life. I presume they put it up to be used. They want to use it, occupy it, and if the space is not there, well. . . Suppose there was no space in the building for the Sun Life, what kind of value is that going to have to the Sun Life?

Q.—We will not suppose it. It is impossible.

*J. J. PERRAULT (for Complainant) Cross-examination.*

You have applied a further depreciation of 21.26% due to loss of rental?

A.—Yes.

Q.—Are you not using the same figure twice?

10 A.—No. In the first place out of the one hundred feet I should have seventy-six, seventy-two, or seventy feet. I have not near that. I have fifty-three. And the fifty-three feet is not all good. A lot of it is bad. I have a certain amount within twenty-seven feet from the outside wall which I call normal. I have lighted space beyond twenty-seven feet, and I have space that is dark.

Q.—You have depreciated there to a certain extent, twenty-three percent on that account?

20 A.—No. I have depreciated my building as to quantity. I have depreciated on the fifty-three percent which is good. They are not.

By the President:—

Q.—Have you put depreciation on top of that, more tending to establish that it is not much of an office building?

A.—I agree to the extent of the . . .

Q.—You say it is an office building?

30 A.—Yes.

Q.—But if you add depreciations on top of depreciations, it is not much of an office building?

By Mr. Geoffrion, K.C.:—

It is a bad office building.

The Witness:—

40 A.—That is what I am convinced of. It is the fact. I have too little space, and of what I have left some is bad.

Certainly I am entitled to depreciate what little I have.

By the President:—

Q.—You get from that the value is decreased by that fact?

A.—Yes. My building is worth what it can produce in money or in service to the man if he occupies it himself. That is the only way.

*J. J. PERRAULT (for Complainant) Cross-examination.*

Q.—We may as well come to the question. If I build a residence for myself, a splendid residence as some Montrealers are lucky enough to have, and at a certain time I have to change my residence and I decide to convert it into little dwellings. We  
10 are confronted by the fact that this building was erected for my own personal satisfaction. Would you conclude that its real value is depreciated by the fact that it does not bring enough revenue as an apartment house?

A.—After conversion?

Q.—Yes?

A.—After conversion your property is not worth what it was worth before depreciation plus what it cost to convert, because your first money is not fully employed for the use in the second case, because with the same amount of money I could have  
20 produced a lot more of an apartment house than you could produce in your residence. You will have to compete with the other apartment houses. You are only worth what I could build alongside the same amount of room — and that is the value of your apartment house. And it would be inferior to the original cost, plus the changes.

Q.—It may be that if the Sun Life had occupied this whole building for its own purposes, it would have more value now?

30 A.—No.

Q.—What is your argument?

A.—If the building is not good to rent it is not good for the use of the Sun Life Company. I don't care if they are occupying half or all of the building — the same argument exists. If they have to use the building for their work, and if they have only fifty-three feet of space in the building instead of seventy feet, the money is not reflected in the use they make of it.

40 By Mr. Seguin:—

Q.—You have taken 23.3% and 21.26% depreciation?

A.—Excuse — 23.3%.

Q.—And 21.26%?

A.—Yes.

Q.—That makes 44.5%?

A.—No, because I do not depreciate them on the original amount. I depreciate one, and then the other. That equals 39.6% Like 10% and 10% don't make 20%, it makes 18%.



*J. J. PERRAULT (for Complainant) Cross-examination.*

By the President:—

Q.—Are you through with your explanations on loss of rentals?

10 A.—Yes.

Q.—Did you finish your percentage for loss of rental?

By Mr. Hansard:—

No, rental space. Or rentable space.

By the President:—

20 Q.—These are your words “loss of rental”?

A.—The 21.26% is depreciation due to loss of rental on what little space I have. I have too little space, and get \$1.53 for the \$2.00 I should get.

By Mr. Hansard:—

If there was light everywhere.

By Mr. St. Pierre, K.C.:—

30 Q.—If I build a building in such a way that I spend \$15,000 for my proper use, and I build in such a way that I can only use one-third of the full part of it, would you say that owing to the fact I spent \$15,000 on it that it should be valued at \$5,000, or should it be valued at \$15,000?

A.—I can hardly conceive your building a house and getting only a third of it.

40 Q.—I will take it for granted that the Sun Life Building — that building of Twenty-two million dollars — owing to the fact that they will have twenty-five percent of the floor that cannot be used on account of that being built in such a way — will you fix a valuation of one-fourth of the Twenty-two million because they cannot use one-quarter of the floor?

A.—Your hypothesis is almost impossible. If it were so, and I could only occupy twenty-five percent, and it cannot be remedied, it is only worth the proportion that I can use and what I should be able to use.

Q.—You don't put anything on publicity of the building, the value of the building? The fact that the building is such a value?

*J. J. PERRAULT (for Complainant) Cross-examination.*

A.—I am establishing what I term the “real value”. In the real value, that is the value between the buyer who is willing to buy and the seller who is willing to sell.

In that case the publicity factor, if there is any, should  
10 not intervene — cannot intervene.

Q.—As a general rule. It applies in a general way. You have publicity.

Mr. Hansard:—

That is argument.

The Witness:—

20 From the point of view of the willing buyer?

By Mr. St. Pierre, K.C.:—

Q.—Yes.

A.—I cannot go into the legal point of view. I will tell you what I do. I establish a real value. A value between a man who wants to sell and a man who wants to buy.

30 Q.—And to arrive at that price you have taken the cost of production of the building less some deductions?

A.—Yes. And if my arguments are proper, if my deductions are fair and reasonable, I should arrive at a similar figure based entirely on the return of the property, if the return is fair and reasonable. If there is a difference between the two there is something wrong.

I am higher. I have taken into account the two unfinished floors. When they put money in to finish them a lot of money is not going to produce. There is no light. You are facing a blank  
40 there. I have not discounted that.

By the President:—

Q.—Whether or not this lack of utility was compensated by the beauty of the building?

A.—The beauty should be reflected in the rental that the tenants are paying.

And further for the present deponent saith not.

J. T. Harrington,  
Official Court Reporter.

*G. ARCHAMBAULT (for Complainant) Examination in chief.*

DEPOSITION OF GASPARD ARCHAMBAULT

10 On this 26th day of March, in the year of Our Lord one thousand nine hundred and forty-three, personally came and appeared: Gaspard Archambault, of the City of Montreal, and there residing at Number 1485 Fort Street, Engineer and Contractor, who having been duly sworn doth depose and say as follows:—

Examined by Mr. Hansard, for the Complainant:—

Q.—Mr. Archambault, have you prepared a report on the valuation of the Sun Life Building?

20 A.—Yes, I have.

Q.—Will you now produce your report as Exhibit P-12?

A.—Yes.

Q.—Now, Mr. Archambault, I see from the last page of your report that you have made a list of your qualifications, and I don't think we need go into them any further.

By the President:—

30 As we are all aware, Mr. Hansard, Mr. Archambault is well known.

By Mr. Hansard:—

Q.—Would you, Mr. Archambault, explain your report briefly, as to how it is made up, what you studied, and then how you arrived at your valuation.

40 A.—I spent considerable time visiting the Main Building and the Power House of the Sun Life Assurance Company, in order to make a replacement cost valuation of these buildings as at December 1st, 1941.

I requisitioned the services of Mr. Paine, the company's architect, and I went through the building with him thoroughly, taking notes, went on every floor, and into every room where we could get into without annoying people. That means I visited practically every room in the building.

After having examined the building very carefully I have come to the conclusion, as you will find on page 1 of my report,

*G. ARCHAMBAULT (for Complainant) Examination in chief.*

that the replacement cost of the building is eighty cents per cubic foot. I have taken as the number of cubic feet 22,000,000 in round figures. I think that the value given was 21,935,000.

Q.—So that you erred on the side of generosity?

10

A.—Yes, sir.

At 80 cents a cubic foot this would give a replacement cost of \$17,600,000. I have deducted from this amount unfinished storeys of which there are quite a few, and the cubical contents of which are 2,323,000 cubic feet. In my opinion it would be worth at least 20 cents a cubic foot to complete this unfinished space on different floors throughout the building. This would cost \$164,000, giving the replacement cost of the building as it stands now as \$17,135,400. In making these calculations I was given some data, cubic contents, gross rentable floor area, floor heights, and other figures which I have accepted as correct and which I understand will be certified to by the Sun Life witnesses.

20

From this amount of \$17,135,400 I have taken away some depreciation which I have divided into physical depreciation, obsolescence, and functional depreciation, which I subdivided into low ratio of rentable area and value of rentable space below normal.

30

The physical depreciation I arrived at, not using any tables, but judging from what I saw myself. I divided the total cost of the building into four different classes.

The first one, foundations, waterproofing, concrete structure, brick, terracotta, granite, exterior terracotta, syenite columns, structural steel, marble, tile, terrazzo, metal windows, glazing, bronze, iron works, and hardware.

40

I feel that all these items represent 60% of the total cost of the building. And owing to the excellent, extraordinary good physical conditions of the building, I have depreciated these items by 10% only.

I have classed together as the No. 2, general conditions, temporary constructions, sundries, architect's fees, interest, insurance, taxes, doors, trim, and woodwork, plastering and painting, which form 19% of the total cost, and I figure that these items should be depreciated 15%.

*G. ARCHAMBAULT (for Complainant) Examination in chief.*

10 In the third class I have electric wiring, elevators, plumbing, heating — no boilers included — ventilation, compressed air. In other words, the equipment which forms 20% of the total cost, I have depreciated that at 30%.

And the last class, roofing, linoleum and floor coverings, which forms only 1% of the total cost, I have depreciated that 35%.

20 I have converted these proportions of the cost of the building, multiplied by their percentage of depreciation, into a percentage of depreciation of the total cost. In other words if 60% of the building is affected 10%, that give you 6% on the whole building. And through this process I came to a total physical depreciation of 15.20% on the whole building.

I am not including now the Boiler House. This amount of 15% of \$17,135,400 represents \$2,570,310. It is equivalent to about 1.4% per annum or \$233,664. I have gotten at that percentage and this amount by reversing the operation after I had found the \$2,570,310.

30 In my explanation here, although the building has been built at three different stages, the most important part, which represents 85% of the whole cost, was the last one built, and in order to simplify matters again I have considered that the building was built in the one operation, when the last part was built.

In arriving at that price of \$17,135,400, there are many factors which may be considered.

Q.—That is the replacement cost?

40 A.—Yes, replacement cost.

There are many factors which must be considered. Factors which will tend to reduce the cost per cubic foot of this building.

For instance, there are very large volumes of undivided areas in this building, where all you have is empty space, and these volumes are also figured at 80 cents per cubic foot, which is evidently too much, but it helps to allow more for the built up parts.

*G. ARCHAMBAULT (for Complainant) Examination in chief.*

In these large volumes you have blind floors at 7A and 16A, where there is practically no partitions at all, and you have some very large undivided spaces which contain large offices or halls. These volumes put together in the different rooms, amount  
10 to 2,249,000 cubic feet. That is over 10% of the total cube of the building.

Then there is a considerable amount of space in the basements, more than you find in any building. There are three basements with an approximate cube of 3,105,000 cubic feet, or about 14% of the total cube of the building.

Now, as to the value of these basements, although there are partitions in there, the space is much cheaper than in the  
20 rest of the building — especially so in the two lower basements. But the cube has been figured at 80 cents also, which again gives you a margin for more expensive work on the upper floors.

The shape of the building is an economical one. It is a rectangle, approximately twice as long as it is wide, and there is only one break for a small lightwell.

The heating equipment is not included in this replacement  
30 cost, as it is found located in the Power House outside of the building. In other words, if the heating equipment was included your price would be higher than 80 cents per cubic foot.

Q.—Before you reach that part, Mr. Archambault, you say the shape of the building is an economical one.

