

**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:

***Calgary Co-operative Association Limited (as represented by Altus Group),
COMPLAINANT***

and

The City Of Calgary, RESPONDENT

before:

***T. Hudson, PRESIDING OFFICER
J. Kerrison, 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: 127091304

LOCATION ADDRESS: 2580 Southland DR SW

HEARING NUMBER: 62928

ASSESSMENT: \$26,480,000

This complaint was heard on the 25th day of October, 2011 at the office of the Assessment Review Board located at Floor Number 4, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 3.

Appeared on behalf of the Complainant:

- B. Neeson

Appeared on behalf of the Respondent:

- M. Ryan

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

There were no procedural or jurisdictional matters raised by the Parties.

The Parties were advised by the Presiding Officer that the complaint hearing would proceed under Part 11 Section 458(2) of the Municipal Government Act (MGA) which states, "The provincial member and one other member of a composite assessment review referred to in section 453(1)(c)(i) constitutes a quorum of the composite assessment review board".

Property Description:

The subject property is a 14.35 acre parcel of commercial land located in the Oakridge Community shopping centre at 2580 Southland DR SW. It was improved beginning in 1976, with additional improvements in 1995, 2003 and 2004, with B and C+ quality retail areas. There is also an improvement area under construction that commenced in 2010. The current assessment of the completed improvements is \$26,170,000 (rounded), based on capitalized net operating income (NOI). The total current assessment of \$26,480,000; includes \$760,000 for the partially completed improvement, and a \$448,500 reduction for an area occupied by an exempt tenant.

Issues:

In Order to Achieve the Best Estimate of Market Value, should the Assessed Net Operating Income(NOI) of the Subject Property be Capitalized at 7.25%, or at 7.75%?

Complainant's Requested Value: \$24,820,000 (rounded).

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

In Order to Achieve the Best Estimate of Market Value, should the Assessed Net Operating Income(NOI) of the Subject Property be Capitalized at 7.25%, or at 7.75%?

The Board finds that the assessed NOI should be capitalized at 7.25% to achieve the best estimate of market value for the subject property.

On a balance of probabilities, the Board has to be persuaded that application of the proposed 7.75% cap rate to the assessed net operating income (NOI) of the subject property, would result in a better estimate of market value for assessment purposes.

The Respondent did not submit any evidence in support of the cap rate used to prepare the current assessment. The Complainant did submit considerable criticism of the Respondent's inconsistent process and questionable sales leading to the 7.25% cap rate used to prepare the 2011 assessments of all Neighborhood/Community shopping centres in Calgary.

However, the inconsistent use of actual and "equitable" rental values by the Complainant was also a significant concern raised by the Respondent. Mixing actual and "equitable" values may result in a cap rate and subsequent estimate of market value which reflects a lease fee estate rather than the fee simple estate required by the legislation and regulations in Alberta .

The Respondent also submitted a Neighborhood/Community Centre Capitalization Rate Assessment to Sale Ratio (ASR) Chart, (page 29 of Exhibit R1). The Chart compares the ASR results for each of the five (5) sale properties used by the Complainant to develop the proposed 7.75% cap rate.

The proposed 7.75% cap rate and the assessed 7.25% cap rate, were applied to the 2011 assessed NOI of each of the sale properties. The resulting assessment estimates were then divided by the sale price of each property, to calculate an ASR. The median ASR of the sales is 1.00 using the assessed 7.25% cap rate; while the median ASR is .93 using the proposed 7.75% cap rate. Given that the quality standard is .95 to 1.05, the evidence does not support the change in cap rate proposed by the Complainant.

Board's Decision: The assessment is confirmed at \$26,480,000.

DATED AT THE CITY OF CALGARY THIS 25 DAY OF November 2011.

A handwritten signature in black ink, appearing to read 'T. B. Hudson', written over a horizontal line.

T. B. Hudson
Presiding Officer

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

NO.	ITEM
1. C1	Complainant Disclosure
2. C2 & C3	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.*

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<i>Decision No.</i>		<i>Roll No.</i>		
<u>Subject</u>	<u>Type</u>	<u>Sub-Type</u>	<u>Issue</u>	<u>Sub-issue</u>
CARB	Retail	Community Shopping Centre	Cap Rate	Equity