

## CITY OF AIRDRIE

### ASSESSMENT REVIEW BOARD DECISION

In the matter of a complaint against the property assessment as provided by the *Municipal Government Act*, RSA 2000, Chapter M-26.

Between:	Sierra Springs Shopping Center	Complainant
And:	City of Airdrie	Respondent
Before:	R. Irwin D. Oneil J. Risi	Presiding Officer Member Member
Secretariat:	M. Soukoreff	Clerk

This is a complaint to the City of Airdrie Assessment Review Board with respect to the property assessment prepared by the Assessor of the City of Airdrie and entered into the 2013 Property Assessment Roll as follows:

Roll Number	848350
Address:	130 Sierra Springs Drive SE. Airdrie
2013 Assessment	\$ 9,745,600
Requested Assessment	\$ 8,533,000

The complaint was heard on the 24 day of July, 2013, in Council Chambers located at 400 Main Street SE, Airdrie, Alberta

Appeared on behalf of the Complainant:

- M. Peacock Agent
- R. Hartley Agent

Appeared on behalf of the Respondent:

- G. Butz Assessor
- V. Cottreau Assessor

#### **Procedural Matters:**

When asked by the Presiding Officer, the parties did not object to the composition of the Board. In addition the Board Members indicated no bias in the matters before them.

**Preliminary Matters:**

There were no preliminary matters.

**Property Description:**

The property under appeal is the strip mall located at 130 Sierra Springs Drive S.E. Airdrie, Alberta and the legal description is plan 1010428 Block 3 Lot 26. The parcel size is 4.80 acres and is zoned C-Hwy Highway Commercial District. The improvements were completed in 2008 with the building size reported as 23,315 Sq. Ft.

**Issues:**

The only issue indicated on the complaint form was “an assessment amount”.

However, through the complainant’s presentation, it became apparent that the issues to be decided were more definitively:

- Was the procedure used by the assessor in determining the assessment flawed as it mixed actual and typical market valuations in its calculations?
- Was the capitalization rate (CAP) applied invalidated by comparison to the rate applied to big box stores in Airdrie?
- Was the assessment amount correct?

**Summary of Complainant’s Evidence:**

The Complainant challenged the methodology used by the Assessor in developing the CAP rate and the Assessor’s position that in Airdrie the CAP rate for big box stores was lower than for strip malls.

The Complainant described the application of a 7% capitalization used in preparation of the assessment as incorrect and requested the Board alter it to 8.0%. It was contended that the reviews, surveys and market analysis that they conducted support the requested CAP rate.

The Complainant presented a CAP Rate Report prepared by their firm, Colliers International, that reflected a Q4 2012 Calgary CAP rate range of 6.25% to 7.25% for the category strip mall. The complainant’s agents explained that the report was compiled by aggregating ongoing conversations amongst their agents in the cities which were reported on in the report.

A document titled Canadian Cap Rate Survey was also reviewed. The complainant’s agents were unfamiliar with the methodology used in deriving the data. This survey covering Q1-4 of 2012, indicated CAP rate ranges for various property types in 6 major Canadian cities. Vancouver, Calgary, Edmonton, Winnipeg, Toronto and Ottawa statistics were reviewed. The document indicated the Calgary range of CAP rates was 6.75-7.25% for non-anchored strip mall and 5.5% to 6% for the regional retail category.

The Complainant also provided a table of the three comparables, one of which was beyond the period from July 1, 2011 to June 20, 2012. The third property was sold 24 days after that period ended.

The calculations used:

- the actual sales data for each property derived from three RealNet data sheets which followed the table in their submission
- the typical rental rates derived by the assessors, which the complainant indicated were properly derived

to determine the CAP rate for each of their comparable properties and indicated that the median of the CAP rate was shown as 7.67%. On questioning by the Board, they indicated that the median shown was only for the two properties sold prior to July 1, 2012. They also indicated that as it is a sample of only 2, the mean value is also 7.67%.

They argued that value supported their request for a CAP rate of 8%.

The Complainant argued that the Collier's and CBRE surveys showed the CAP rates decrease as the classification of retail category increased from non-anchored strip mall to big box regional retail.

They further argued that the City of Airdrie did the opposite by allowing big box strata properties a 7.5% cap rate and the strip mall category at 7%, which was in error.