Would you explain whether you mean that with reference to building cost?

40 A.—The building cost. In other words, if you get a building which has many courts in it, then your cost per cubic foot will run up, because you have more wall surface for the same number of cubic feet.

Another reason why you have so much unemployed space is that the gross storey heights in this building are excessive. The floor height of the 23 floors above ground is 14.6 feet, where 12 feet is considered as a usual height. I have a reference here from the well-known architectural paper, Pencil Point, October, 1942, which mentions the height at 12 feet.

*G. ARCHAMBAULT (for Complainant) Examination in chief.*

If the storey height had been at the usual 12 feet instead of 14.6 you would have been able to build 27 storeys and half a storey again in the same height that is taken up for the 23 rentable floors. That means you would have four additional floors  
10 with no additional height in the outside walls.

Another proof of this with regard to cost per cubic foot is the example of probably the finest building that I know of. Although the Sun Life is an expensive building there is even more expensive finish and more expensive material used throughout in another building. And that is the Supreme Court in Ottawa, which was completed in 1941. It has a cube of 25,630,000 cubic feet. Built in Granite, the most expensive marble that you can  
20 find in the world over. This building also has the best woodwork, brass doors, and practically everything, and still the cost of that building was 50 cents per cubic foot. It cost about \$2,815,000.

So I feel that the price of 80 cents per cubic foot is a very fair price for the Sun Life Building.

I might say that amongst buildings it is difficult to find in Montreal a building similar to the Sun Life, for a comparison. But, to give the Court an idea, probably one building that you  
30 all know of, which is very modest compared to the building with which we are dealing, — but the price is also very modest compared to that one, — is the Knights of Columbus on Mountain Street, which I built myself, and the cost per cubic foot is 34.5 cents.

I figure that the Dominion Square Building, for instance, is worth about 44 cents per cubic foot.

Q.—When you say that the Dominion Square Building is  
40 worth about 44 cents per cubic foot, do you mean it has a value of that, or are you talking again about cubic feet?

A.—That is cost per cubic foot.

By Mr. St. Pierre, K.C.:—

Q.—New? Replacement cost?

A.—Replacement cost.

In deducting only 15% for physical depreciation I think I have been very fair, because the last part of the building, the 85%

*G. ARCHAMBAULT (for Complainant) Examination in chief.*

is at least 11 years old, and the other parts are quite older, and 15% is a very small depreciation.

10 I have made a further deduction. It might be well now to explain that these deductions, these percentages, are not taken and added together, then subtracted from the \$17,135,400 replacement cost. I take 15% physical from \$17,135,400 and I get an amount of \$14,565,090. My next depreciation is taken from the latter amount and I get another depreciated amount. My next depreciation is taken from that again.

20 In other words, the total depreciation is not 15% plus 5% plus 18% plus 19% to be added and deducted from \$17,135,400; the total depreciation is equivalent to 46.37%.

I have deducted another amount of depreciation for obsolescence.

30 By obsolescence, I have a quotation here — I have many of them —; this is from Babcock, Valuation of Real Estate, which says: “That change in building value due to normal progress in the arts, changes in styles, inadequacy to present growing needs, or the necessity for replacement due to new inventions”. I mean the loss in value due to the fact that certain items, although they may be of the best quality, may be in good condition and still good for service, but they are not what you would call modern. They have gone out of style and they are not popular any more. People don’t want them. And if you go into a building, mind you all the time the building is very old, and that is not helpful to good rentals. This depreciates the building, and in many cases it can be corrected, but it is a very costly procedure, and very often the money that you spend does not represent the value you get out of it. This applies to items  
40 amongst which I have included electrical fixtures, some of which are very old fashioned — these hyperbian globes —, heavy and unconcealed cast iron radiators, where any new building would have concealed radiators. There are still two hand-controlled elevators; you have some white ceramic tile in kitchen floors, where now you should have red quarry tile. As a matter of fact, the Sun Life Company has had to change some of that tile which is getting worn out and in bad condition, and replace that with red quarry tile.



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Then you have ventilation outlets, some of which have been replaced by the dual control grill which will shoot the air out and distribute it, but most of the original outlets, which are called punkah louves, which shoot the air out like a jet, are still  
10 in use. These are all factors of obsolescence. There are not as many as you would usually find in a building of that age, but still there are some. And that is why I have allowed a very slight percentage of 5% to take care of this obsolescence. This percentage amounts to \$728,255.

The next step is functional depreciation.

The floor space which is rentable in the Sun Life Building is too small a quantity when compared to the gross area of the floors. I have authorities here saying that the net rentable  
20 area should represent 70% to 85% of the gross area. As a matter of fact, the ratio is higher than that. I have averaged the ratio at 78% as being a fair average of what the proportion of rentable to the gross area should be; and I have used in measuring the gross area the inside measurements of the building.

Q.—I understand that you differed from Mr. Perrault, who took the outside area?

30 A.—Yes.

Q.—And that would account for the difference in percentage?

A.—Yes. My percentage should be higher than his.

In calculating the ratio of gross area to the net rentable area, in order to be fair I put aside the floors, first of all, which are not rentable at all; and then the floors on which, although there is a large gross area, there is a very little rentable space. But I will show you later what results I would have had if I  
40 included these floors.

I have taken, to get a fair comparison, the rentable area on the 23 rentable floors only above ground. In other words, I have not included the basement floors where you have 72,106 square feet of rentable area. Over 216,500 square feet of gross area, a very low ratio of 33%.

I have not included either the floor 7A which has a gross area of 61,169 square feet, and a rentable area of 2,566 square feet, and still lower ratio of 4.2%. And I have not included either

*G. ARCHAMBAULT (for Complainant) Examination in chief.*

the service floors which have very large areas but no rentable space.

10 So, taking into consideration the 23 rentable floors above ground only, I obtain 780,680 square feet of rentable area over a gross area of 1,100,578 square feet, which gives me a ratio of rentable to gross of 64%. I have made a slip there. Yes, this figure should read 706,008. Instead of 780,680 square feet of rentable area, this should read 706,008 square feet.

Q.—On what page is that?

A.—On Page 10. It should be 706,008.

Q.—That figure is repeated three times. Should all those figures be 706,008 square feet?

20 A.—No. Only the first one. With that the ratio is correct. I will check it up. Yes, that gives 64%. It was a clerical error.

Q.—To clear that up, on Page 10 of your report, will that interfere with your total on Page 11?

A.—No. That would read in the first instance only 706,008.

Q.—In the first instance only on Page 10?

A.—Yes.

30 This low ratio of 64% is 82% of the normal ratio of 78%, and that justifies a depreciation of 18% on the commercial and on the reproduction cost of the building, of both of them. The replacement cost of the building.

40 If I included the basement and Floor 7A, then you would have had rentable area of, all floors except 16A, 24, 25 and 26, 780,680 square feet of rentable area over 1,378,247 square feet of gross area — a lower percentage which is 56.6%; and if you were to take all the floors of the building, including the service floors, you would have the same rentable area of 780,680 square feet but over a gross area of 1,144,137 square feet, giving you a ratio of 54.1%.

This is interesting, because it means that the floors of the building which are not rentable, or 45.9%, can be considered as being service areas; and that is away out of line as a proportion.

By the President:—

Q.—That does not include the part that is occupied by the Sun Life itself?

A.—Oh, yes. It includes all the space.

*G. ARCHAMBAULT (for Complainant) Examination in chief.*

Q.—Can you consider the Sun Life-occupied space as a service?

A.—Oh, no. I will show that more clearly on the plan.

10 Q.—45.9%, if I got you well, out of that you must take the space which is occupied by the Sun Life?

A.—No. That is all space that neither the Sun Life or tenants can occupy. It is space for the elevators, stairs, and corridors.

By Mr. Hansard:—

Q.—And the Sun Life-occupied space is included in your figure of 706,008?

20 A.—Yes, 706,008, the first comparison, which gives me 64%, covers all the rentable area occupied by the Sun Life or tenants on the 23 floors above ground. And out of that area there is only 54% of gross. You have there the difference between 64% and 100% — you have 36% which is used for services on these floors alone. The services are not only on those floors. Most are on other floors which are not rentable at all. It is lost space, as far as rent is concerned.

I would like to add here that what I have taken, 780,680  
30 square feet, as the total rentable area, including basements, and 706,008 square feet as a rentable area not including basements, that is the figure given me by the Sun Life as being mentioned in the Admissions, one of the Admissions, that were admitted between the City and the Sun Life. But I must say that a very large amount of that space is not what I consider rentable area. Some of that space is space that tenants should not pay for, or if they did pay for it they should pay a very small amount.

40 On Page 11, the total gross area of rentable floors, inside measurements, in the basements, is 216,500 square feet, and in the 23 floors above ground — I am only considering the rentable areas there — is 1,100,578 square feet.

In other words, you have 1,317,078 square feet of gross area on 26 floors; 3 basement floors and 23 floors above ground.

Here again I have not included Floor 7A. You will see a footnote at the bottom of the page, which gives Floor 7A as only 2,566 square feet of rentable area, and it has a gross area of some

*G. ARCHAMBAULT (for Complainant) Examination in chief.*

61,000 square feet. If I had taken that in I would have had to apply a heavier depreciation.

10 I have subdivided these areas, the total areas, into different classes again. In these 25 floors you have office space with outside light and surroundings that will give you 560,328 square feet, then Item 3, you have office space, which I call inside, and which is dark. That is, to make it easier to understand, you have an office which is lighted by the window, then you have the inside wall of your office and the corridor outside of the office. But beyond that corridor you have other offices, but they get no light at all. All they get is artificial light. There are 88,131, square feet of these dark offices.

20 This space which it is doubtful that it can be claimed as rentable area, but which has been included in the Admissions, in Item No. 4 you have potential corridors and locker rooms. This is also dark space, and I feel that this should be included as service area — not rentable area. But they have been admitted as such, so I have taken them too.

By the President:—

30 Q.—What do you mean by potential corridors? Space which should be assessed or is assessed as corridors instead of office space?

A.—No. It means this, Mr. Chairman: You have some huge areas which are not divided, where, for instance, you have the outside wall, the window, and the inside partition. I measured one. I think I had the exact measurement here — yes, 61 feet 6 inches from the window.

40 If that is to be considered as good rentable space, you must take it either as it is or subdivide it into the ordinary office size. These rooms now cover, I would say, the whole sides of the new building going up to Ste. Catherine Street. They start from the old building and you have a huge room the whole length of the new building 61 feet 6 inches deep, and you get no light. And if that is to be considered rentable, as it is, then the price per square foot — without going into figures — would be very low. Or if you want to rent it into ordinary sized offices, or even if you want to rent the space close to the window into ordinary sized offices, you would have to make corridors in there. And that is potential corridors.

*G. ARCHAMBAULT (for Complainant) Examination in chief.*

In other words, nothing has been deducted from these large rooms to make corridors.

10 One who is renting a room of that size, or one who would have to appraise a worth per square foot per year on such a floor, would certainly have to use a low value cost when you would be renting space, if I might call it — wholesale, like you would in a loft building with no partitions at all. It is worth less money. And if you want to put that in a normal condition you will have to deduct from that space which will be lost to make corridors.

20 Out of that space you will also have the locker rooms. Well, the locker rooms are dark rooms which you have to go through to reach the toilet rooms, in most cases. In most of these the finish is very poor. Some of them only have the cement floor. That should be considered a service area also.

You have 16,466 feet of these locker rooms and 17,768 of the potential corridors, giving you a total of 34,234 square feet of what I classify as my Number 4 dark space.

30 Then, as Number 5, you have the locker rooms which are used for storage, service areas, which mean cupboards or storage spaces which are used otherwise; elevator banks areas. By that I mean that the intention had been to install other elevators in the future, and the space through which they would have gone through the floor is covered, and that is considered as rentable space.

