

**CALGARY
COMPOSITE ASSESSMENT REVIEW BOARD
DECISION WITH REASONS**

In the matter of the complaint against the Property assessment as provided by the *Municipal Government Act*, Chapter M-26., Section 460(4).

between:

Altus Group Ltd, COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

Don H Marchand, PRESIDING OFFICER

Phil Pask, MEMBER

Bo Jerchel, MEMBER

This is a complaint to the Calgary Composite Assessment Review Board (CARB) in respect of the Property assessment prepared by the Assessor of The City of Calgary and entered in the 2010 Assessment Roll as follows:

ROLL NUMBER:	091002006
LOCATION ADDRESS:	723 – 46 AV SE
LEGAL DESCRIPTION:	Plan 2489HJ; Lot G
HEARING NUMBER:	58878
ASSESSMENT (2010):	\$8,340,000

This complaint was heard on 28 day of July, 2010 at the office of the Assessment Review Board located at 4th Floor, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 1.

Appeared on behalf of the Complainant; *Altus Group Ltd.:* S. Sweeny-Cooper

Appeared on behalf of the Respondent; *City of Calgary:* T. Johnson
R. Farkas, assisting
W. Wong, observing

Description and Background of the Property under Complaint:

The subject is identified with a sub-property use code CM00323 – Retail Warehouse Located on a Major Traffic Artery and has a land use designation of Industrial – Commercial. The property is located on Blackfoot Trail between 42nd Ave SE and 56th Ave SE, in the community of Highfield. The subject was initially developed with two industrial buildings in 1980. In 2002 the entire complex was converted to accommodate multiple retail tenants and two pads sites were developed, one for a Tim Horton's, the other for a MaryBrowns /TacoTime outlet. The site area is 6.06 acres. There is 60,705 sq. ft. of rentable area. The Parties have labelled the subject as a somewhat atypical property. There is no dispute with respect to the subject potential net income established at \$722,780 by the Respondent.

Prior to the opening of the hearing the Complainant advised the Board that only 1 of the 11 points filed as **Grounds for Appeal** within the subject's Assessment Review Board Complaint form under *Section 5 – Reason(s) for Complaint* would be argued at this hearing. It is as follows:

"> The assessment of the subject property is not fair and equitable considering the assessed value and assessment classification of comparable properties"

The Complainant is requesting those assessment parameters applied by the Respondent to the South East quadrant strip malls, wherein the vacancy allowance is 9% versus 4%, the operating cost charges are \$8.50 versus \$8.00 and the capitalization rate is 8.5% versus 8.0%.

With these adjustments the Complainant is requesting an assessment of **\$7,320,000.**

Issue:

Which income approach assessment parameters ought to be applied to best reflect the Market Value of the subject: those for a retail/warehouse type property, or those for a South East quadrant strip mall?

Board's Decision in Respect of the Issue:

The Complainant submitted the Assessment Summary Reports and the Non-Residential Properties – Income Approach Valuation on 12 comparables all from the South East quadrant. Each comparable is subtitled with a sub property use code of CM0210 Retail Store – Strip. Each shows the use of the following parameters: a vacancy allowance of 9%, an operating cost charge of \$8.50, and a capitalization rate of 8.5%. The Complainant argues that equity between the subject and these comparables is not being maintained.

The Respondent provided a "what if" valuation of the subject as a South-East Strip Mall for

illustration purposes. The Respondent points out that if one chooses to you use the parameters of the South East strip mall one must also apply the rental rates associated with the strip malls. In the subject case the potential net income would be increased to \$879,411 from its current rate of \$722,780. Then the application of a vacancy allowance of 9%, an operating cost charge of \$8.50, and a capitalization rate of 8.5% would yield a valuation of \$9,090,000.

The Respondent also provided the details relative to the subject's sale in May of 2007; wherein the net operating income is shown as \$645,205. The current net operating income concluded by the assessment is \$667,505.

Decision:

The assessment is confirmed at **\$8,340,000.**

Reasons for the Decision:

The income approach determines value based upon many factors that depend upon and influence each other. The level of income is dependent upon the location, the configuration, the type of construction, the era built and a multiple of factors and features. It is challenging to estimate the level of income when the subject is a hybrid or as in this case a bit atypical. The subject was initially built as a typical warehouse. The changes made to accommodate retail tenants and the addition of the restaurant pads does not necessarily make it a strip mall either. The application of the South East strip mall parameters would increase the assessment. Based on the sales data the income level used in the assessment is reasonable.

DATED AT THE CITY OF CALGARY THIS 1 DAY OF SEPTEMBER 2010.



D. H. Marchand
Presiding Officer

An appeal may be made to the Court of Queen's Bench on a question of law or jurisdiction with respect to a decision of an assessment review board.

Any of the following may appeal the decision of an assessment review board:

- (a) the complainant;*
- (b) an assessed person, other than the complainant, who is affected by the decision;*
- (c) the municipality, if the decision being appealed relates to property that is within the boundaries of that municipality;*
- (d) the assessor for a municipality referred to in clause (c).*

An application for leave to appeal must be filed with the Court of Queen's Bench within 30 days after the persons notified of the hearing receive the decision, and notice of the application for leave to appeal must be given to

- (a) the assessment review board, and*
- (b) any other persons as the judge directs.*