

**CALGARY
ASSESSMENT REVIEW BOARD
DECISION WITH REASONS**

In the matter of the complaint against the property assessment as provided by the *Municipal Government Act*, Chapter M-26, Section 460, Revised Statutes of Alberta 2000 (the Act).

between:

Hanson Ranch Plaza Inc. (as represented by Colliers International), COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

B. Horrocks, PRESIDING OFFICER

J. Joseph, MEMBER

K. Farn, 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 2011 Assessment Roll as follows:

ROLL NUMBER:	417009800
LOCATION ADDRESS:	11 HIDDEN CREEK DR NW
HEARING NUMBER:	64601
ASSESSMENT:	\$4,510,000

This complaint was heard on the 21st day of July, 2011 at the office of the Assessment Review Board located at Floor Number 3, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 10.

Appeared on behalf of the Complainant:

- Mr. D. Porteous (Colliers International)

Appeared on behalf of the Respondent:

- Mr. G. Good

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

There were no concerns with the composition of the Board.

There were no preliminary issues. The merit hearing proceeded.

At the start of the merit hearing, both parties agreed to carry forward arguments from Hearing #64588 which had just been completed by the same Board.

Property Description:

The subject property is a 1.92 acre parcel located in the Hidden Valley Community in NW Calgary. The site contains 2 multi tenant strip buildings, with a total of 11,936 sq. ft. of leasable area, that were constructed in 2003 and a standalone gas bar/convenience store that was constructed in 2001. All of the buildings are considered to be of A- quality.

Issues:

The Assessment Review Board Complaint form contained the statement: "The assessment amount is not reflective of the correct application of the Income Approach to Value, specifically the Direct Capitalization Method as a primary or secondary approach to value. Proper consideration to the following is not evident in the assessment amount:

1. The timing, direction, and magnitude of a change in the retail market.
2. Location and quality differences, in relative terms, with respect to lease rates, vacancy allowance, operating costs and capitalization rates.
3. Typical market rent, vacancy, operating costs, and capitalization rate applied to atypical subject property.
4. Leased Fee versus Fee Simple capitalization rate." amongst other things.

The Complainant advised the only outstanding issue was Capitalization (Cap) rate.

Complainant's Requested Value: \$2,980,000 (Complaint Form)
\$4,030,000 (Hearing)

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

The Complainant's Disclosure is labelled C-1.

The Complainant, at page 27, provided 2011 Strip Centre Capitalization Rate Summary prepared by the City of Calgary. He noted the two smallest properties were both less than 10,000 sq. ft. and should not be included as they are physically and economically different from the subject. Similarly, he suggested that properties larger than 50,000 sq. ft. are not retail strip centres, but rather fit into larger class retail centers such as Neighbourhood and Community, and should be removed.

The Complainant, at page 30, recalculated the median Cap rate to be 8.41% after making the following changes:

1. Recalculating the Cap rate for 1725 32 AV NE by utilizing a backup sale with a higher rental rate to increase the NOI.
2. Recalculating the Cap rate for 3709 26 AVE NE to reflect a correction in the sale price
3. Recalculating the Cap rate for 20 Douglas Woods DR SE to reflect a correction in the leasable area.
4. Recalculating the Cap rate for 5303 68 AVE NE to reflect an increase in market rents as identified on the rent roll.
5. Recalculating the Cap rate for 920 36 ST NE to reflect an increase in market rents as identified on the rent roll.
6. Removing the sales of properties smaller than 10,000 sq. ft. and larger than 50,000 sq. ft. as they should be considered outliers because of their size.

The Complainant, at page 21, provided Retail Strip Proforma for the subject utilizing the recalculated Cap rate of 8.41% and all other income valuation parameters the same as the assessment to arrive at his requested Total Current Assessment of \$4,025,175.

The Respondent's Disclosure is labelled R-1.

The Respondent, at page 29, provided Retail Definitions Utilized by City of Calgary noting that Strip Shopping Centres are an attached row of at least 4 retail occupants managed as a coherent entity.

Neighbourhood Shopping centres are anchored by supermarkets, drug store or junior box store and are typically 30,000 to 150,000 sq. ft. of gross leasable area.

Community Shopping Centres are anchored by supermarkets, drug stores, junior box stores and have a typical gross leasable area of 100,000 to 350,000 sq. ft. and often have more than 1 anchor. He said a Strip Centre can be larger than 50,000 sq. ft. as long as there is no anchor.

The Respondent, at page 30, provided the 2011 Strip Centre Capitalization Rate Summary noting the median Cap rate was 7.48% and the assessed Cap rate is 7.50%. He said the City was required by legislation to use typical parameters and not actuals in mass appraisal.

The Respondent, at page 42, provided Strip Centre Capitalization Rate Assessment to Sale Ratios, 7.5% v. 8.41% to demonstrate that using a Cap rate of 8.41%, as requested by the Complainant, drives the median Assessment to Sales Ratios from 0.98 to 0.88 which is outside the statistical boundaries of 0.950 – 1.050 as defined in the legislation.

The Board finds the methodology utilized by the Complainant to calculate the Cap rate inconsistent and furthermore changing the Cap rate from 7.50% to 8.41% moves the Assessment to Sales Ratio outside the boundaries as defined in the legislation.

Board's Decision:

The 2011 assessment is confirmed at \$4,510,000.

Reasons

The Complainant's exclusion of smaller and larger strip malls is not supported.

The Complainant's mixing of actual and typical input parameters is not appropriate.

Changing the Cap rate moves the Assessment to Sales ratio outside the legislated statistical boundaries.

DATED AT THE CITY OF CALGARY THIS 16th DAY OF AUGUST 2011.


B. Horrocks
Presiding Officer

APPENDIX "A"**DOCUMENTS PRESENTED AT THE HEARING
AND CONSIDERED BY THE BOARD:**

NO.	ITEM
1. C1	Complainant Disclosure
2. R1	Respondent Disclosure

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

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

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

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

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