In many cases you see the concrete ceiling with the concrete joists, — no plaster no paint. That is also dark. There are 23,315 square feet of that Class 5.

40 That gives you the total of 706,008 square feet of rentable area on the twenty-three floors above ground.

The rentable space in the basemenst I have kept separate. It is all dark space, because it is below ground. You have 67,843 square feet of different rooms which are rentable for storage or filing and such purposes. You have 2,062 square feet of locker rooms which are considered as rentable, and you have 2,201 square feet of locker rooms and service areas which are dark also, but the locker rooms are used for storage and filing and that is considered rentable.

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These items of 67,843, 2,062, and 2,201 give you your total of 72,106 square feet of available space in the basements.

10 Now, I have attempted to classify that space for value, and I have done it this way. I have adopted as normal space the space which gets daylight from a window and which is not more than thirty feet away from the window. I have adopted from that a coefficient figure of 1. In other words, that is normal. I have adopted a coefficient of one-half for the space which gets daylight from the window but which is further than thirty feet from the window, which means that in an office fifty feet deep and lighted by windows the space beyond thirty feet, or the last twenty feet in depth, is only half normal value.

20 I believe there are dark rooms which receive no daylight — have no windows. Some of these are used for offices. I have adopted the coefficient of one-third in estimating their value because I think they are not worth more than one-third of floor space in a good office not more than thirty feet deep and which gets good light from outside.

The fourth class, corridors, lockers, storage space, — all dark —, I think I am very generous in estimating that at one-  
30 fourth of the normal value.

In order to get a proportionate value, to get an idea of what the whole space is worth per square foot if you were to compare it with normal space, I have on page 14 prepared a table where you have in the first column your rentable space in square feet, which, with this outside light within thirty feet from window represents 69.5% of the rentable area. I have multiplied that by 1, that gives me 69.50% normal value.

40 The office space with outside light further than thirty feet, you have 69,922 square feet, that is 9.9% of the rentable space. I cut that in half. I multiply it by half — it is only half value, therefore it represents 4.95%.

The office space inside, 88,131, or 12.5%, I multiply that by one-third. That gives me 4.18% of normal value.

And the service area, or storage space, lark, lockers and corridors, you have 57,549 square feet, or 8.1%, which I multiply by the co-efficient of one-fourth, and that gives me 2.03%.

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In other words, this 706,078 square feet represents in value in my opinion what 80.66% of the same area would represent if it was all normal value, all well lighted, and within thirty feet of the windows.

10

Now, in making this calculation I may say that I have been generous, because I have considered only the areas above the ground. I have not included to get that proportion of 80.66% the areas in the basements, which almost all would be classified as the one-third, and which would diminish that normal value to bring it down to a lower percentage than 80.66.

20

That 80.66% is short 19.34% from one hundred percent value. Therefore I depreciate the replacement cost value of the building by 19%, which gives me an amount of \$2,155,799, bringing the total depreciation to \$7,944,974, which, deducted from the replacement cost of the building, leaves \$9,190,426.

That is all for depreciation, though on the basis of values I have not taken into consideration, there are other factors which would depreciate the value.

30

Obsolescence for instance on the twentieth and twenty-third floors, which have been mentioned by other parties who testified, certainly take away value from that floor space, because it is dark.

But there is another factor. In some of these rooms you have bulkheads. By bulkheads, I mean ventilation ducts, which break up your ceiling. Instead of being all level ceiling like here, your ceiling is stepped up in some places two feet, others three feet. Well, that is not what I call first class office space.

40

I have some pictures here which I think will illustrate that clearly. These pictures were taken in Room 1615 and Room 1440. One of these is occupied by the Consolidated Paper Corporation, Room 1615, and the other is occupied by the Canadian International Paper Company, Room 1440.

By Mr. Hansard:—

Q.—Will you produce the photographs referred to, as Exhibits 13 and 14?

A.—Yes, sir.

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Q.—The photograph for Room 1440 will be Exhibit 13 and the photograph for Room 1615 will be Exhibit 14.

A.—Then, again, on the question of light. I must mention that I have visited these offices on very bright sunny days, and  
10 in practically every office every light was on, the electric light was on, except the lights in the first bay close to the windows.

Now, in addition to the pictures I have handed over, I have another picture here which was taken yesterday morning between ten and eleven o'clock. Everyone will remember that yesterday was a bright sunny day, — and the lights were all on. There are five rows of lights in this particular room of which I have the picture here, and the lights were on in four rows, —  
20 all of them except the one close to the window.

Q.—You show me a picture of Room 1619, Consolidated Paper Corporation, which I would ask you to file with the Court as Exhibit P-15.

A.—Yes.

When it comes to the comparison of floor space, the quality of it, in order to make this clearer and justify the depreciation that I am putting on it, that I am putting on a building of  
30 this kind, — I have prepared on page 15 of my report a tabulation. I show the typical floors of three other buildings, which are well-known. The Transportation Building, which is fairly old; the Insurance Exchange Building, and the Dominion Square Building. And I have also taken into consideration the 17th and 18th floors of the Sun Life Building. These two floors were taken over by the Aluminum Company about two years ago. And the Aluminum Company, which has all the best available help possible, took these two floors over, which were not finished, and finished them for their own use, eventually trying to get the best  
40 benefit out of the space which they had.

I have plans here which will show very clearly what results have been obtained. Here is a typical plan of the Dominion Square Building, which has an average height of 11.3, the gross area inside walls of 33,700 square feet, and a rentable area of 26,300 square feet. A net of rentable to gross of 78%. A percentage of outside offices, offices getting daylight with window, of 78% of the gross area and requiring 14.1% cubic feet per square feet per square foot of rentable area. In other words, the whole



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floor, which has a gross area of 33,700 square feet multiplied by the height from floor to floor, 11.3', will give you a certain number of cubic feet, which if you will divide it by the rentable area, 26,300, will give you 14.1. In other words they had to get 14.1  
10 cubic feet of building to rent one square foot.

I have painted in green the service areas and the rest, which is white, will give you an idea of what percentage of floor space is left, and every room has an outside window.

Q.—Will you file this typical floor plan of the Dominion Square Building as Exhibit P-16?

A.—Yes.

20 By Mr. Seguin:—

Q.—What floor is it, Mr. Archambault?

A.—That is a typical floor, number four I believe. It is a typical floor. It is neither the ground floor nor the top.

Q.—You don't know which floor it is?

A.—I notice the office numbers are given as 400, so it must be the fourth floor.

30 I followed the same procedure in the Transportation Building, where there I got a floor height of 11.3, a gross area inside walls of 13,100, a rentable area of 11,346 square feet, and a net rentable of 86%, with also 86% outside offices, to gross area. And thirteen feet, cubic feet, of building per square foot of rentable area.

By Mr. Hansard:—

40 Q.—Will you produce this typical floor plan of the Transportation Building as Exhibit P-17?

A.—Yes.

Here again, the last one, is the Insurance Exchange Building. The same process gives me a rentable area of 86%, of outside office area 86%, but a lower number of cubic feet, 11.85, per square feet of floor. I could have raised that percentage of net to gross slightly, because on this plan they show you two scales. One for large and one for small offices. You would have a larger rentable area if you used large offices, and I figured the area on the smaller offices.

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Q.—Will you produce the plan of which you have been speaking, showing the typical floor of the Insurance Exchange Building, and file it as Exhibit P-18?

A.—Yes, sir.

10

On these three plans I have coloured in green the service areas.

20

I have here the Seventeenth and Eighteenth floors of the Sun Life Building, which are occupied by the Aluminum Company of Canada after they had been planned and divided up to make modern offices two years ago. In this case I get a different story. In both floors you have a fourteen foot height from floor to floor; you have in both, 34,500 square feet of gross area. In one, on the Seventeenth, you have 22,781 rentable square feet of area, and in the other, on the Eighteenth, you have 22,831 square feet. The ratio between rentable and the gross in both goes down to 66%, and the ratio of outside office area to the gross area is only 41% on the Seventeenth floor, and 44% on the Eighteenth floor. And the number of cubic feet required to give one square foot of rentable floor is 21.2.

30

In other words, the ratio of net to gross is very much lower on the Sun Life Building floors. And the number of cubic feet required for one square foot of rentable floor is much higher in the Sun Life. You have 21.2, as against 14.1 in the Dominion Square Building, as against 11.85 in the Insurance Exchange Building, and as against 13 in the Transportation Building.

40

In these plans I have left uncoloured what I consider are good normal offices, the outside offices which get daylight from the window. I have coloured in pink inside rooms which are used, not all of them, for offices — some for storage and filling, but which are dark and have no windows. And I have coloured in green what I consider service areas, that is space which is not rentable in my opinion, although in the figures which I have given you, and which are shown in the table on page 15, there is included as rentable area women's lockers, women's restrooms, men's lockers, men's restrooms part of the corridors which are used as reception or waiting rooms, space where the future elevators will be, and which is not finished — and even allowing for all that space as rentable space, which it is not, you still get the small percentage of 66% to gross area and 41% and 44% of proper normal office space.

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Q.—Will you produce the two plans of the Seventeenth and Eighteenth floors of the Sun Life Building of which you have been speaking, and file them as Exhibits Numbers P-19 and P-20?

10 A.—Yes.

I apologize for going into so many details, but this I consider very important. Because it means that should the Sun Life Company decide or be forced to, or should for any reason, which is not probable but which is possible, should they move out of the building and it was occupied by someone else who does not need all these very large rooms — what would happen? Well these rooms, these large rooms, all these floors practically will have to be subdivided into small offices as you see on the Seventeenth and Eighteenth floors occupied by the Aluminum Company. And then when that is done at the tremendous cost of alterations, you still have a remodelled building which will not be considered as a modern office building. The office space will not have a normal value, and you will have a very high loss of space on account of your corridors, services, and a lot of that space will be dark, and I think that should be taken into consideration.

20 After having taken away the depreciation for the different factors and obtaining the amount of \$9,190,426, I feel that as it represents the replacement cost less depreciation as at 1941, that a special deduction of 10% should be taken from that amount of \$9,190,426 to readjust abnormal 1941 wartime prices to the 1939 level.

This deduction is equal to \$919,043, giving what I consider the replacement value of the building as it should be taken, both at 1941 and 1939.

40 The reason why I make this deduction of ten percent is that prices, the cost of building, has risen ten per cent between 1939 and 1941, and it has risen in more ways than one. I have here the table of wages which were paid in 1939, and also those which were paid in 1941, and they show a considerable difference.

In 1939 bricklayers — this is an extract from the Quebec Official Gazette of June 3rd 1939 — bricklayers were paid eighty cents; carpenters seventy cents; common laborers, forty cents. In 1941 bricklayers were paid ninety-two cents; carpenters,

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eighty-one cents, laborers forty-six cents, painters seventy-four cents. Painters in 1939 got fifty-five cents per hour.

10 But there is another factor which has shot up the cost of building from 1939 to 1941, and that is the efficiency of your labor. In other words after the war started when there was plenty of work for the men, it is the old story of supply and demand. When there is no work for the men they will work very hard, and when there is plenty of work they will give you a small day's work.

And I feel that ten percent is not more than the increase in cost between 1939 and 1941.

20 It is also my opinion that when a building such as the Sun Life Building is valued, that one should consider — that one should try, rather, as much as possible to put a normal value on it and not adjust the prices to war conditions which are very abnormal, and in which you would still find another increase, probably, if you were to value the building in 1943 on account of rise in cost of labor. And when I say cost of labor I mean cost of material, because material costs very little until it is made useful by labor.