On questioning from the Board, they indicated they did not have any data from smaller communities other than those covered in the two surveys to show a similar pattern.

In their rebuttal, the Complainant challenged the method that was employed by the City to calculate the CAP rate as flawed and containing incorrect inputs. They provided copies of MGB Board Order 140/01; MGB Board Order 145/07 and a Calgary CARB Decision CARB70517/P2013. They argued that the three decisions they had included in their submission clearly stated that what the City assessors were doing was wrong.

### **Summary of Respondent's Evidence:**

The Respondent took the position that all assessments including the one under appeal are fair and equitable when compared to similar types of properties in the municipality. The Board was referred to the CAP Rate Calculation in the submission. The chart of 3 comparable properties located in the municipality concluded an average CAP Rate of 6.71. The document also notes that all big box stores are receiving a capitalization rate of 7.5%.

It was further explained that the assessor consistently completes all retail assessments in the same manner. The properties are all assessed using the income approach. Each year a rental survey of the owners is completed. The rates are analyzed and classified according to rental rates. The Respondent maintained that the chart of comparables entered as evidence support the 7% CAP rate used by the assessor to assess the subject property.

The Respondent then referred to the Complainant's evidence and claimed the CAP rate study range of 6.25% to 7.25% for the Calgary strip mall category actually supported the Respondent's use of a 7% CAP rate in completing the assessment of the subject property.

The Respondent further argues that while big box stores may carry a lower CAP rate to reflect lower risk from clients vacating than strip malls in major urban centres, in smaller centres the risk profiles are actually reversed. This is due to the limited number of customers who would be interested and able to move into the large footprint.

**Board Decision:**

The Appeal is denied and the 2013 Assessment is confirmed at \$ 9,745,600.

**Reasons:**

**Issue 1:**

The Board found that MGB Board Order 140/01 and the Calgary CARB decision were of limited value due to the factual differences between those cases and the one under consideration.

The Board found that the procedures followed by the Respondent were in keeping with the decision and jurisprudence provided in MGB Board Order 145/07 and that the Complainant provided no evidence to overturn their calculations.

**Issue 2:**

The Board found that the Respondent's argument that in smaller markets such as Airdrie the risk is higher for larger retail properties than for smaller ones was persuasive in the absence of any data being provided to prove otherwise.

Assessment of risk involves evaluating both the likelihood of a negative event and the impact of such an event. While the likelihood of a negative event (a vacancy) is arguably lower in a big box development due to the size of the companies that are tenants, the impact of such a vacancy i.e. the length of the vacancy is far greater due to the relatively small number of prospective tenants for such large spaces and hesitancy to move into a community which has already shown their inability to support one big box retailer income requirements.

**Issue 3: Assessment**

Given the Board's findings on the above two issues, there is no support for a finding other than the assessment is correct. The CARB was not convinced that the argument presented by the Complainant had shown the assessment was incorrect or warranted a change.

**Legislation:**

**MGA 467(1)** An assessment review board may, with respect to any matter referred to in section 460(5), make a change to an assessment roll or tax roll or decide that no change is required.

**MGA 467 (3)** An assessment review board must not alter any assessment that is fair and equitable, taking into consideration

- (a) the valuation and other standards set out in the regulations
- (b) the procedures set out in the regulations, and
- (c) the assessments of similar property or businesses in the same municipality.

- The Board found that the assessor uses a methodology to calculate a CAP rate that is fair and in accordance with the legislation and that all retail property, similar to the property under appeal in Airdrie, receives the same CAP rate.

**Legislation:**

**MGA 293 (1)** In preparing an assessment, the assessor must, in a fair and equitable manner,

- a) apply the valuation standards set out in the regulations and
- b) follow the procedure set out in the regulation

**MGA 293 (2)** If there are no procedures set out in the regulations for preparing assessments, the assessor must take into consideration assessments of similar property in the same municipality in which the property that is being assessed is located.

Based on the foregoing, the appeal of the assessment for the subject property is denied.

**Dated** at the City of Airdrie Alberta, this 19 day of August, 2013.



Presiding Officer

**An appeal to this decision lies to the Court of Queen's Bench on a question of law or jurisdiction provided an application for leave to appeal is made within thirty (30) days.**

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