

**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:**

***Visions Electronics Realty Corporation (as represented by AltusGroup), COMPLAINANT***

**and**

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

**before:**

***Board Chair, J. Zezulka  
Board Member 1, D. Morice  
Board Member 2, D. Julien***

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: 016208902**

**LOCATION ADDRESS: 46 Crowfoot Circle NW**

**HEARING NUMBER: 63997**

**ASSESSMENT: 3,220,000.00**

This complaint was heard on 25 day of July, 2011 at the office of the Assessment Review Board located at Floor Number Three, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom Twelve

Appeared on behalf of the Complainant:

- *B. Neeson*

Appeared on behalf of the Respondent:

- *S. Turner*

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

There were no procedural or jurisdictional matters to be dealt with.

**Property Description:**

The subject consists of the Visions Electronics retail store premises, located in the Crowfoot Power Centre in NW Calgary. The property comprises a free standing 10,508 sq.ft. building, containing 9,680 s.f. of main floor retail space, and an 828 s.f. non-retail mezzanine. The land area is 0.82 acres. The complex was built circa 1997.

**Issues:**

The premises are currently assessed using the income approach. The rent applied by the City is \$26.00 per s.f. for the 9,680 s.f. of main floor area, and \$1.00 per s.f. for the mezzanine. The capitalization rate applied is 7.25 per cent.

The Complainant does not dispute the valuation method. The Complainant maintains that the appropriate capitalization rate to be applied should be 7.75 per cent. On the basis of equity, the Complainant maintains that the appropriate rent should be \$20.00 per s.f. for the main floor area. There is no dispute over the mezzanine rent.

There are no other issues.

**Complainant's Requested Value:** \$2,310,000.00

**Evidence**

1.) Capitalization Rate

The Complainant submitted a Capitalization Rate analysis intended to show that a rate of 7.75 per cent was a more appropriate capitalization rate for the subject. Within the analysis, the Complainant stated that the net operating income used to generate a market value assessment must be derived from typical rates, while the rates used to determine a market capitalization rate must be actual rents. The study contained three comparables for analysis. The analysis was entitled "Leased Fee Estate (LFE) Valuation. During the hearing, the Complainant advised the Board that the heading should be removed, as the analysis was intended to be a Fee Simple analysis. Three comparable transactions were presented, all of which are in Crowfoot Centre. Two took place in 2009, and one occurred in 2010. The three reflected rates of 7.28 per cent to 7.95 per cent, with a median capitalization rate of 7.72 per cent. The Complainant submitted that the rates were derived by using actual selling prices, and actual rents. The rents, however,

were stabilized with typical vacancy rate, typical non-recoverable allowance, and typical vacancy shortfall.

The Respondent used four transactions in the capitalization rate analysis. Two were common to the Complainant's evidence. One was post facto. While the Respondent used the actual selling price, all of the other inputs used, including the rents, were based on typical rates. The results of the analysis was a range of 6.34 to 7.97 per cent. The average and median appeared at 6.84 and 7.00 per cent. Excluding the post facto transaction, the average and median were 7.21 and 7.33 per cent. In addition, the Respondent presented third party evidence from published, reliable sources that capitalization rates for Power Centers ranged from about 6.50 to 7.00 per cent.

## **2) Rent**

The Complainant submitted 13 comparables to support his argument. For space of 6,499 to 12,260 s.f., the data indicated an average rent of \$20.55 per s.f., and a median of \$19.75. None of these are in the same Power Center as the subject. All of the lease dates are 2008 to 2010. Some of this data was questioned by the Respondent, who maintained that many of the leases presented are not new leases, but are in fact step-up provisions of older, existing contracts.

The Respondent presented 29 leases in the 6,001 to 14,000 s.f. category. Of the total, ten leases are in the Crowfoot Power Centre. These reflect a median rent of \$27.00 per s.f. The City wide sampling reflects a median rent of \$29.05 per s.f. The current assessment applied to the subject is \$26.00 per s.f.

## **Board's Decision**

With respect to issue the capitalization rate, the Board finds that the Respondent's approach is the most consistent, in that all of the inputs used to develop the rate are typical rates. The Complainant, on the other hand, used actual rents, and then applied typical rates to arrive at a stabilized net operating income. The latter approach, in the Board's opinion, provides a better indication of the leased fee estate ( as entitled on the Complainant's submission) than it does a value for the fee simple estate. The Board finds that the Respondents approach is the most appropriate, hence the Respondent's result is the most appropriate..

The Complainant demonstrated, to the satisfaction of the Board, that none of the rental data submitted are the result of step up provisions but are in fact new lease contracts.

The valuation standard for land and improvements is market value, as defined by the Municipal Government Act. One of the primary criteria governing or affecting market value is location. Simply by reason of the fact that ten of the Respondent's comparables are in the same power centre as the subject ( the same location as the subject ), the Respondent's comparables are considered to be the most convincing.

Overall, there is not sufficient evidence to prompt the Board to make a change to the existing assessment.

The assessment is confirmed.

DATED AT THE CITY OF CALGARY THIS 30<sup>th</sup> DAY OF August, 2011.

  
Jerry Zezulka  
Presiding Officer

**APPENDIX "A"**

**DOCUMENTS PRESENTED AT THE HEARING  
AND CONSIDERED BY THE BOARD:**

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1. C1 Complainant Submission of Evidence,
  2. C2 Complainant , Non-Residential Properties – Income Approach Valuation
  3. C3 Complainant 2011 Capitalization Rate – Rebuttal Submission
  4. R1 City of Calgary Assessment Brief

*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.*

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Decision No. 1499/2011 - P			Roll No. 016202202	
<u>Subject</u>	<u>Type</u>	<u>Issue</u>	<u>Detail</u>	<u>Issue</u>
CARB	2, Power Centre	Stand alone	Income approach	Capitalization rate, net market rent, lease rates