30 Now, the Power House. I have placed a replacement cost of forty-five cents per cubic foot on the building. Five hundred and fifty-two thousand (552,000) cubic feet at forty-five cents, gives you Two hundred and forty-eight thousand four hundred dollars (\$248,400). As for the equipment, I have valued it at Three hundred and three thousand six hundred dollars (\$303,600), making a total replacement cost of Five hundred and fifty-two thousand dollars (\$552,000). This is equal to One dollar (\$1.00) per cubic foot of building.

40 As for depreciation, I think that the same depreciation that applies to the Main Building applies to the Power House, as they are both one building really.

By the President:—

Q.—But they are not put to the same use. How can you apply depreciation for light, and rentable area, and rentable space to the Power House?

A.—Well, Mr. Chairman, supposing. . .

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Q.—46.37% includes all the depreciation?

A.—Yes.

By Mr. Hansard:—

10

The Power House is a misnomer really. It is a furnace house, the boiler house.

The Witness:—

20

Supposing, Mr. Chairman, that the boiler and heating apparatus were in the building. If the building is depreciated as a whole, the boilers and the heating apparatus suffer the same depreciation.

In other words, after fifty years your building is gone from an economic point of view and your boilers might carry on for a few years, but you cannot obtain any more than scrap value.

By the President:—

Q.—Do you take them separately?

30 A.—No. I took them separately to arrive at the replacement cost. But if you prefer that the building be treated separately, that could be done and you would probably get the same result. Because on the building itself, though I do not like to use tables, 2½%, is what is allowed per year, and on the equipment you would have 5% per year, that is you would have 55%, and you would come to about the same final amount of \$286,038; and I have deducted there again the 10% special wartime deduction which gives the replacement cost at 1939 and 1941 of Two hundred and fifty-seven thousand four hundred and thirty-four dollars (\$257,434).

40

By Mr. Hansard:—

Q.—Just before you leave the Power House, Mr. Archambault, would you mind explaining to the Board is it a Power House in the sense of a power-generating plant?

A.—No. It is a heating plant.

Q.—It is a furnace for the building?

A.—Yes.

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By the President:—

Q.—For a layman like me it is hard to understand that the obsolescence, the obsolescence and depreciation you are al-  
10 lowing in the Main Building should be allowed to the adjacent building in which is the furnace.

A.—That is the same as if you had an automobile and your automobile is three years old, and it is subject to depreciation year by year because there have been new models, and so on. Well, although I don't say that is exactly the case in the heating plant, you might have in your automobile say a starter, which is just the same in the modern automobile as in yours, which is three years old. Would you say you cannot depreciate  
20 on that automobile by three years because the starter is the same as the starter in the new automobile.

By Mr. Seguin:—

Maybe the garage in which you put your automobile may be in the same position.

By the President:—

I see your point, but any comparison can never be perfect.  
30

By Mr. Hansard:—

Q.—To get away from comparisons, Mr. Archambault, will you say in your opinion whether that so-called boiler house is an integral part of the building?

A.—It is.

And I may add this: that if the Power House had been  
40 installed in the building it would have cost less, and then you would have less floor space again.

By the President:—

Q.—But I presume there are some advantages in putting the power house, or heating plant, outside?

A.—That may have been. I don't know, and I don't suppose I should stick out my neck. But one witness said yesterday that this power house had been planned for sixteen or eighteen storeys. That may have been the reason.

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But as this has not gone through you can put that in the same light as the Terminal Station for the City of Montreal, which was supposed to be very grandiose, and magnificent, and they gave it up.

10

In other words if this eighteen or sixteen storey building does not go on top of the boiler house, which is a better name for it, the money spent there is of no value, because they would not need to put in that building the foundations, and eaves, and columns to carry a structure which does not appear to be destined to go on top of it.

20

-Now, after finding this replacement cost value of Eight million five hundred and twenty-eight thousand eight hundred and seventeen dollars (\$8,528,817), I would like to say that in my opinion that represents the maximum value of the building; and the reason for this is that cost does not necessarily represent value. And that is very true in the case of buildings.

30

As a matter of fact, it is the one exception where you will find that cost represents one hundred percent in the value of the building, and I quote here at page 36 from a book which you know very well. Valuation of Real Estate, by Babcock. I think you have the book, Mr. Chairman, — where it says that cost in the investment sense is not value:

40

“A standard illustration which makes this assertion clear is the one which assumes a thirty storey hotel to have been built in a remote and inaccessible spot in a desert. It is well-known that the building is not worth an amount represented by the investment which would be required to replace it. There is rarely, in fact, any connection between the cost of replacement of a building and its value. The notable exception and the only exception is the case of the building just completed, which represents the highest and the best use of its site. In the later case a building is worth precisely its cost of replacement”.

Q.—Maybe more?

A.—No. Because if you can replace it for that money it is not worth more.

Q.—What do you do about the economical factor?

A.—You are certainly not going to replace something by paying more money than you can get it for.

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Q.—It may happen that a property once built, has cost you so much, and that if you figure what are its returns to you and capitalize them at a rental rate, you find that it is worth more than it cost?

10 A.—There would be something wrong.

By Mr. Hansard:—

If I may interrupt, that if that situation arose someone will come along and put up a building next to me, in theory.

By the President:—

20 Q.—The cost does not represent the value, but has something to do with value, inferior or superior?

A.—Not superior. In the case, which would be an extraordinary one, where you think that your cost is less than your value, you will find that if you get a high revenue immediately someone is going to come along and build the same thing as you have for less money, and your revenue will come down and your value will come down.

30 I think that cost of buildings is higher than value, because the moment. . .

Q.—Always?

A.—Yes.

Q.—You apply that as general thesis, cost is always higher than value?

A.—Yes, and I will tell you why. Because the moment your building has been put up it depreciates.

Q.—How can you consider the building without the land on which it is built?

40 A.—I am coming to this now.

I say that the replacement cost of Eight million five hundred and twenty-eight thousand eight hundred and seventeen dollars (\$8,528,817) is the maximum value because cost is generally higher than value, and this applies especially to buildings adorned with elaborate embellishments, the cost of which is out of proportion with the commercial or real value. And then again, to the use of high class materials which will show a very slight physical depreciation long after the building in which it is incorporated has lost its economic value through obsolescence.



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You have many buildings in which the concrete may last one hundred and fifty and two hundred years. But if the neighbourhood changes, it is of no more value.

10 Now, Mr. Parent, whose name has been mentioned in connection with depreciation tables, has written a book, a copy of which you certainly have.

This one was given me by Mr. Parent himself, it is the old one in 1936. I take it for granted Mr. Parent would not change horses in crossing a stream. He would not change his mind from 1936 on principles of valuation.

20 Mr. Parent in his Manual explains the law, fundamentals, principles and method employed in estimating property.

In the first fifty-seven pages of that treatise he discusses at length the value of property, how it is measured, and notes on page 27. . .

Q.—That is the first edition?

A.—Yes.

30 . . . the law governing municipal valuation in the City of Montreal. He states that in preparing a valuation roll, property should be assessed or estimated on its real or actual value, declaring that the terms “real value” and “actual value” are equivalent.

40 After a lengthy and an elaborate analysis Mr. Parent in the last paragraph on page fifty-seven, comes to the following conclusion. By the way, page fifty-seven is the last page, the end of this treatise, on valuation proper. The rest is statistics and data.

He states that no matter how you consider this problem, there is only one solution, namely that valuation rolls must be based on current value only. That is, the price which the willing seller would obtain from a buyer who is not obliged to buy.

By Mr. St. Pierre, K.C.:—

That is the same thing as page fifty-seven of the new book.

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The Witness:—

That is the conclusion which he draws after going along for fifty-seven pages on the subject.

10

Now, there is another definition which I like better than that. It is the highest price in terms of money which a property will bring when exposed for sale in the open market.

By the President:—

Q.—This will be raised in argument. There are some other pages in this book which refer to special interpretations for which there is no market?

20

A.—None of which are applicable to this case.

Q.—You will find a decision in the Court in Canada Cement, when you cannot value on that basis.

By Mr. St. Pierre, K.C.:—

They are going to find that and depreciation cannot apply.

By the President:—

30

Q.—It is not up to him to plead the case.

The Witness:—

A.—You have a different proposition here. You have here a building which was built to provide office space. That's all.

By Mr. St. Pierre, K.C.:—

40

Q.—For a company?

A.—For a company. Office space for which there is a yardstick, and a yardstick is very easy to find. You have in the same building tenants who occupy a greater amount of space than the Company itself occupies. I cannot say that that cannot be valued. But in this case you have in 1940 and 1941 a percentage of occupancy of 86.5% and you find that of that 48.7% only of the occupied space is used by the Company.

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By the President:—

Q.—And it is about fifty fifty?

A.—Practically fifty fifty.

10

I claim, of course, and it is my opinion, that it is an investment property.

Q.—This is an investment property?

A.—That it is an investment property — the Sun Life Building.

Q.—Actually it is an investment property. The Company not having thought it advisable to occupy the whole building for itself, it becomes an investment property?

20

A.—I don't know what the Company has in mind.

Q.—You say it was erected for the Company itself?

A.—I say so, yes. But I also say that owing to changes in conditions they rented a lot of space.

Q.—They have changed their mind?

A.—Conditions have changed their minds.

By Mr. Hansard:—

30 He can't say what the Company's plans are. We have a witness that will do that.

The Witness:—

The point I want to make is this, that if this is an investment property you have to consider what you would get if you go to sell it.

40 And anyone who would buy the property would be interested in getting some return on his money, and he would be interested not so much in what the property has paid in the last years, but in what it is going to pay from now on because that is what he is going to get.

The revenue that was brought in, he won't get it, that is past history.

In other words the real value is based on a consideration of the future benefits. And someone who would buy the property

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would have to consider the following factors: Occupation: — In 1937 and 1938, 60.8% ; 1939, 73.2% ; now it is 86.5%.

10 Well surely the future net income cannot be based on the high rate of occupancy brought about by conditions which are not normal and which there is no evidence to prove will exist for many years to come.

Then there is the question of market ability. Someone was talking of bonds yesterday. You buy them and get a low rate, but you can sell them tomorrow. But if you buy this building it will be very difficult to liquidate.

20 By the President:—

Q.—It is very difficult to imagine a buyer. Since the beginning of this case I cannot be convinced that this would be a sound way of assessing the property, — to imagine a possible buyer it is practically impossible.

A.—Improbable, but not impossible.

Q.—This is a monument. Who would buy the Notre Dame Church, or the Windsor Station, or the City Hall?

30 Mr. Hansard:—

Even the Windsor Station. There are offices in there.

40 Here you have a building which from top to bottom, with the exception of a banking hall, which is not an unusual thing to find — and a cafeteria which can be converted, and a gymnasium in one other place, — with the exception of that from top to bottom that is an office building. And is used by a Company from top to bottom. The space used by tenants is the same as space used by the Sun Life.

I don't want to argue the case now.

This building is being used commercially, and half of it is leased to tenants.

The President:—

I am discussing with an expert and a good one at that, and I am not putting my questions as argument.

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When Mr. Archambault raises a point that comes to my mind — perhaps I should let the City lawyer do it, but I am anxious to be enlightened.

10 Mr. Hansard:—

Perhaps I misunderstood.

The President:—

It is hard to convince me that this aspect of the question is most important.

20 Mr. Hansard:—

I shall endeavour to do so in due course.

The President:—

I want to put a question. I have great confidence in the witness.

30 Q.—If you had to value the City Hall what would you do?

A.—The City Hall?

Q.—Yes?

A.—It would be quite a problem. This is a service building. I will tell you. I would find the replacement cost of the City Hall and I would take depreciation, as I am doing here, and then I would try and see what use it can be put to. I should come to a figure. That is what I have done here.

40 In other words, I establish the replacement cost value and I say that is the maximum value that the building is worth. Then I try, or I suggest — because that is not in my sphere — I would tell a buyer to get someone to figure the commercial value of that property, and if there is a discrepancy between the commercial and the replacement value, well, you have to make a downward revision, because the commercial value is the one which will interest a buyer.

