

**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:**

***2785528 CANADA INC. (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: 175102102**

**LOCATION ADDRESS: 90 Crowfoot Way NW**

**HEARING NUMBER: 64250**

**ASSESSMENT: 18,500,000.00**

This complaint was heard on 29 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 Rona Home & Garden retail store premises, located in the Crowfoot Power Centre in NW Calgary. The property comprises a free standing 152,492 sq.ft. building, The land area is 12.58 acres. The complex was built circa 1995.

**Issues:**

The premises are currently assessed using the income approach. The current assessment is based on 136,681 s.f. of space classified as retail space at a rental of \$10.00 per s.f. , and 15,811 s.f. of non retail mezzanine at \$1.00 per s.f. The capitalization rate applied is 7.25 per cent.

The Complainant does not dispute the valuation method. The Complainant has three basic issues;

1. The capitalization rate applied should be 7.75 per cent.
  2. There are 131,638 s.f. of retail space. There is a 4,998 s.f. seasonal greenhouse that should be assessed at a lower rental rate. The Complainant suggests \$2.00 per s.f.
  3. The rent for the retail space should be \$7.00 per s.f. not \$10.00 per s.f.
- There is no issue with the mezzanine storage area, or applied rent.  
There are no other issues.

**Complainant's Requested Value:** \$11,770,000.00

**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 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) Area Classification**

It is the Complainant's position that the greenhouse area is unused during the off-season. The Respondent claims that the area is heated and is in fact used for retail purposes during the entire year. Neither party presented evidence to support their position.

## **3) Rent**

The Complainant submitted a number of comparables for Big Box retail stores. All of these are located in shopping centers. The data included the Wal Mart store in Westbrook Mall, Sears and Wal Mart in the Deerfoot Mall, Wal Mart and Sears stores in the Marlborough Mall, and Wal Mart in the Northland Shopping Center. All of the rents reflected were indicated at \$5.00 and \$7.00 per s.f., although the City's Assessment Request for Information ( ARFI ) forms for each of the properties show slightly different rents.

The Respondent presented 33 equity comparables showing assessed rents at \$10.00 per s.f. for Big Box stores over 100,000 s.f. The Respondent also produced the ARFI form for the subject property that shows 152,313 s.f. of retail area, at an actual rent of \$9.76 per s.f. The Board notes that the area shown on the ARFI form exceeds the total assessed area including non-retail mezzanine and greenhouse area.

The Respondent also presented two lease comparables for Big Box stores over 100,000 s.f. and five comparables for stores between 50,001 and 100,000 s.f. The actual rents in the over 100,000 s.f. category were \$9.59 and \$10.00 per s.f.

A number of past CARB and LARB decisions relating to the subject property were also presented for the Board's consideration.

## **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 Board finds that the Complainant's claim regarding the seasonal use of the garden centre is without substantiation, and therefore fails.

The rent comparables submitted by the Complainant are anchor tenants in large shopping malls that also rely on smaller CRU tenants. Anchor tenants in these locations historically demand lower rent levels as compensation for the drawing power generated by their presence. These are not considered comparable to the subject. In addition, during the course of the hearing, the Complainant stated that the requested \$7.00 per s.f rent "might be too aggressive", but offered no alternative. What conclusion should this Board come to? The Respondents rental evidence is considered more representative of the subject.

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 1<sup>st</sup> DAY OF Sept., 2011.



**Jerry Zezulka**  
**Presiding Officer**

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

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.*

**For MGB Administrative Use Only**

<i>Decision No. 1549/2011 - P</i>			<i>Roll No. 175102102</i>	
<u><i>Subject</i></u>	<u><i>Type</i></u>	<u><i>Issue</i></u>	<u><i>Detail</i></u>	<u><i>Issue</i></u>
CARB	2, Power Centre	Big Box store	Income approach	Capitalization rate, net market rent, lease rates