

## **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:**

***Melissa C. Long and Jeanette Quan (as represented by Colliers International),  
COMPLAINANT***

**and**

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

**before:**

***W. Kipp, PRESIDING OFFICER  
A. Maciag, BOARD MEMBER  
J. Massey, BOARD 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 2013 Assessment Roll as follows:

<b>ROLL NUMBER:</b>	<b>075078816</b>
<b>LOCATION ADDRESS:</b>	<b>3717 – 17 Avenue SE, Calgary AB</b>
<b>FILE NUMBER:</b>	<b>70149</b>
<b>ASSESSMENT:</b>	<b>\$841,500</b>

This complaint was heard on the 11<sup>th</sup> day of June, 2013 at the office of the Assessment Review Board located at Floor Number 3, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 8.

Appeared on behalf of the Complainant:

- *T. Howell*

Appeared on behalf of the Respondent:

- *A. Hendrata & C. Yee*

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

- [1] There were no preliminary procedural or jurisdictional matters before the CARB.

**Property Description:**

[2] The property that is the subject of this assessment complaint is a retail shopping strip located on 17 Avenue SE (also referred to as International Avenue) within the community of Forest Lawn. Municipal mapping shows three addresses for the building (3711, 3713 and 3717) but the assessment records 3717 – 17 Avenue SE as the address associated with the roll number.

[3] The 4,364 square foot retail building is fully occupied by three tenants. The building occupies a 9,813 square foot site in mid-block on the west side of 17 Avenue SE between 36 and 37 Streets. The age of the building was not disclosed in the evidence of either party but the CARB notes that it is in an area where most buildings are 40 to 50 years old.

[4] For 2013, the property was assessed using an income approach to value. A typical rent rate of \$15.00 per square foot was applied to the rental area. Deductions were made for typical vacancy at 8.0 percent and for non-recoverable operating expenses at 1.0 percent. For vacant space, an operating cost allowance of \$8.00 per square foot was made. The resulting net operating income was capitalized at a rate of 6.75 percent to yield an assessment of \$841,500.

**Issues:**

[5] In the Assessment Review Board Complaint form, filed February 21, 2013, Section 4 – Complaint Information had a check mark in the box for #3 "Assessment amount".

[6] In Section 5 – Reason(s) for Complaint, the Complainant stated a number of grounds for the complaint.

[7] At the hearing, the Complainant pursued only the following issue:

- 1) The capitalization rate applied in the income approach should be increased from 6.75 to 7.50 percent.

**Complainant's Requested Value: \$757,700**

**Board's Decision:**

[8] The CARB confirms the assessment at \$841,500.

**Position of the Parties**

**Complainant's Position:**

[9] The Complainant argued that Forest Lawn is a unique community in Calgary. As such, it was stated that investors might attach greater risk to property ownership in the community. Published articles provided in Complainant's evidence (source undisclosed) describe the uniqueness of the area. The authors of the articles point out some of the negative attitudes of some individuals regarding Forest Lawn as a place to live or to do business.

[10] The Respondent stratifies the retail market to recognize other distinctive areas, such as Macleod Trail and Inglewood so Forest Lawn should be similarly categorized based on its unique characteristics. The Respondent's 2013 Strip Centre Capitalization Rate Summary contains data on 13 strip centre sales that occurred between July 2010 and June 2012. Capitalization rates from all 13 sales ranged from 4.28 to 9.27 percent. The median and mean averages were 6.49 percent and 6.72 percent, respectively.

[11] Two of the 13 sales were of properties that were located along 17 Avenue SE, in Forest Lawn. 3411 – 17 Avenue SE is a 16,987 square foot centre that sold in April 2011 at a price that indicated a capitalization rate of 8.48 percent. 3111 – 17 Avenue SE is a property that sold in January 2012 at a price that indicated a capitalization rate of 6.94 percent. Those two capitalization rates average 7.71 percent, a rate that supports the Complainant's requested rate of 7.5 percent.

[12] The Complainant also argued that some of the capitalization rates in the Respondent's study were incorrectly calculated because they were analyzed on the basis of net income that was measured for the assessment year preceding the sale. For example, a sale in November 2011 was analyzed using the typical rents and net operating income that were effective July 1, 2011, several months prior to the sale date. Further, those rents and the net operating income amount would have been based on market activity between July 2010 and June 2011 which was long before the actual sale date.

**Respondent's Position:**

[13] The Respondent acknowledged that areas such as the Macleod Trail corridor are stratified individually for purposes of establishing land assessment rates but retail properties in that corridor do not get assessed using different capitalization rates than other similar retail properties elsewhere in the city.

[14] Using a mass appraisal process, the Respondent calculates capitalization rates from the valuation year in which the sale occurs. By doing so, there is consistency in the process. There are sufficient sales in the city-wide study to provide a reliable capitalization rate analysis.

[15] Having regard to the articles in the Complainant's evidence, the Respondent argued that these were opinions of the authors only and were no reflection of market attitudes and conditions regarding investment or any other property in Forest Lawn.

**Board's Reasons for Decision:**

[16] For the derivation of capitalization rates for strip centre assessments, the Respondent has analyzed a total of 13 sales of properties that sold over a 24 month period leading up to the July 1, 2012 valuation date. Perusal of the locations of those sales leads to the conclusion that there are insufficient sales in most market areas of the city to enable stratification by community or even by city quadrant.

[17] The CARB appreciates that two of the 13 sales are properties in Forest Lawn as is the subject property. One of those sales occurred in April 2011, some 14 months prior to the 2012 valuation date. The other sale closed just six months ahead of the valuation date. This second sale was analyzed using the same income data as was used in making the subject property's assessment (i.e., July 1, 2012). The older sale was analyzed using July 2011 parameters.

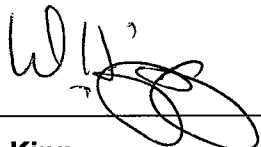
[18] Both of the Forest Lawn sale properties have buildings that are larger than the subject. The property at 3411 – 17 Avenue SE that sold on the basis of an 8.48 percent capitalization rate was the oldest sale. Its building contained a bowling alley in basement space that brought significantly less rent than ground floor retail space. The January 2012 sale involved a property that, while larger than the subject, had a more similar income stream. It sold on the basis of a 6.94 percent capitalization rate.

[19] Of the 13 sales in the analysis, six were 2012 sales and those current sales support the 6.75 percent capitalization rate selected by the Respondent for strip centres.

[20] The process used by the Respondent in analyzing sales to derive capitalization rates is guided to some extent by the regulation requirement to use mass appraisal techniques. The CARB understands the Complainant's position that the methodology may be less than 100 percent accurate, however the Complainant did not provide any alternative income amounts for any of the sales in the Respondent's analysis so it was not possible to tell whether the method used resulted in capitalization rates that were out of line for those properties as at July 1, 2012.

[21] Having received no evidence to show that the assessment is incorrect and not reflective of market value, the CARB confirms the subject assessment at \$841,500.

DATED AT THE CITY OF CALGARY THIS 4 DAY OF July 2013.



W. Kipp

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. 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 Internal Use***

<b>Appeal Type</b>	<b>Property Type</b>	<b>Property Sub-Type</b>	<b>Issue</b>	<b>Sub-Issue</b>
CARB	Retail	Strip Plaza	Income Approach	Capitalization Rate