In the case of the City Hall, if someone wants to use it for a public building that puts on a different aspect. High-class buildings are in three classes, non-investment, investment and service. And I would say the City Hall as it is now is a service building.

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Q.—And if two or three floors were empty and could be rented, you would proceed the same way for valuing the building as you are proceeding for the Sun Life?

- A.—This is what you have. I want to distinguish there.
- 10 When you compare the Sun Life with this building you are comparing a property which has something which it can sell and for which there is a current demand — office floor space in a good district.

But when you talk about the City Hall here, you have a different proposition. You are not in a good office district to start with, and you are not laid out at all for offices.

- Q.—This is only a question of proportion. The principle  
20 would be the same I presume.

A.—Here is the point Mr. Chairman. If you were to tell me to value the City Hall, that the Government wanted it for a library or something — then you would be entitled to the replacement cost value, probably, less ordinary depreciation, because you have an exceptional chance of finding a buyer.

- It comes back to the willing buyer and the willing seller. If the buyer is not there you are in the service class. No one would buy this building. The other property can be used.
- 30

Q.—When the buyer is not there you are in the service class?

A.—Just a minute. I would not say that one hundred percent. I would say when the buyer is not there for a building like the City Hall. But I would not apply that to a building like the Sun Life.

- You have nothing here to sell that anyone would buy and  
40 which could be considered as an investment. Whereas in the Sun Life Building there is a difference. I think it is better.

(At this point the President of the Board called the adjournment and advised that the case would proceed in the afternoon of Monday, March 29th.)

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The Hearing continued on Monday, March 29th, 1943, with Mr. Gaspard Archambault on the stand.

By Mr. Hansard:—

10

Q.—The close of the sitting on Friday you were, I believe, coming to the end of your explanations on your report. Would you continue please.

A.—Mr. Chairman, would you be kind enough to give me just about three minutes to come back on the question of what is a service building and what is an ordinary commercial building.

20

There is no doubt that any building at all, when you want to find its real value that if you could find the price you could get for it in the open market, that would be the best way to establish it.

Some buildings you cannot.

30

These are divided generally into three classes, investment, non-investment and service. The non-investment buildings would be the homes, residences. Even in the case of residences if you had one house and you could find four or five similar houses that have sold for a certain price, that would be the best way to establish its real value. But as you cannot do that most of the time you figure the replacement cost, depreciation, obsolescence, and arrive at the value.

40

In the investment buildings you have stores, offices, apartments, hotels, theatres, factories, banks, mills, colleges. The value of these buildings can be established by their revenue, by what they are worth, what they can be rented for, what they have to offer as space and that space can be compared to other similar space in other buildings which is rented at certain prices.

Then you come to service buildings, such as city halls, court houses, post offices, customs houses, railway stations.

In the case of these buildings, which are service buildings, if you could find the price that they would bring in the open market that would be probably again the best idea of their real value.

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10 But you can't do that most of the time. And you have no way of checking up service buildings on an earnings basis, so the only way you have left to arrive at their value is to take their replacement cost, physical depreciation, and also in some service buildings you have obsolescence and functional depreciation which should be deducted. Because there is no doubt that a service building that has been put up say some thirty-five or forty years ago, is not as efficient as a modern building that would be put up at the present time. — so it depreciates from the obsolescence and functional point of view also.

20 Now, when you come to the case of the Sun Life Building — we were referring to Mr. Parent's Manual — Mr. Parent's Manual at Page 125. . .

By the President:—

Q.—First Edition?

A.—Yes. He classifies buildings into groups. But Mr. Chairman, I ask you: Mr. Parent himself gives as an idea of a commercial building, office building, — the Sun Life Building. So he classifies that as a commercial building and an office building.

30 The same classification should apply to another building downtown. You take the Montreal Light, Heat and Power Building. Even though the Montreal Light, Heat and Power have offices in there, that is an office building.

40 Now to end up on my report. I feel that in order to get the real value of a building, a commercial building such as the Sun Life Building, one should first of all try to establish the replacement cost value less depreciation, taking in all the depreciation with which it is affected — physical, obsolescence, functional — and then you arrive at a certain figure which I have found, including what I have called the power house which is really the boiler house, of eight million five hundred and twenty-eight thousand eight hundred and seventeen dollars (\$8,528,817).

This I consider a maximum cost, and before saying what the real value is I should figure out what the commercial value of the building is, and you would arrive at a certain figure which probably would be slightly less.



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I have to make a similar transition here, because when I admit a depreciation cost less depreciation value, I would then consider the whole property. I would then add on a fair price for the value of the land, and to that price I would add the replacement cost less depreciation value of the building, and you would have the depreciation cost less depreciation value of the whole property.

Then I would consider the commercial value of the whole property, according to revenue, the net revenue that it brings in and what capital it justifies.

The commercial value is surely the less. By what extent, I don't know. I have not figured the commercial value. But if the proper methods have been followed in establishing the replacement cost less depreciation value and the commercial value, the price between the two values should be about the same because the replacement cost with the depreciations, which will reflect themselves in the commercial value, should bring about the same result.

Only if you find that the commercial value is slightly less, — well, that is probably due to the fact that in your replacement cost, less depreciation, you have some items like very high class material, very expensive material, which will last for years long after the building has lost its economic value. Well, the extraordinary cost of these materials, which from a commercial point of view do not bring in any revenue, should count for the difference between the values.

And then, if a purchaser should ask me: "Look at this building, the commercial value is, say, Five million dollars (\$5,000,000), the replacement cost is Six million five hundred thousand dollars (\$6,500,000). It is very well built. Better than the ordinary building. It will last for years. Should I pay One million five hundred thousand dollars (\$1,500,000) more on that count — that it is so well built. Is it worth while to pay the difference?" My answer would be that it is not worth the while, because you have granite that would last for one hundred and fifty years. If after fifty years your building has lost its economic value that granite is not worth any more to you than if bricks had been put in there.

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So I feel that in the case of a commercial building like the Sun Life that the value that the purchaser would attach the most importance to is the commercial value, because that will be the answer to his problem of "what return am I going to get on the  
10 money I invest in this building".

And I should look very far ahead, because I have to figure not on the revenue coming in for two or three years, but for a long time.

By Mr. Hansard:—

Q.—Mr. Archambault, did you hear the evidence given by Mr. Vernot, and have you read his deposition?  
20

A.—Yes, I have a copy of it right here.

Q.—Would you, briefly, tell the Board what you think of the method of valuation he employed?

Mr. Seguin:—

Always the same objection.

The Board:—

30 Same reserve.

The Witness:—

Before I go into that, could I be allowed to give a replacement cost less depreciation value of the boiler house separately, if you care to have it?

By Mr. Hansard:—

40 Q.—Please do.

A.—The building, I would estimate the replacement cost of the building proper is Two hundred and forty-eight thousand four hundred dollars (\$248,400). From that I would deduct twenty-five percent (25%) leaving One hundred and eighty-six thousand three hundred dollars (\$186,300).

As for the equipment, which I value at Three hundred and three thousand six hundred dollars (\$303,600), I would deduct fifty percent (50%) for depreciation, leaving One hun-

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dred and fifty-one thousand eight hundred dollars (\$151,800). Giving you a total of Three hundred and thirty-seven thousand one hundred dollars (\$337,100), as the replacement cost value less depreciation of the power house considered separately, which  
10 is slightly less than the figure I established, or arrived at, by going on the same depreciation as I had on the main building considering that it was an integral part of the building.

Q.—Thank you. Would you return now to Mr. Vernot's report?

A.—I note that Mr. Vernot in making his valuation of the building says that he has taken the total expenditures given him by the Sun Life Assurance Company, and has made some deductions, one deduction being for the building having been put up  
20 in three units; another being to readjust the cost index of building up to 1941; and the third being to allow for certain items which he concedes do not form part of the building, though those items may not be all the ones that do not form part of the building and which are included in the cost given him as the total expenditure.

When he has made these deductions he arrives at the total replacement cost figure of Sixteen million seven hundred and fifty-five thousand one hundred and eighty dollars (\$16,755,180).  
30 Then he takes off a depreciation of Three million and eighty-one thousand three hundred and eighty-two dollars (\$3,081,382), and I think that Mr. Vernot has stated in his evidence that he has taken that depreciation according to the table in Mr. Parent's Manual.

Although I don't go too much myself by tables, still if I do use one I would use it thoroughly. Mr. Parent in his Manual and table of depreciation, — and there is a footnote to this table which says that the figures given representing the depreciation  
40 indicate only structural, that is physical, depreciation, — that no deduction has been made in this table for obsolescence.

Well, Mr. Vernot has completely ignored obsolescence and functional depreciation, which is a part of obsolescence and which is very important.

I think that you will find that in my report, on the last page, there are quotations from different authors which say that physical depreciation is a very small proportion of the depreciation, and that buildings depreciate by obsolescence and functional

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depreciation to a much larger degree than they do by physical depreciation.

10 So, it seems to me that Mr. Vernot should have, in figuring his depreciation, to get at the replacement cost less depreciation, taken a very considerable amount for obsolescence and functional depreciation which exists in the building.

20 Of course, that may have been difficult for him to do, because he also states that he did not visit the building as a City assessor, in the capacity as an assessor. In other words, what Mr. Vernot has done, he has taken the figures given him by the Sun Life Company for replacement cost less certain deductions; he has taken Mr. Parent's Manual and adjusted these figures by the Index Cost as at 1941; he has then taken Mr. Parent's Physical depreciation table and made the deduction and he says "There is the value of your building".

30 Well, if I may remark, this can't be done by any clerk in any office. That is not what I call assessing. That is not the proper procedure. Especially when you come to value a building of the importance of the Sun Life, which Mr. Seguin referred to the other day as "the largest building in the British Empire", it seems to me that you could not give enough time and enough care in examining this building very thoroughly, which is the only possible way to ascertain its real value.

By the President:—

Q.—You may develop your opinion as to the method Mr. Vernot followed, but I do not think it is within your province to proceed to the extent you have.

40 A.—Well, Mr. Chairman, as far as Mr. Vernot is concerned I can say about him that he is a very good soldier. He follows his instructions and does not discuss them.

Q.—This again is going a little outside of your province. You must remain negative. Give your opinion as to the building. But the way they have been done by the official assessors, or the way they proceeded, you have nothing to do with.

This should have been done by the City attorneys, but they did not interrupt, to protect the assessors.

Mr. Seguin:—

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There was an objection to the whole evidence on this point.

The President:—

10 I would say frankly at this stage, I am well satisfied with the way the experts for the Sun Life Company have given their evidence, but I think there is something as to the second part of the evidence in which they talk of the way the others took. This will not have much to do with me. This part will not count with me greatly.

The Witness:—

20 I am sorry if, may I say, I did not express myself properly.

By the President:—

Q.—I am simply giving my impressions.

A.—I did not mean any reflection at all on Mr. Vernot.

I am asked to give my opinion on his testimony, and if I have to give it I have to give it frankly.

30 I think that a building cannot be assessed properly that way. I may be wrong, — that is my opinion.

Q.—As to the way he did the work, — as to the time he consecrated to his work and the instructions he received to perform his work, I don't think that you should make any reference to that, because it is not within your scope. I don't want to be reproaching you.

A.—There is another point which comes up here which I should like to speak about, but I am embarrassed.

40 Q.—Well, try.

A.—Mr. Vernot states the different processes of assessing different properties, and he refers to apartment houses, and he says that apartment houses are assessed twenty-five percent on replacement cost and seventy-five percent on commercial value.

