

**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:**

***Royal West (Crowfoot) Limited (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: 175101807**

**LOCATION ADDRESS: 70 Crowfoot Way NW**

**HEARING NUMBER: 64261**

**ASSESSMENT: 3,380,000.00**

This complaint was heard on 28 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 Canadian Imperial Bank of Commerce premises, located in the Crowfoot Power Centre in NW Calgary. The property comprises a free standing 8,260 sq.ft., single storey bank building, on a 1.46 acre parcel of land. The complex was built circa 1995.

**Issues:**

The premises are currently assessed using the income approach. The rent applied by the City is \$32.00 per s.f. for the total 8,260 s.f. area. 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 \$30.00 per s.f .

There are no other issues.

**Complainant's Requested Value:** \$2,960,000.00

**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 two equity comparables. The rent for the Bank space in both instances is shown at \$30.00 per s.f. Both properties are in the Crowfoot Business Centre. Both comparables are part of larger developments containing both office and retail space.

The Complainant also submitted three summarized rent rolls in Crowfoot. In Crowfoot Square, nine CRU spaces exhibited an average rent per s.f. of \$28.50. A summary of 33 CRU space rentals in Crowfoot Village, having a total of 57,924 s.f., reflected an average rent of \$33.04 per s.f. Similarly, 27 CRU units in Crowfoot Corner reflect an average per s.f. rent of \$34.64 per s.f.

The Respondent presented four rental equity comparables, all of which are located in the Crowfoot Power Centre, or business centre. Two are stand alone buildings, similar to the subject. Two contain either second storey office space, or a second retail building on site. The assessed bank rent is \$32.00 per s.f. in all instances.

## **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 subject is a stand alone building. The comparables submitted by the Respondent are stand alone buildings, in the same business center as the subject. The two comparables submitted by the Complainant are also in the same business centre as the subject, but both are part of a much larger complex. The Respondent's comparables are considered to be the most convincing. In addition, and although not as compelling, the Complainant's rental evidence in Crowfoot Village and Crowfoot Corner add a level of support to the assessed rental of \$32.00 per s.f. adopted by the City.

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, lease rates |