

**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:**

***Saddle Ridge Holdings Ltd. (as represented by Altus Group), COMPLAINANT***

**and**

***The City Of Calgary, RESPONDENT***

**before:**

***T. Hudson, PRESIDING OFFICER***

***Y. Nesry, MEMBER***

***R. Kodak, 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: 201197241**

**LOCATION ADDRESS: 10 Saddletowne CI NE**

**HEARING NUMBER: 63049**

**ASSESSMENT: \$10,250,000**

This complaint was heard on the 7th day of September, 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:

- K. Fong

Appeared on behalf of the Respondent:

- S. Powell

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

The parties and the Board agreed that the evidence, argument and rebuttal with respect to the issue of the correct capitalization rate to be applied in calculating the assessment of the Community/Neighborhood Shopping Centre(C/NSC), property located at 2929 Sunridge WY NE; would also apply to each of the other NE Calgary C/NSC property assessment complaints, to be heard by this panel of the Board. The affected properties are located at 3221 Sunridge WY NE, 33 and 55 Castleridge BV NE, and 10 and 850 Saddle Towne Circle NE.

The Respondent advised they would be requesting an increase in current assessment. The parties agreed that all of the CRU space on the subject property should be assessed using the same rental rate. However, the parties did not agree on the amount of the rental rate that should be applied. The Board determined that the merit hearing would include consideration of the Respondent request, in the context of determining the appropriate rental rate for the CRU space on the subject property.

**Property Description:**

The subject property is 3.01 acre parcel, improved with 21,699 square feet (sf) of retail space, known as Saddle Towne Crossing. The retail space includes CRU space of 7,728sf, and Bank space of 13,971sf. The current assessment was prepared using the capitalized income approach to value at \$10,250,000(rounded).

**Issues:**

What is the appropriate rental rate to be applied to the CRU Space?

What is the appropriate rental rate to be applied to the Bank Space?

What is the appropriate capitalization rate to be applied to the Net Operating Income(NOI) of the subject property?

**Complainant's Requested Value:** \$7,360,000(rounded).

**Board's Finding in Respect of Each Matter or Issue:**

What is the appropriate rental rate to be applied to the CRU Space?

**The Board finds that the appropriate rental rate is \$31 psf.**

The Respondent submitted the current Assessment Request for Information (ARFI) report on the subject property. The lease rates for CRU space range from a low of \$30 to a high of \$46psf. The assessment of all of the CRU space should therefore be based on \$31psf, to reflect typical market rent. At present, the assessment is prepared using a rental rate of \$23psf for 3,596sf and \$31psf for 4,132sf, notwithstanding that both of the spaces are within the 2,501 to 6,000sf, size range.

The Complainant requested that all of the CRU space be assessed at \$23psf. However, no market evidence or equity comparables, other than the assessed rental rate for that portion of the CRU space on the subject property noted above, was submitted in support of the request.

What is the appropriate rental rate to be applied to the Bank Space?

**The Board finds that the appropriate rental rate is \$43 psf.**

The Respondent presented a Bank Lease Rate Study conducted in 2011. The study identified that Bank space lease rates could be stratified by the time period during which the space was constructed. Properties, such as the subject, constructed in 2008 or after, had typical lease rates in the range of \$43psf. The complete breakdown is presented on pages 22, 23 and 24 of Exhibit R1. The Complainant requested a lease rate of \$32 psf, which is typical of bank space constructed between 2005 and 2007.

What is the appropriate capitalization rate to be applied to the Net Operating Income(NOI) of the subject property?

**The Board finds that the Complainant presented sufficient evidence to shift the onus of proof to the Respondent. The Respondent was unable to demonstrate that a cap rate of 7.25% yields a better estimate of market value for the subject property than a cap rate of 7.75%**

**The Board also finds that previous Board decisions regarding the 2011 typical C/NSC cap rate were the result of very different evidence and argument.**

The Complainant embarked on an exhaustive analysis of the sales, assessments, and assessment to sales ratios (ASR) used by the Respondent in support of the typical cap rate of 7.25% applied in the 2011 income approach to value assessment estimates for C/NSC properties in Calgary. The Complainant requested that a 7.75% cap rate be applied.

With respect to the sales, there were eight (8) submitted by the Respondent, and included on Page 115 of Exhibit R1. When the analysis of the Complainant was concluded, only five (5) sales remained viable for purposes of identifying a typical cap rate. The Respondent was unable to defend retention of the three (3) sales questioned by the Complainant. When only the five (5)

remaining sales are included in the analysis, the mean cap rate is 7.91% and the median is 7.81%.

The Respondent presented no evidence on the typical rates used to support the assessments of the sale properties, and therefore the cap rate and ASR results were also given little weight. The Complainant arguments and evidence regarding alternative typical rent rates were sufficient to meet their need to cast doubt on the assessment values calculated by the Respondent, and meet onus.

**Board's Decision:** The assessment is reduced to \$9,940,000(rounded), based on NOI of \$770,430, capitalized at 7.75%

DATED AT THE CITY OF CALGARY THIS 19 DAY OF October 2011.



**T. B. Hudson**  
Presiding Officer

**APPENDIX "A"****DOCUMENTS PRESENTED AT THE HEARING  
AND CONSIDERED BY THE BOARD:**

<b>NO.</b>	<b>ITEM</b>
1. C1	Complainant Disclosure
2. C2, 2(a), and 3	Complainant Rebuttal
3. 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 Administrative Use Only**

<i>Decision No.2183</i>		<i>Roll No.201197241</i>		
<u>Subject</u>	<u>Type</u>	<u>Sub-Type</u>	<u>Issue</u>	<u>Issue</u>
CARB	Retail	Neighborhood	Income	Rent ,Cap Rate