

**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:**

***Fill Strong Limited (as represented by Colliers International), COMPLAINANT***

**and**

***The City Of Calgary, RESPONDENT***

**before:**

***B. Horrocks, PRESIDING OFFICER  
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:

<b>ROLL NUMBER:</b>	<b>018023002</b>
<b>LOCATION ADDRESS:</b>	<b>5720 SILVER SPRINGS BV NW</b>
<b>HEARING NUMBER:</b>	<b>61401</b>
<b>ASSESSMENT:</b>	<b>\$7,520,000</b>

This complaint was heard on 22nd 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 matters. The merit hearing proceeded.

At the start of the hearing, both parties agreed to carry forward arguments that had been made the previous day before the current Board members with respect to Capitalization (Cap) rate.

**Property Description:**

The subject property is a 6.19 acre parcel located in the Silver Springs Community in NW Calgary. The site contains a multitenant retail strip building, with 77,561 sq. ft. of leasable area, and a standalone auto repair service centre with 3,100 sq. ft. of leasable area that was converted from a former convenience store. Both buildings were constructed in 1976 and are considered to be of C+ 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.

At the hearing the Complainant advised the only outstanding issue was Cap rate.

**Complainant's Requested Value:** \$5,310,000 (Complaint Form)  
\$6,240,000 (Hearing)

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

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 centres 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 90, 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 \$6,237,854.

The Complainant requested the subject be classified as a Neighbourhood Centre, noting the Cap Rate would then be 7.25% versus the 7.50% assessed, and the Vacancy allowance would be 7.50% versus the 3.75% assessed.

The Respondent's Disclosure is labelled R-1.

The Respondent, at page 30, 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 33, 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 45, 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 Respondent argued that Classification had not been identified as an issue and that the Complainant had not submitted any evidence with respect to his request.

It was pointed out during questioning that the subject had a CRU category labelled POOR LOCATION with 23,747 sq. ft. The Respondent said the category acknowledged there were spaces that were interior and/or not visible and that they had been recognized by reducing the assessed Market Net Rental Rate to \$7.00 / sq. ft.

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.

The Board notes that the PGI assessed of \$958,944 is within approximately 1% of the Actual Income of \$969,994 as shown on the Tenant Roll, which would suggest that the assessment is reasonable.

The City's Cap rate may not recognize properties that exhibit negative influences (poor location). Applying a rent reduction to \$7.00 / sq. ft. produces a relatively small adjustment to the current income however there is nothing in evidence, other than the request for an 8.41% Cap rate which is likely excessive.

#### **Board's Decision:**

The 2011 assessment is confirmed at \$7,520,000.

#### **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 16<sup>th</sup> DAY OF AUGUST 2011.

  
B. Horrocks  
Presiding Officer

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

<b>NO.</b>	<b>ITEM</b>
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.*