

**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:

Investors Group Trust Co Ltd (as represented by Altus Group Limited), COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

B. Horrocks, PRESIDING OFFICER

J. Joseph, MEMBER

R. Deschaine, 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:	200446730
LOCATION ADDRESS:	8338 18 ST SE
HEARING NUMBER:	64519
ASSESSMENT:	\$26,990,000

This complaint was heard on the 3rd day of Nov., 2011 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:

- Mr. B. Neeson (Altus Group Limited)

Appeared on behalf of the Respondent:

- Mr. J. Young

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

There were no concerns with the composition of the Board.

There were no preliminary matters. The merit hearing proceeded.

The parties agreed that all evidence, argument and decision, with respect to Capitalization rate, from Hearing number 63930 would be carried forward and applied to this decision.

Property Description:

The subject property, commonly referred to as the Riverbend Shopping Centre, is an 11.70 acre parcel located in the Riverbend community in SE Calgary. The site is improved with 8 multi tenant buildings, consisting of 108,479 square feet (SF) of rentable area and ranging in quality from B to A2, that were constructed in 1996. Sobeys Supermarket is the anchor tenant. The subject is assessed using the Income Approach to Value.

Issues:

The Assessment Review Board Complaint Form contained 12 Grounds for Appeal. At the outset of the Hearing the Complainant advised the only outstanding issue was the Capitalization (Cap) rate.

Complainant's Requested Value: \$19,940,000 (Complaint Form)
\$25,220,000 (Hearing)

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

Issue Cap Rate (Carried forward from Hearing #63930)

The Complainant's Disclosure is labelled C-1.

The Complainant, at page 29, provided eight 2011 Composite Assessment Review Board (CARB) Decisions from 2 different Boards wherein the Cap rate had been increased from 7.25% to 7.75% as requested by the Complainant.

The Complainant, at page 83, provided Community – Neighbourhood Shopping Centres 2011 Capitalization Rate Analysis and Argument which contained

- The Capitalization Rate Methodology,
- City of Calgary Capitalization Rate Approach,
- Excerpts from the Alberta Assessor's Association Valuation Guide
- Government of Alberta Principles of Assessment I and
- The Capitalization Analysis.

The Complainant submitted the Analysis was prepared in accordance with the guidelines cited above.

The Analysis was prepared utilizing 5 sales of Shopping Centre properties that had occurred in 2009 and Typical Market Rents. The Analysis concluded that the median cap rate for those 5 sales was 7.81%.

The Respondent's Disclosure is labelled R-1.

The Respondent provided two charts on page 21. The top chart compared the Assessment to Sales Ratio (ASR) of the 5 sales used in the Complainant's Cap rate study, using the 7.25% Cap rate (as assessed) and the 7.75% Cap rate (as requested). The Respondent submitted the 7.75% Cap rate produced an inferior estimate of market value because the resulting median ASR (0.93) was further from the desired standard of 0.95 to 1.05 than the median ASR achieved (1.00) using the Cap rate of 7.25%. The bottom chart produced a similar result when the two Cap rates were applied to the 6 sales which were utilized in a number of previous CARB decisions.

The Respondent, at page 23, provided nine 2011 CARB Decisions from 6 different Boards wherein the assessed Cap rate of 7.25% had been confirmed.

The Complainant, through rebuttal (C-2), attempted to introduce the 2011 City of Calgary Cap Rate Study, but was restricted because that evidence had not been disclosed for this hearing.

The Board finds the Cap rate utilized by the Respondent produces a superior estimate of market value, as evidenced by the ASR test. Further, the previous CARB Decisions submitted by the Complainant were based on the Respondent's Cap Rate Study, which was not in evidence at this hearing. Finally, the Board does not agree with the calculation used by the Complainant, as it is based on factors derived using different methodologies. The Complainant used actual and implied rent rates to derive the net operating income (NOI) and subsequent Cap rates of the Analysis properties resulting in an 'actual' Cap rate for the property stratum (Community – Neighbourhood Shopping Centres). It then applied the 'actual' Cap rate to a valuation model that calculates NOI using 'typical' lease rates.

Board's Decision:

The 2011 assessment is confirmed at \$26,990,000.

Reasons

The Cap rate utilized by the Respondent produces a superior result.

The Complainant has not utilized a consistent approach in the derivation of the Cap rate and in the application of that rate.

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


B. Horrocks
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 ADMINISTRATIVE USE

<i>Subject</i>	<i>Property Type</i>	<i>Property Sub - Type</i>	<i>Issue</i>	<i>Sub - Issue</i>
<i>CARB</i>	<i>Retail</i>	<i>Neighbourhood Mall</i>	<i>Income Approach</i>	<i>Capitalization Rate</i>