

**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(4), Revised Statutes of Alberta 2000 (the *Act*).

between:

**525464 ALBERTA LTD., COMPLAINANT,
as represented by COLLIERS INTERNATIONAL REALTY ADVISORS INC.**

and

The City Of Calgary, RESPONDENT

before:

**T. Helgeson, PRESIDING OFFICER
H. Ang, MEMBER
E. Bruton, 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 2012 Assessment Roll as follows:

ROLL NUMBER: 076001254

LOCATION ADDRESS: 1919 31 Street SE

HEARING NUMBER: 66467

ASSESSMENT: \$5,740,000

This complaint was heard on Thursday, the 27th of September, 2012 at the office of the Assessment Review Board located at Floor Number 4, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 2.

Appeared on behalf of the Complainant:

- *T. Howell*

Appeared on behalf of the Respondent:

- *C. Yee and D. Clark*

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

[1] No procedural or jurisdictional matters requiring a decision of the Board were brought to the attention of the Board.

Property Description:

[2] The subject property, known as "Midnight Nua Khuya", is located on the west side of 31st Street between 17th Avenue and 19th Avenue SE. The site is 97,417 sq. ft. in area, and there are two buildings on the site. The buildings were constructed in 1967 and 1970. The subject property is classified as a "B-" quality retail strip centre. The subject property has been assessed with the income approach, using a cap rate of 7.50%.

Issue:

[3] Do recent sales support an increase in the capitalization rate from 7.50% to 8.25%?

Complainant's Requested Value: \$5,220,000, as revised.

Summary of the Complainant's Submission

[4] The capitalization rate ("cap rate") is the only issue before the Board. We will not put our rebuttal material into evidence. There are enough recent sales to produce a current, valid, cap rate. The Respondent should be using current data for each year because they are required to prepare an assessment each year.

[5] The Respondent's cap rate is 7.50%, well below the average cap rate for strip centres in Calgary. To derive its cap rate, the Respondent uses 16 sales that occurred over a two year period. The last four sales in the Respondent's cap rate study (at p. 21 of Exhibit R-1) are the only sales that count. These sales are also found at p. 13 of Exhibit C-1.

[6] The four sales provide adequate sales information to establish an accurate cap rate as at July 1st, 2011. The cap rates for the four sales are 9.27%, 8.48%, 5.96% and 8.00%. The average cap rate is 7.93%, and the median is 8.25%. These results support our request for a

very modest capitalization rate of 8.25%. Applying that cap rate to the net operating income of the subject property will produce the requested assessment of \$5,220,000.

Summary of the Respondent's Submission:

[7] In determining a cap rate for assessment purposes, we use a two year period. We look for a general trend in cap rates, instead of relying on yearly fluctuations. A two year period produces consistency.

[8] A strip centre cap rate study that includes 16 sales is found at p. 21 of Exhibit R-1. These 16 sales indicate an average cap rate of 7.38%, and a median of 7.48%. Our cap rate of 7.50% is amply supported.

[9] The assessment is correct, fair and equitable, and is supported by the evidence. We respectfully request that the Board confirm the assessment.

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

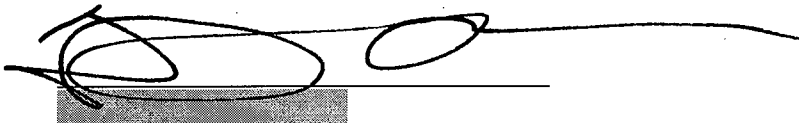
[10] In addition to the Complainant's four strip centre sales included in the Respondent's study at p. 21 of R-1, there is another sale that was registered on July 5th, 2010. This sale is important because it too falls within a relevant valuation period, i.e., the period from July 1st of 2010 to July 1st of 2011. The cap rate from this sale is 6.08%.

[11] When the cap rate from the sale of July 5th, 2010 is added to the cap rates from the Complainant's four sales, the average of the five cap rates becomes 7.56%, which amply supports the Respondent's cap rate.

The Board's Decision:

[12] The Board finds the Respondent's cap rate is supported by the evidence. The assessment is confirmed at \$5,740,000.

DATED AT THE CITY OF CALGARY THIS 27th DAY OF November 2012.



Presiding Officer

Exhibits

C-1, Complainant's Evidence Submission

R-1, Respondent's Assessment Brief

<u>Appeal Type</u>	<u>Property Type</u>	<u>Property Sub-Type</u>	<u>Issue</u>	<u>Sub-Issue</u>
CARB	Retail	Strip Plaza	Income Approach	Cap rate

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.*