Well, why he brings that in I don't know. That again is another reason to say that the method of assessing cannot be explained logically. Why should that be done? I have tried to imagine to myself “why should the City, if a man has a commer-

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cial property and does not occupy it, why is it assessed fifty percent commercial and fifty percent replacement cost less depreciation; but if he occupies the property it is assessed twenty percent commercial and eighty percent replacement cost less  
10 depreciation, which brings a higher value”.

That imposes a penalty on the property owner. Why should an owner be penalized for occupying his own building. If he does not occupy his own building the taxes are lower. If he occupies his own building the taxes are higher. That is something I cannot understand.

The only solution I find is that there are two values that  
20 are looked into. One the commercial, and one the replacement cost less depreciation; and that the City has developed a method whereby it appears that it would take the one that suits it best to get higher valuation.

That is about all I have to say.

By Mr. Hansard:—

Q.—In conclusion, Mr. Archambault, I notice on page 20  
30 of your report under your qualifications, under the heading “Municipal Valuation”, you give instances where you have made valuations for the City of Montreal, — the Transportation Building and the Alliance National Building.

Will you tell us where that was done and for what purpose?

A.—It was before the Board of Revision to establish the value of these buildings which was contested by the owners.

40 Cross-examined by Mr. Seguin, Attorney for the City of Montreal:—

Q.—You have read over the evidence given by Mr. Vernot, I presume, Mr. Archambault?

A.—Yes, sir.

Q.—Do you think that evidence was complete? In other words, that Mr. Vernot was given the full liberty of explaining everything he had to say about this assessment, or if he had to answer specific questions?

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A.—I think he was, yes. But I suppose that if he did not say everything that he wanted he could say it over again.

Q.—Was he not restricted in a certain way in explaining the assessment sheet and the documents that he produced, how  
10 he arrived at his figure?

A.—Oh no Mr. Seguin. The only thing that I mentioned about Mr. Vernot, this would not be changed if he spoke for two hours to give more details, because I simply look at the facts, which are very plain, where he says he did not visit the building as a City Assessor, that he took the figures given by the Sun Life. He deducted the differences due to the correction of the increase in cost from the Building Index, and then he took the depreciation according to Mr. Parent's statements.

20 These are the only points that I have talked about and also the proportion he placed on commercial and replacement costs.

Q.—As a matter of fact was Mr. Vernot asked to give all the reasons he had for the basis of 90 and 10?

A.—That is not my evidence.

Mr. Geoffrion, K.C.:—

30 The deposition will show that.

By Mr. Seguin:—

Q.—In order to arrive at a value for the building of the Sun Life, you proceeded to fix the replacement cost less depreciation and obsolescence?

A.—And functional depreciation.

Q.—What method did you adopt to fix the replacement cost of the Sun Life?

40 A.—I examined the building very thoroughly and I estimated this cost according to the best of my ability.

Q.—By the cubic foot method?

A.—Yes. Our cubic foot method, if you want the reference I can give you any of them, is the accepted method for valuation.

Q.—At the time did you have in hand the figures supplied to the City by the Sun Life to the effect the Company had spent Twenty million, six hundred and eighty-six thousand, five hundred and eighty-seven dollars and sixty-two cents (\$20,686,587.62).

A.—I had those after I had made most of my examination.

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Q.—Yes. Was it not an interesting source of information to have those figures and check them?

A.—It was. But I would not be guided by those figures.

Q.—Did you consider those figures at all?

10 A.—I would not say that.

Q.—Did you try to investigate from the Company the breakdown of those figures? How much for steel, concrete architectural work, granite — how much for so and so.

A.—I did, sure.

Q.—And you received all those figures?

A.—I was given some information, yes sir.

Q.—Can you give some of it, for the steel, and the granite and the architectural work?

20 A.—I have not got the exact figures that the Sun Life gives and did not base my valuation on the figures they gave me.

Q.—Did you proceed by having the figures of the Sun Life and subtract from that?

A.—No. I examined the building very carefully, and I went there very often. I had examined the building previously for the Canadian National Railway Company. And I came to the conclusion that the building was worth replacement cost eighty cents per cubic foot. And I compared that with other buildings I had valued before.

30 Q.—As a matter of fact you did not give much weight to the figure given you by the Sun Life Company as representing their total expenditure?

A.—They were interesting figures.

Q.—The quantity survey, did you make one?

40 A.—I cannot understand why such a question should be asked because a quantity survey on that building would take a very long time and be very costly, and as I said before and say again I will quote you authority stating that the cubic foot method is recognized as good for such valuation. And the City furthermore has always accepted the cubic foot measure for the space.

Q.—So you did not make a quantity survey?

A.—I did not.

Q.—You started by fixing a cubic foot price at eighty cents?

A.—I did not start by placing. I started by examining the building.

Q.—And now you fix a price of eighty cents?

A.—After I had finished my examination I satisfied my-



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self that in my opinion eighty cents was all the building was worth as replacement cost.

Q.—But as you stated, this price of eighty cents was according to the standards of price prevailing in 1941?

10 A.—Yes.

Q.—And right away you take ten percent off to bring your figure to the standard of 1939?

A.—Yes.

Q.—In reality you have assessed the building at seventy-two cents a cubic foot?

A.—In 1939?

Q.—Yes.

A.—Right.

20 Q.—As a matter of fact your seventy-two cents a cubic foot, is that a figure price, or an assessment, or a guess price?

A.—It is the same method that I used when I was valuing properties for the City of Montreal.

I would go and examine the building very carefully and I would consider — taking everything into consideration — what I saw and what experience I have had in the building construction since 1913, and valuing buildings since 1915, and I came to the conclusion that eighty cents was all the building was worth per cubic foot.

30

Q.—That again, is it a figure or calculated price, or is it only the expression of an opinion?

A.—I will help you. You want to know if I set two cents for one thing, five cents for the material, seven cents for another thing, ten cents for granite — if that is what you want to know, I did not do that.

Q.—That is exactly what I was getting at.

40

What did you include in that seventy-two cents?

A.—I included the cost of the building complete, finished, and also the architects fees and a certain amount for financing during construction.

A.—As far as I remember I think I included under that item four hundred and fifty thousand dollars (\$450,000.00) approximately. Maybe more than that. I am not sure. I can look up my notes and let you know definitely. I would not like to be held to that figure. I know I have included for financing, payment of taxes, insurance, interest on money before the building was occupied, while it was being constructed.

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Q.—According to you how many years should it take to build a building like that as a single unit?

A.—I would say about two years.

10 Q.—As a matter of fact the Company took four years for the first, three for the second, and three for the third?

A.—That does not mean a thing to me. The Company built the building itself. I am not here to criticize the Company, but it might have been better if they had given the contract to a very large organization and said “here are plans and specifications”, the job would have been put up quicker and maybe for less money.

20 Q.—You don't think it is possible to expropriate land, tear down buildings, have your granite fixed and cut and brought in place, have your architects' plans ready and build the whole building and put the key in the door in two years?

A.—Yes I do.

Q.—But at a tremendous additional cost I presume?

A.—No, sir.

Q.—After having fixed your replacement value on the principle already explained by you, you have proceeded to apply what you call the physical depreciation?

A.—Yes, sir.

30 Q.—And you have applied a depreciation of fifteen per cent, in other words 1.4 a year?

A.—That 1.4 is the result of the operation.

Q.—It is a composite figure?

A.—In other words I applied a depreciation of fifteen percent and after I figured out to see what that meant per year and I got the result 1.4.

Q.—You said in your report that in the Sun Life Building you have found very high class materials, and also very skilled workmanship. In other words that it was a very well built building?

40 A.—I did sir.

Q.—Did you also ask that on account of the material used in this building it should be subjected to a slower physical depreciation than any other office building in Montreal?

A.—That is a very wide statement to make. That it should be subject to a slow rate of depreciation — probably. I think I even said in my report that there is very little depreciation.

Q.—In a general way do you think that the building, owing to the quality of workmanship and material, is subject to a slower physical depreciation than, let us take for instance the Royal Bank Building?

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A.—I would not say that. I don't see why for instance the boilers in the Sun Life Building or the elevators, should depreciate more slowly than they do in the Royal Bank Building.

10 Q.—You are perfectly right in this item. What about the stone, the granite?

A.—My answer to that is I have put on a very small depreciation.

Q.—At 1.4 a year?

A.—1.4 a year is the result of the depreciation throughout the building. 1.4 a year is a small depreciation, very small.

Q.—You have also remarked that it was in excellent condition as to maintenance?

20 A.—Certainly I do. Because I depreciated the painting, the plaster work, if I remember correctly only twenty percent, and in a building that is eleven years old your plaster and painting is usually depreciated much more than that.

There are some items the life of which can be prolonged by unusually good care, but there are other items no matter how careful you are about them you cannot prolong their life.

30 All the equipment for instance, all the mechanical equipment.

Q.—As to the permanency of the building, which way does it compare with the Royal Bank Building?

A.—Now you are coming into a ground on which I am not familiar. I have not examined the Royal Bank Building for that purpose.

Q.—With the Transportation Building, as to the permanency of materials, and the physical depreciation, how does it compare?

40 A.—The Sun Life, the stone of the Sun Life Building will probably last longer than the stone of the Transportation Building. But I may add that the stone of both of them will outlast by many years the usefulness of either building.

Q.—If my recollection is right, Mr. Archambault, before this same Board in the case of the Transportation Building you were very convinced in saying that taking the building as a whole, heating plant, elevators and so forth, that there was only one percent depreciation a year on that building?

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A.—I don't remember that. I have some notes on my testimony here if you talk about the Transportation Building and though I hate to go into that, it is not the building we are looking into, if I remember rightly I think I said that as far as  
10 the interior of the building was concerned the Transportation Building was as expensive as any other building, the Sun Life Building included.

Q.—That is not the point I am referring to. I am talking only of physical depreciation.

Do you remember having said taking the Transportation Building as a whole, partitions, heating plant, elevators, that after twenty-five years that building had only twenty-five  
20 percent depreciation, and therefore one percent a year, and you were satisfied that that was plenty?

A.—I cannot remember that I said that.

Q.—Would you like to refer to your evidence at the time. I think it is pages 71 and 91?

A.—Yes.

I say that I value this building at sixty cents per cubic foot and that twenty-five percent would cover the physical depreciation which it has suffered. That's right. I say that I have  
30 based myself on examining the building.

It might be that I estimated that the Transportation Building did not suffer more than twenty-five percent depreciation.

Q.—Do you remember also having said. . .

A.—Do not forget, Mr. Seguin, that after a few years your depreciation will slow down a bit. You will get more the first years and then get less.

40

In other words the Sun Life Building although it has a fifteen percent, and mind you I have been very fair, if you consider that I have taken all the building, the whole block as built at one time when some of it was built around 1918 I think — it may be that after twenty-five years that the physical depreciation might not be more than twenty-five percent in the Sun Life Building.

Q.—Do you remember at that time that you were talking of the maintenance of the Transportation Building as being very poor?

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A.—I said as far as some particular item in the boiler room, which I noticed. But if you want to go into the Transportation Building, all right, but that is not what we are valuing now.

10 Q.—In your brief you are also referring to the willing buyer?

A.—Yes, sir.

Q.—You are not referring to the willing seller. Are you referring also to the willing seller?

A.—Where?

Q.—On your report.

20 A.—I think I am sir. I say that Mr. Parent, page 57, says that one solution is that valuation rules must be based on current value only, the price which a willing seller will obtain from a buyer who will buy but who is not obliged to buy.

And I go further. I say the highest price in terms of money which a property will bring in the open market with a reasonable time allowed to find a purchaser, taking into consideration the uses for which it adopted and capable of being used.

I think that refers to the willing seller.

30 Q.—Would you advise the Sun Life Company to sell this property for the price you suggest in your report as being the net value?

