

REVISED
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, Revised Statutes of Alberta 2000 (the Act).

between:

DP Plaza Ltd.
(as represented by Colliers International Realty Advisors), COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

J. Fleming, PRESIDING OFFICER
R. Roy, MEMBER
B. Jerchel, 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: 149150294
LOCATION ADDRESS: 14919 Deer Ridge Dr. SE
HEARING NUMBER: 61395
ASSESSMENT: \$18,490,000

This complaint was heard on 25th day of July, 2011 at the office of the Assessment Review Board located at Floor Number 3, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 9.

Appeared on behalf of the Complainant:

- *D. Porteous*

Appeared on behalf of the Respondent:

- K. Gardiner

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

There were no procedural or jurisdictional matters raised.

Property Description:

The property is a 74,048 square foot (sq. ft.) plus Gas Bar retail development in SE Calgary. The property is comprised of 9 buildings situated on \pm 7.61 acres of land. The property is anchored by a grocery store and has several Commercial Retail Units (CRU's) distributed over a total of 9 buildings on the site. The zoning was not identified by either party, and the property is assessed on the Income Approach to Value (IAV).

Issues:

The complainant identified a number of potential issues on the Complaint Form, but at the hearing the only issue identified was the capitalization rate (cap rate).

What is the most appropriate capitalization rate for the property?

In order to decide this issue it is necessary to determine the classification of the property.

Complainant's Requested Value:

\$16,750,000

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

The property is a neighbourhood centre.

Board's Decision and Reasons:

The complainant argued that the property was a strip centre and introduced a cap rate study for strip centres that they said supported their request for an 8.00% rate rather than the 7.25% rate used by the Respondent/City. In addition, they also revised four of the entries in the study by calculating a rental rate based on actual lease rates which either were signed, renewed or came into effect close to the valuation date (in the case of step-up leases). All of the other attributes in their valuation calculations were identical to those used by the City. As a result, their analysis resulted in a mean cap rate from all sales of 7.97% and they also highlighted rental rates for properties under 10,000 sq. ft. and between 10,000 – 50,000 sq. ft.

The Respondent pointed out that the study used by the Complainant was actually virtually identical to the City's study for **strip** centres (emphasis added), but, they noted, that the subject qualified as a **neighbourhood** centre (emphasis added) because it was anchored by a large grocery store. They provided backup to support this classification (Ex. R1 pg 18 & 19). The Respondent provided their Cap rate Study for Neighbourhood Centres which contained 8

properties and supported their assessed rate of 7.25% (Ex. R1 pg. 25). In addition, the Respondent provided a summary of third party capitalization rate studies which supported their cap rate and these studies included information from the Complainant's agent which supported the Respondent's cap rate (Ex. R1 pg. 17).

The CARB reviewed all the evidence and argument. The evidence, which is supported by the City (Ex. R1 pg 19), and unrefuted by the Complainant, is that the property is a Neighbourhood centre by virtue of the fact that it contains a food store anchor (Sobey's).

Because the centre is a neighbourhood centre, the cap rate of 7.25% selected by the City based on their Capitalization Rate Study is the most appropriate rate for the subject. Accordingly the assessment is confirmed.

The CARB reviewed the discussion on typical rents put forward by the Complainant and found the methodology in error (the use of typical rents developed using "actual" rents for the property is not a valid basis for determining typical rents for assessment purposes). For this reason, and because these rents were used with an inappropriate cap rate (strip centre as opposed to neighbourhood centre), no weight was applied to this evidence.

Board's Decision:

The complaint is denied and the assessment is confirmed at **\$18,490,000**.

DATED AT THE CITY OF CALGARY THIS 11 DAY OF August 2011.


for **James Fleming**
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.*