

**CALGARY
ASSESSMENT REVIEW BOARD
DECISION WITH REASONS**

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

between:

AEC INTERNATIONAL, COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

B. Horrocks, PRESIDING OFFICER

J. Massey, MEMBER

J. Kerrison, MEMBER

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

ROLL NUMBER	LOCATION ADDRESS	HEARING NUMBER	ASSESSMENT
757118203	310 SHAWVILLE BV SE	59806	\$16,560,000
200121077	8888 COUNTRY HILLS BV NW	59810	\$76,290,000

This complaint was heard on the 7th day of October, 2010 at the office of the Assessment Review Board located at 4th Floor, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 2.

Appeared on behalf of the Complainant:

- Ms. B. Soulier (AEC INTERNATIONAL)
- Mr. B. Dell (Wilson Laycraft)

Appeared on behalf of the Respondent:

- Ms. B. Thompson
- Mr. E. Lee

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

At the outset of the hearing it was agreed that Hearing Numbers 59806 and 59810 would be heard together.

Property Description:

The subject properties consist of land and large retail buildings located at Royal Oak and Shawville power centres. The retail buildings are both occupied by Walmart. The pertinent details are shown in the table below.

Property Label	A	B
Store	Royal Oak	Shawville
Roll Number	200121077	757118203
Address	8888 Country Hills BV NW	310 Shawville BV SE
Lot Size	10.66 acres	12.62 acres
Area	132,228 sq. ft.	127,951 sq. ft.
Age	6 years	11 years

Issues:

The Assessment Review Board Complaint form contained the same 5 issues for each property. At the outset of the hearing the Complainant advised that the outstanding issues were:

(A) Country Hills BV

(1) The property assessment is in excess of the legislated market value standard as required by the Municipal Government Act and regulations. The City has relied upon an incorrect rental rate of \$10.00 per square foot.

(B) Shawville BV

(1) The property assessment is in excess of the legislated market value standard as required by the Municipal Government Act and regulations. The assessor has relied upon an incorrect rental rate of \$10.00 per square foot.

(2) The property assessment is in excess of the legislated market value standard as required by

the Municipal Government Act and regulations. The assessor has relied upon an incorrect capitalization rate of 7.5%.

Complainant's Requested Value: Country Hills \$12,810,000
Shawville \$12,396,000

Board's Decision in Respect of Each Matter or Issue:

Issue: Rent rate

The Complainant's evidence submission was labelled C-1.

The Complainant, at page 24, provided **Table 3—Lease Analysis—Big Box Free Standing** that includes 10 leases (including one of the subject properties) from throughout the province. The face rents ranged from a low of \$4.00 per square foot (Forest Lawn) to a high of \$10.00 per square foot for one of the subjects (Royal Oak). The average face rent was \$7.63 per square foot and the median was \$7.89 per square foot.

The Complainant, at page 26, provided **Lease Summary And Analysis—Landlord List** to demonstrate that the First Pro leases cannot be distinguished from the retail leases with Ivanhoe Cambridge, First Capital/Rencor Developments, Sunlife, Rio Can and JCA Financial. Furthermore, the average of the First Pro leases equates to \$8.09 per square foot whereas the average of the non First Pro leases equates to \$7.17 per square foot or 11% less than the First Pro leases (excluding the Macleod Trail lease).

The Complainant, at page 45, provided **Equity Analysis—Free-Standing Big Box Stores, Calgary** which shows that 1 Walmart and 2 Zellers are assessed at \$8.00 per square foot and 1 Walmart is assessed at \$7.00 per square foot. He concluded that the two subject properties are inequitably assessed at \$10.00 per square foot.

The Respondent's Assessment brief was labelled R-1.

The Respondent, at page 49, provided the **Tenant Rent Roll** for Country Hills wherein Walmart is paying \$10.00 per square foot Base rent for a lease entered into on October 2, 2003 for a period of 20 years.

The Respondent, at page 50, provided a table of **Equity Comparables** that contains 35 Big Boxes including Canadian Tire/ Costco/ Ikea/ Rona/ Superstore/ Totem/ Trail Appliances/ and Walmart. The majority have assessed rent rates of \$10.00 per square foot.

The exceptions were the Superstore located at 5251 Country Hills BV NW with a rent rate of \$8.00 per square foot, which the Respondent argued was made in error by the Assessment Review Board (ARB), and the Walmart located at 9650 Macleod Trail SE which was reduced to \$8.00 per square foot by the ARB.

The Respondent noted that there was no complaint on the \$10.00 per square foot rent rate assessed for the Walmart located at 7979 -11St. SE.

The Board finds the lease for 8888 Country Hills BV at \$10.00 per square foot to be compelling evidence of the market rent for the Walmart at this location.

The Board finds that based on Equity (C-1, page 45) that the rent rate for the Walmart located at 310 Shawville BV SE should be reduced to \$8.00 per square foot. This conclusion is supported by the assessed rent of the Zellers property (\$8.00 per square foot) that is located immediately adjacent at 275 Shawville BV SE.

Issue: Capitalization Rate

The Complainant, at page 37, provided **Capitalization Rate Survey-Calgary-Retail Properties**. The indicated capitalization rate range is 8.3% to 8.7%.

The complainant further advised that Colliers International has reported the capitalization rate range for the second quarter for Retail Power Centres in Calgary to be 7.50 - 8.00%, and that CB Richard Richard Ellis has reported the rate range to be 7.15% - 8.00%.

The Complainant concluded that the appropriate capitalization rate for the valuation of the subject properties is 8.0%.

The Respondent, at page 20, provided **2010 Capitalization Rates Summary** noting the capitalization rate for Power Centres was 7.50%, and the cap rate for Neighborhood Centres was 8.0%.

During the course of the Hearing, the Complainant submitted evidence labelled as C-3 which was a recalculation of the requested assessment for Shawville utilizing a capitalization rate of 7.5% which was not disputed by the Respondent.

The Board finds the appropriate capitalization rate for Shawville to be 7.5% and the appropriate capitalization rate for Country Hills to be 8.0%.

Board's Decision:

The 2010 assessment for 310 Shawville BV SE is reduced to \$13,220,000 as calculated on C-3.

The rent rate for Walmart only in 8888 COUNTRY HILLS BV NW (Royal Oak) is confirmed at \$10.00 per square foot. The Board further notes that Hearing number 59460 relates to the Walmart component of the Royal Oak retail centre and that Hearing was held on October 4th, 2010 which was confirmed as reported in decision number CARB 1819/2010-P.

DATED AT THE CITY OF CALGARY THIS 28 DAY OF October 2010.


for **B. Horrocks**
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.*