A.—That is a different question, which I am not ready to answer. That is a question that would require considerable consideration and I do not know if I am qualified to advise the Sun Life Company whether they should sell anything. I don't think I am.

40 I may be qualified to find the replacement cost value of their building, but I don't know what the Sun Life business is at all.

Q.—Suppose you were called in as an expert by the Sun Life Company in an expropriation case, would you put the same value as in your brief within a few odd dollars?

A.—I would put exactly the same replacement cost less depreciation value that I put on the building now.

Q.—Would you advise the Company to accept that amount?

A.—That is a different proposition altogether. I am no business adviser to the Sun Life.

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Mr. Geoffrion, K.C.:—

Nor a lawyer.

10 The Witness:—

Don't forget that an expropriation case, — the money that the man who is expropriated gets is not only the purchase price of his building. There is also damages incurred by having his property taken away from him.

But at any rate I would not be in a position to say that I would advise the Sun Life.

20 Q.—In other words you will put two different sets of figures — damages and the value of the building?

A.—I have not said that.

Q.—What would be your approach on expropriation?

A.—That I should have to study very carefully before I could give you a proper answer, Mr. Seguin.

Q.—When you made your appraisal Mr. Archambault had you in hand the amount at which the Sun Life Company carries its building on its books, as book value and market value?

30 A.—I was not interested in that, because that would not affect the replacement cost value.

Q.—Don't you think that the most logical buyer for the Sun Life property is the Sun Life Company itself?

A.—Not necessarily.

Mr. Geoffrion, K.C.:—

They don't need to buy it.

40 The Witness:—

Do you know the best buyer for the Mount Royal Hotel?

By Mr. Seguin:—

Q.—Don't you know that the best buyer for the Sun Life Building would be the Sun Life?

A.—No, I cannot even discuss the matter. I think the question is, if I may say, irrelevant. It has nothing to do with the case. I don't know who would buy the Sun Life Building. Why

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should the Sun Life Company buy the Sun Life Building if it is their property?

Q.—If the property of the Sun Life was on the market, do you not consider the Sun Life Company would be the most  
10 logical buyer for it?

A.—I don't know. There might be a similar Company for a buyer, or another company interested for another purpose. That building is an office building. You have large office buildings like that in the States. Some of those people might be interested.

Q.—Along the same lines, would you not consider the most logical tenant for the Sun Life Building is the Sun Life Com-  
pany?

A.—Not at all. They have space there that they rent and  
20 they rent to people who require space, like the different companies. You go on the ground floor and what do you see? I can give you a list of the tenants there. They are in different businesses. The Bank of Montreal, a broadcasting studio, I don't know how many different lines.

Anyone can rent in there.

Q.—Am I right in saying that the value you have fixed  
30 for the Sun Life property is for the value for the man on the street, ignoring the Sun Life?

A.—The value is the depreciation cost, less depreciation value.

Q.—It was the only approach to the question you have adopted.

A.—Yes, sir.

Q.—After having taken fifteen percent physical depreciation out of replacement cost, you have taken five percent obsolescence for a few items?

A.—Yes, sir.  
40

Q.—And on your report you mention a few items which you consider as being obsolete?

A.—Yes, sir.

Q.—The building as it is today, or when you visited it, is it not still far ahead of any other office building in Montreal?

A.—No sir. I would not say that. These pictures I showed of offices there, they are away behind offices in other office buildings in Montreal. Take the bulkheads for instance.

Q.—These obstacles or bulkheads, is it a frequent occurrence? Are they in many offices you find?

A.—It is fairly frequent I would say.

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Q.—Did you count them?

A.—No. I would say frequently — that it is very frequent. You have very many offices, very many of them.

10 Q.—But is there any office building in Montreal, or service building having conditioned air like the system existing in the Sun Life?

A.—I think you are mistaken there. They have not got conditioned air I don't think. They have ventilation, which is quite a difference between conditioned air. And that is one of the things that will come along in the next new office building that is put up.

Q.—Is it only conditioned air, or qualified conditioned air?

A.—Qualified.

20 Q.—In other words is there only ventilation or some streams applied to the air?

A.—That the air is washable?

Q.—Yes.

A.—Yes. Pre-heated. When you say air conditioning, that is when you can set a temperature in a room at a certain degree regardless of what it is outside, and that does not exist as far as I know in the Sun Life Building.

Q.—There is nothing of the kind existing in any other office building in Montreal?

30 A.—No. But Mr. Seguin I would not say there is not air conditioning in some of the buildings. I have not visited all the buildings in Montreal.

I would not put too much importance on it. If that was a great advantage that would reflect itself upon the price which the Sun Life get for their floor space, and I don't think that they get higher prices than they do in other office buildings.

40 And second, that ventilation is meant to allow people to live in some of the space which is considered as office space and which would not be liveable or rentable if there was no ventilation in it.

Q.—Does that apply to the Royal Bank Building, the Bell Telephone Building?

A.—Not that I know of.

Q.—As a second ground of obsolescence you have unconcealed cast iron radiators?



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A.—That ventilating system: take the basement. You consider that as rentable space. If you did not have that ventilation in there you could not rent the basements. You would die in it.

10 And the same applies to these dark rooms which are figured on as revenue bearing space. If you had no ventilation there you could not rent them.

Q.—You have some space with no light in some other office buildings in Montreal where there is no ventilation?

A.—I have given you three buildings, which I did not pick especially, one was the Transportation Building, another was the Insurance Exchange Building, and the other was the Dominion  
20 Square Building, which I think are fairly representative of office space in Montreal. And I got typical floors plans, which I deposited, of these different buildings, and none of the rooms which they rent are dark. They all have a window.

Q.—As another item of obsolescence you have unconcealed cast iron radiators?

A.—Yes, sir.

Q.—If I remember well, the engineer of the Sun Life discussed that matter in the Engineering Journal and he says that concealed radiators take more heat to heat the premises. An  
30 increased cost for heating?

A.—That is neither here nor there, because the point is that concealed radiation is now what is used in all modern buildings. Concealed radiation is what is used in all modern buildings and you have radiators there that are very broad and which prevent you from getting close to the window, and they are not up to date radiation.

Q.—It would increase the cost of heating?

A.—I am not ready to say that it would. I will tell you why. Because since the Sun Life Building has been put up new  
40 radiators have been put on the market which are more efficient.

Q.—When you fix your depreciation to certain parts of the building, — as to the heating system you have applied a depreciation of thirty percent?

A.—Of thirty-percent?

Q.—Yes. Plumbing, heating?

A.—Yes.

Q.—How many years of depreciation have you applied to the heating system? From what year did you start to depreciate these items?

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A.—I think I have put it only for eleven years. And according to all tables of depreciation on mechanical equipment it should be much more than that.

10 Q.—But you have set no figures as representing a lump amount of money for the depreciation. You have made no breakdown of your cubic foot price?

A.—No. I have figured that all the equipment should be depreciated by the figure that I have given here, which is thirty percent.

Boilers, heating plants, are supposed to depreciate five percent every year, the same thing with elevators.

20 Q.—According to tables?

A.—Yes. The tables there are truer when they are applied to equipment than when they are applied to a building as a whole, because elevators get a certain wear and tear, boilers rust, moving parts get some depreciation that you cannot get away from, and the average life can be fairly well determined. And then again they get obsolete very quickly. So five percent is not too much.

30 Q.—What proportion of the plumbing and the heating system of the whole Sun Life Building did you figure as being made of a copper instead of steel or cast iron?

A.—I could not tell you any more than your own assessors could.

Q.—But the engineer of the Company can?

A.—He might.

Q.—Did you investigate that?

A.—He might. I could not tell you.

Q.—And after having completed the physical depreciation, you have proceeded to apply another depreciation, which you call low ratio of rentable area?

40 A.—Yes, sir.

Q.—You put this at eighteen percent.

When you deal with this subject, do you think that you can compare small office buildings with large office buildings?

A.—I don't see why not.

Q.—Have you any idea what would be the ideal office building?

A.—Mr. Seguin, before finishing my answer. If you note

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that table that I have here on page 15, you will see that I have compared typical floors, which are the Insurance Exchange Building Twenty thousand feet (20,000'), the Dominion Square Building Thirty-three thousand seven hundred feet (33,700'),  
10 and the Sun Life Building, the Seventh and Eighteenth floors, Thirty-four thousand five hundred square feet (34,500). There is not much difference in the size.

Q.—The typical floor of the Royal Bank Building is at what floor?

A.—I have not got the Royal Bank.

Q.—The Dominion Square Building, what is the shape of the building?

A.—It is between the Fourth and the Eighth floors. I  
20 think that it is the Fourth.

Q.—Can you tell the Board the shape of the building, the Dominion Square Building?

A.—You have it on the plan.

Q.—Oh yes, it is produced.

Can you imagine an office building which would not suffer at all of the element complained of in your report under the heading of functional depreciation?

A.—I say, if they do suffer at all from functional de-  
30 preciation they should be depreciated.

Q.—Yes. But can you find an ideal building which would not be at all affected?

A.—I am showing you floor plans of other buildings which have a higher ratio of rentable to gross area than the one which I take as being normal.

In other words not only do these buildings not suffer from that, but they are more perfect — but they are above the normal.  
40

Q.—What would be the size and the shape of a perfect building in order not to suffer from low ratio of rentable areas?

A.—That has something to do with the architect, not with me.

Q.—And does that also have something to do with the use to which the building will be subjected?

A.—Not necessarily.

Q.—But it is possible?

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A.—It is very hard to give an answer there because you would have to get a specific case. But I don't think that in this case there was any need for losing so much space.

Q.—Was there need for large and spacious corridors?

10 A.—Again I answer you that is a question for the architect who designed the building himself. . .

Q.—And the Sun Life?

A.—The architect would be more qualified to give the answer.

Q.—And the Sun Life?

A.—I did not say that.

By the President:—

20 Q.—Mr. Seguin wants to know the yardstick for low rental area?

A.—I would say that a normal rentable area is seventy-eight percent.

By Mr. Seguin:—

Q.—And you have taken as an example the Transportation Building. It is a very small building?

30 A.—After the Sun Life Building I don't think you have much large space than the Dominion Square Building, the Insurance Exchange Building and the Transportation Building.

Q.—The Royal Bank Building, and the Aldred Building?

A.—The Aldred Building is quite smaller I think.

Q.—The Transportation Building is long but narrow.

A.—I would not say that. It has courts, which this one has not.

40 Q.—And the Transportation Building you have only one row of offices and a corridor. On three sides, and in the middle the corridor?

A.—I don't think so. The best way would be to look at the plan and compare.

Q.—You have another factor of what you call functional depreciation which is entitled "Value of Rentable Space below Normal" and for this you take off nineteen percent of your replacement cost.

A.—No sir. Not nineteen percent on my replacement.

Q.—Around that?

A.—No, sir.

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By the President:—

Q.—Of the residue?

10

A.—Of the residue, that's right.

By Mr. Seguin:—

Q.—Your nineteen percent. Do you mean the space in the Sun Life Building is renting at an average of nineteen percent below average space in other buildings in Montreal?

A.—No. I did not say that.

20

I say that if you have, for an example, One hundred thousand square feet (100,000') of space in the Sun Life Building which had been decided upon as being rentable space, that some of that space has very little or no value because it is dark. Some of it is storage space, filing space — nothing else, and if you allow for that then your one hundred thousand feet would not be as good from a revenue producing point of view as if you had eighty-one thousand (81,000'). In other words your One hundred thousand (100,000) is depleted nineteen percent.

30

Q.—You did not compare the rates paid for square foot by tenants in the Sun Life Building with the rates paid in some other office buildings in Montreal to reach a definite figure of nineteen percent or eighteen percent.

A.—I did not need to. I had only to say that I had different quality of space. I have normal space where you get light and nice windows. That is normal. That is worth one hundred percent. Then you have space with no light on the other side of the corridor. That is worth less.

