

**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:

**10011136 Alberta Ltd.
(as represented by Colliers International Realty Advisors Inc.), COMPLAINANT**

and

The City Of Calgary, RESPONDENT

before:

**M. Vercillo, PRESIDING OFFICER
R. Deschaine, MEMBER
I. Fraser, MEMBER**

This is a complaint to the Calgary Assessment Review Board in respect of property assessments prepared by the Assessor of The City of Calgary and entered in the 2012 Assessment Roll as follows:

ROLL NUMBER: 200116739

LOCATION ADDRESS: 8 WESTON DR SW

FILE NUMBER: 66482

ASSESSMENT: \$4,170,000

This complaint was heard on 9th day of October, 2012 at the office of the Assessment Review Board located at Floor Number 4, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 11.

Appeared on behalf of the Complainant:

- *T. Howell*

Appeared on behalf of the Respondent:

- *G. Good*
- *B. Galli*

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

[1] The Calgary Composite Assessment Review Board (CARB) derives its authority to make this decision under Part 11 of the Act. No specific jurisdictional or procedural issues were raised during the course of the hearing, and the CARB proceeded to hear the merits of the complaint, as outlined below.

Property Description:

[2] The subject property is a retail strip shopping centre located in the "West Springs" community of southwest (SW) Calgary. According to the information provided, the property contains one building that was constructed in 2004, and is 13,446 square feet (SF) in size. The building is situated on an assessable land area of 44,241 SF and has a land use designation of Commercial – Neighbourhood 2.

[3] The subject is assessed using the Income Approach to Value. The building is considered an "A-" quality building and accordingly is assessed by applying a market rental rate of \$26.00 per SF on the commercial retail unit (CRU) spaces of 0 SF to 1,000 SF and \$25.00 per SF on the CRU spaces of 1,001 SF to 2,500 SF to calculate a potential gross income (PGI) of \$338,565. All spaces include allowances for a 5.00% vacancy rate, operating costs of \$8.00 and a 1.00% non-recoverable rate. The resulting calculation for net operating income (NOI) is capitalized for assessment purposes using a 7.50% capitalization rate (cap rate).

Issues:

[4] The Complainant addressed the following issues at this hearing:

- 1) The assessed rental rate applied to the CRU spaces in the Income Approach to value is not consistent with the recent rental activity of the subject and should be reduced to \$23.50 per SF.
- 2) The assessed cap rate applied in the Income Approach to value is not consistent with cap rates achieved during the assessment year and should be increased to 8.25%.

Complainant's Requested Value:

[5] \$3,502,800 on the complaint form. \$3,530,000 at this hearing.

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

ISSUE 1: The assessed rental rate applied to the CRU spaces in the Income Approach to value is not consistent with the recent rental activity of the subject and should be reduced to \$23.50 per SF.

The Complainant provided a 27 page disclosure document that was entered as "Exhibit C1". The Complainant along with Exhibit C1 provided the following evidence or argument with respect to this issue:

[6] An alternative Income Approach calculation using the requested \$23.50 per SF applied to the subjects CRU spaces. The resulting calculation totalled an annual PGI of \$315,981.

[7] A January, 2012 rent roll of the subject that highlighted the two most recent lease activities. A lease with a commencement date of September 1, 2010, leased 2,008 SF of space for \$23.80 per SF. Another lease with a commencement date of August 1, 2010, leased 805 SF of space for \$23.40 per SF. According to this rent roll, the total annual rental of the subject was \$324,364.

The Respondent provided a 41 page disclosure document entitled "Assessment Brief" that was entered as "Exhibit R1". The Respondent, along with Exhibit R1, provided the following evidence or argument with respect to this issue:

[8] An Assessment Request for Information (ARFI) of the subject dated June 7, 2011.

[9] A table of lease comparables of class 'A' quality strip shopping centres with CRU spaces of less than 1,000 SF and all located in Calgary's SW quadrant. A total of 9 leases were compared, 3 of which were from the subject property. Lease commencement dates ranged from April, 2009 to July, 2011. Lease rates ranged from \$23.40 per SF to \$36.00 per SF with an average of \$27.36 per SF and a median of \$26.00 per SF.

[10] A table of lease comparables of class 'A' quality strip shopping centres with CRU spaces between 1,001 SF and 2,500 SF and all located in Calgary's SW quadrant. A total of 17 leases were compared, 2 of which were from the subject property. Lease commencement dates ranged from May, 2009 to July, 2011. Lease rates ranged from \$17.00 per SF to \$30.00 per SF with an average of \$24.86 per SF and a median of \$25.00 per SF.

The CARB finds the following with respect to this issue:

[11] That the Complainant did not have enough evidence to support his requested rate. Two lease rates that are specific to the subject are insufficient to assess the lease rates of comparable space in the retail strip shopping centre market of SW Calgary.

[12] That the Respondent's lease rate sample of evidence was relatively much larger than the Complainant's and included not only the subject's leased spaces but also comparable

spaces of competing retail strip shopping centres. In the CARB's opinion this would provide better support for market lease rates of retail strip shopping centres in SW Calgary.

ISSUE 2: The assessed cap rate applied in the Income Approach to value is not consistent with cap rates achieved during the assessment year and should be increased to 8.25%.

The Complainant along with Exhibit C1 provided the following evidence or argument with respect to this issue:

[13] A chart comparing the cap rates of 4 comparable retail strip shopping centres that sold in 2011 and prior to the valuation date of July 1, 2011. These sales were the same ones used by the Respondent in his analysis (see below), but restricted to 2011 sales. The cap rates ranged from 5.96% to 9.27% with an average of 7.93% and a median of 8.24%.

The Respondent along with Exhibit R1 provided the following evidence or argument with respect to this issue:

[14] A chart comparing the cap rates of 16 comparable retail strip shopping centres that sold from July, 2009 to June, 2011. The cap rates ranged from 5.88% to 9.27% with an average of 7.38% and a median of 7.48%. Within the same chart, the Respondent compared the 2012 assessments of the comparables to the time-adjusted sales price of the comparables. The resulting assessment to sales ratio (ASR) varied from 0.75 to 1.23, with an average and median of 0.99.

The CARB finds the following with respect to this issue:

[15] That the ASR analysis of the Respondent was supportive of the assessment comparables.

[16] That the Complainant did not provide an alternative ASR analysis using his requested cap rate of 8.25%.

Board's Decision:

[17] The complaint is denied and the assessment is confirmed at \$4,170,000

The CARB provides the following reasons for the decision:

[18] The Complainant failed to provide adequate evidence to substantively support his rental rates and the cap rate request.

[19] The Complainant's request to change both the cap rate and assessed rental rate is incongruous. On the one hand, he accepts the Respondent's cap rate study albeit restricted to 2011 sales only. On the other hand, those 2011 cap rates were developed using typical rental rates, yet the Complainant wants those typical rental rates disregarded for the subject's site

specific ones in the Income Approach valuation.

[20] The ASR test as provided by the Respondent supported the assessment parameters used by the Respondent in his Income Approach valuation. The Complainant failed to calculate the ASR's using his alternative calculations for the sales comparables. In the absence of better and more supportive evidence to the contrary, the Respondent's assessment prevails.

DATED AT THE CITY OF CALGARY THIS 12 DAY OF October 2012.



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.

(For MGB Office Only)

Column 1	Column 2	Column 3	Column 4	Column 5
CARB	Retail	Strip Plaza	Income Approach	Lease Rates, cap rate