40

Then you have locker space, toilet rooms, corridors which are not being taken in at all. I put that lower.

And then there is another factor, the space in the basements, and the space for the future elevator shafts.

Q.—Your result is obtained in that thirty feet is one hundred percent, the second thirty feet was fifty feet, and the third was about one-third.

A.—Yes. And I can give you data on that. I can give you authority.

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Q.—Authorities?

A.—Yes, sir.

Q.—Will you give them?

10 By the President:—

Q.—Are they in your brief?

A.—Not for the space, sir.

In the Architectural Forum, part 2, architectural engineering in business, June number 1930, in an article entitled "Office Buildings from an Investment Standpoint".

20 By Mr. Seguin:—

Q.—What does it say?

The President:—

Do you want the whole article?

Mr. Seguin:—

30 No, but he can give an extract.

By Mr. St. Pierre, K.C.:—

Q.—Is that in Canada or the United States?

A.—This is American.

By Mr. Seguin:—

40 Q.—Was it in that article that you find the normal space is thirty feet?

A.—No, it is common sense, Mr. Seguin. Because further than thirty feet from a window it is corridor by all authorities of office design, but it is only common sense that if you have an office where you have to use electric light all the time that that space is not worth as much as an office where you can use daylight. And thirty feet away from a window you have to use electric light.

Q.—Is it also common sense which gives the previous figure of one hundred percent?

A.—That is an opinion.

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The President:—

His own opinion as an expert.

10 The Witness:—

I say so in my brief.

By Mr. Seguin:—

Q.—On that standard, thirty feet, being the standard of an office building, any office building having more than seventy feet would suffer from that?

20 A.—Unless it had light wells in it or breaks, as you have in the Transportation Building, the Dominion Square Building.

The shape of the Transportation Building, Mr. Seguin, it is practically the square of the building, is similar to that of the Sun Life. It is a rectangle, one hundred and two feet by an average of one hundred and eighty feet in depth, it is about two to one. And there in the Sun Life you have a rectangle which is about two to one of larger size. But in the Sun Life you don't happen to have breaks, courts, that let the light in. You have to  
30 take the light from outside, both sides to the center.

Q.—It was more expensive to build?

A.—It would be in some ways.

Q.—And you would have less space for the number of square feet of land occupied?

A.—Oh yes. But just a minute. Don't draw from there the argument that your space per square foot would cost so much more. There is no doubt a building with wells is higher. I say most. I say that the shape of the building, the Sun Life Building, is one of the reasons why it is an economical building to  
40 build in a certain aspect, because the two to one is supposed to be very economical, and the less breaks the more economical.

Q.—And a building of that type provides for only small space?

A.—Which one?

Q.—With bays or breaks?

A.—Not necessarily. You can look at the plan of the Insurance Exchange Building where they offer you two kinds of space, small offices or large offices, according to your choice.

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The building lends itself, and that is what every building should do. The well planned building should lend itself, should be adaptable.

10 Q.—The type of the Sun Life Building is about the type of the Bell Telephone Building?

A.—I don't know.

Q.—You have not seen it?

A.—I have not examined the Bell Telephone Building.

Q.—On page 7 of your report you have a long list of very large rooms occupied by the Sun Life Company?

A.—Yes, sir.

20 Q.—One is Eight thousand (8,000) square feet, another Twelve thousand six hundred (12,600) square feet, another Twenty-eight thousand (28,000) square feet, another twenty-five thousand (25,000) square feet; and on the second floor you have an undivided accounting office space, east, west and north. Can you give me the square foot space on the second floor?

A.—You have that right there. The second floor is Seventy-two thousand nine hundred and fifteen (72,915) square feet.

Q.—And it is all undivided?

A.—I beg your pardon.

30 Q.—I mean to say, you mention there are big offices with no partitions?

A.—Yes.

Q.—What would be the largest — what would be the square foot area of the largest undivided office on the second floor?

A.—Well, I would have to get the plan to give you the exact area of each office. I know there are large areas.

Q.—As a matter of fact, is there a demand for that kind of large offices, in which a large staff is under the supervision of one man that is doing the same work?

A.—I would think there should be.

40 Q.—And this mostly applies to public companies, public services, government, insurance companies, and so on and so forth.

A.—Not necessarily. If you have a very large company they need a very large accounting room no matter what their business is.

Q.—As a matter of fact in the Sun Life Building is it not most likely big ones, or big companies, requiring big square areas, that are the tenants there?

A.—I don't think so. I have been in a lot of very small offices occupied by different companies.



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There are very large companies but there are very small companies, the same as you find in any office building.

Q.—As a matter of fact you do not know if it is exactly  
10 the same kind of office the Sun Life was willing to have? You don't know as we, the requirements of the Sun Life when they asked their architects to make this building?

A.—I certainly don't know that, or what instructions they gave to their architect twenty or twenty-five years ago.

By the President:—

Q.—You were not consulted.

20 A.—No, they did not consult me.

Mr. Geoffrion, K.C.:—

Perhaps they should have.

By Mr. Seguin:—

Q.—I saw somewhere in your report that you have men-  
30 tioned that the partitions from the tenth to the upper floors are not permanent. They are only sections?

A.—I don't think I have said that. I said that some of the floors were not finished. No partitions.

Q.—Didn't you also mention that it is only temporary partitions on the upper floors?

A.—I don't recollect that.

Q.—As a matter of fact you have visited the upper floors?

A.—I have visited all the floors.

Q.—And you have seen that the partitions are steel parti-  
40 tions?

A.—Oh no.

Q.—Practically all?

A.—Oh no.

Q.—They are permanent partitions?

A.—Some are and some are not. You are asking me. I have  
to tell you what I saw.

Q.—The general trend, is it not toward temporary parti-  
tions?

A.—The smaller offices, yes.

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But you take, for instance, on the Aluminum floors, the partitions are practically all solid partitions as far as I can remember.

10 Q.—Yes? Permanent or only temporary?

A.—Permanent, terracotta with plaster.

Q.—Can they be removed without tearing the floor?

A.—They can be removed without tearing the floor, but not without tearing the partitions and raising a mess.

By Mr. St. Pierre, K.C.:—

20 Q.—In your reductions, do you apply the same rule to the company as the part rented — do you apply the same rule to the part occupied by the company and the part rented by the company?

When you say the ration would be Nineteen percent would that apply to the part occupied by the Company — to the whole amount, or to only one-half of the amount?

A.—It applied to all the rentable space in the building.

30 Q.—If the whole building was occupied by the Company, would these reductions have been applied the same way?

A.—Just the same.

Q.—You say, if I am right, that the steps and the space of the elevators, and the space covered by the corridors, there should be a reduction on account of that space not being occupied for rentable purposes?

A.—You have three thing there, the stairs, the corridors and the space occupied by the elevators?

Q.—Yes.

40 A.—No, that is service area. That is not the rentable space. That is not considered rentable space at all.

But I have made two depreciations there, Mr. St-Pierre. One due to the fact that too much space probably is occupied by elevators and corridors and stairs. That is the low percentage of rentable space. And I have made another reduction due to the quality of what space is left, as some of that space which has been agreed upon as being rentable is only corridor space, but is being used as the tenant required the space and they use it. That is not first class space.

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Q.—When you are building a building, if you have ten floors you must provide to get to the ninth or tenth floor through stairs or elevator?

A.—Yes.

10 Q.—And you must not consider as a depreciation the space occupied by the stairs, even if it is only a small amount.

A.—No. But here is the point.

20 You allow a certain percentage. You have your gross floor area. Supposing you had Ten thousand (10,000) square feet of space between your walls. You should get about Seventy-eight per cent (78%) of square feet which is rentable. The rest, Twenty-two per cent (22%), should take up your corridors, elevators, or stairs or cupboards, or service areas.

In this case if you take any of the floors that the Sun Life Building has, you have only 45.9% — that is practically 46% — for service area, and that leaves you Fifty-four percent (54%) for our rentable area instead of Seventy-eight percent.

30 That is where I say that the building is not One hundred percent (100%) efficient. It is deficient, in other words. There is that functional depreciation. It does not give enough rentable space for its size, just the same as it takes too many cubic feet per square foot of rentable space.

Q.—So that says that the building was not built for the purpose of a rentable business place?

A.—No, not at all sir.

40 You are getting me into a tight spot there. That is not the answer. The answer was, in my humble opinion there was too much lost space allowed by the architect who designed the building.

Q.—And it was accepted as it is by the Company, who occupied Fifty percent (50%)?

A.—Probably so, but that is their business. But it does not prevent the value from being taken away from the building.

By the President:—

Q.—Could it not be, Mr. Archambault, because the building was not erected for use as a public office building?

A.—I could not tell you.

*G. ARCHAMBAULT (for Complainant) Cross-Examination.*

Q.—That is a supposition.

A.—My frank opinion is this: that a very graceful elevation of the building was made, and then the inside was probably adjusted to fit the outside. I don't say that is what was done,  
10 but that is how it appears to me. And that is a defect.

By Mr. St. Pierre, K.C.:—

Q.—So you go from the outside to the inside on the principle of the Americans, to make a big show from the outside for the inside. And say it is the biggest building in Montreal?

A.—You are putting words in my mouth that I never said. And you are coming to monumental value and because that is  
20 a monument that a lot of value should be attached to it. That is not so. Because monumental buildings are no more in vogue and they do not give any value to the building from an economic point; that is, they don't bring in any more revenue and don't help the seller to get a bigger price from the buyer.

Q.—You are always coming back to the buyer of the same building.

A.—I am using the words of Mr. Parent, and with which I may say I agree in this case, and it is what every author says: that after all the ideal condition to find the real value of the  
30 building is the price that the willing buyer will pay to the willing seller.

By Mr. Geoffrion, K.C.:—

Q.—Is it not possible to build properly a monumental place that looks well from the street and also looks well on the inside?

A.—Yes.

Q.—Rentable? Do you mean rentable area, or used by the  
40 landlord?

A.—I speak of rentable.

Q.—Is there the same usefulness of space to the owner that occupies as there is to the tenant?

A.—I don't quite get the question.

Q.—Your forty-six percent (46%) of service space, is it quite as much useful only for service as regards the owner who occupies, as there is to the tenant?

A.—I would go proportionately. It could affect the owner the same as the tenant.

*G. ARCHAMBAULT (for Complainant) Cross-Examination.*

By Mr. Seguin:—

Q.—You made reference yesterday to the Supreme Court?

A.—In Ottawa.

10 Q.—You built that property?

A.—No. I visited it. I did some work on the building myself.

Q.—Do you know how many cubic feet it contains?

A.—Yes I do. Five million six hundred and thirty thousand (5,630,000).

Q.—And what was the total price?

A.—It cost about Two million eight hundred and fifteen thousand dollars (\$2,815,000). Fifty cents (50¢) a cubic foot.

20

By Mr. Geoffrion, K.C.:—

Q.—At present it is used for offices?

A.—Yes.

Q.—I am sorry to say.

By Mr. Seguin:—

30 Q.—Have you a definite cost to the owner? Is it your assessed value?

A.—No. That is the price that the contractor was paid for it.

Q.—And it covers all the building?

A.—It does, yes.

Q.—You don't know how much covers the architect's fees, interest on construction?

A.—That. I could not tell you. You say it does not. If you put on another five cents to cover all that it makes fifty-five cents.

40

Q.—You told us that the Dominion Square building can be duplicated at forty-four cents?

A.—No, I said I estimated that at forty-four cents.

Q.—As a matter of fact, you don't know the cost of that building?

A.—No one does.

Q.—It is your assessed value?

A.—Yes, sir.

Q.—And you have adopted for the Sun Life Building the same standard as for the Dominion Square?

A.—For the Dominion Square, yes sir.