



## **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:**

***Hanson Ranch Plaza Inc. (as represented by Colliers International Realty Advisors Inc.),  
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>417009800</b>
<b>LOCATION ADDRESS:</b>	<b>11 Hidden Creek Drive NW, Calgary AB</b>
<b>FILE NUMBER:</b>	<b>70343</b>
<b>ASSESSMENT:</b>	<b>\$6,020,000</b>

This complaint was heard on the 12<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:

- *C. Hartley and B. Peacock*

Appeared on behalf of the Respondent:

- *H. Argento and N. Sunderji*

**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 strip shopping centre located in the residential community of Hidden Valley in northwest Calgary.

[3] Built in 2001, two buildings occupied by several tenants contain a total rentable floor area of 11,937 square feet. There is a gas bar and convenience store on the site as well. For the purposes of valuing the property by the income approach, just 1 square foot is attributed to the gas bar – convenience store.

[4] For 2013, the assessment of this property was prepared using an income approach. For the two categories of CRU (Commercial Rental Unit) space in the centre, typical rents of \$29.00 (for tenant spaces between 1,001 and 2,500 square feet) and \$28.00 per square foot (for tenant spaces between 2,500 and 6,000 square feet) were applied. The gas bar – convenience store rent is a flat amount of \$95,000 per year. All income is subject to a 4.0 percent vacancy loss allowance. In addition, 1.0 percent is deducted for non-recoverable operating expenses and for vacant space, operating expenses at \$8.00 per square foot are deducted. The resulting net operating income of \$406,526 is capitalized at 6.75 percent to arrive at the \$6,020,000 assessment.

**Issues:**

[5] In the Assessment Review Board Complaint form, filed February 27, 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 but most of these were not addressed at the hearing.

[7] At the hearing, the Complainant pursued the following issue: the capitalization rate used in the income approach should be increased from 6.75 to 7.50 percent.

**Complainant's Requested Value: \$5,420,000 (requested at the hearing)**

**Board's Decision:**

[8] The CARB confirms the assessment at \$6,020,000.

**Position of the Parties****Complainant's Position:**

[9] The Respondent uses 13 strip shopping centre sales in its capitalization rate analysis. The locations of the centres vary but there are at least two in each quadrant of the city. Five of the 13 properties are in either the northeast or northwest quadrants (the subject is in the northwest).

[10] The capitalization rates for the five sales with northeast or northwest locations are higher than those for the eight centres in the south half of the city, averaging 7.20 to 7.21 percent. The capitalization rates for the eight sales in the south average 6.09 to 6.33 percent. The Complainant argued that four of the south sales are either on Macleod Trail or influenced by that roadway and those four sales tend to bring the capitalization rates lower.

[11] With weight given to the five sales in the north, the subject capitalization rate should be increased from 6.75 to 7.50 percent.

**Respondent's Position:**

[12] On a city-wide basis, there have been 13 shopping centre sales that could be analyzed to find an appropriate capitalization rate for strip shopping centres. The Complainant is attempting to reduce the number of properties for analysis by isolating five sales where those properties happened to be in the north half of Calgary. There is no market based rationale for making this arbitrary stratification of the sales. Typically, the larger the number of sales in the analysis, the better the conclusion.

[13] The Respondent argued that the Complainant has provided no evidence to support its position that properties in north Calgary sell at higher capitalization rates than properties in the south. It is only speculation on the Complainant's part that leads to the conclusion.

**Board's Reasons for Decision:**

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

[15] The Respondent is required by legislation to use mass appraisal techniques in assessing property at market value. MRAT (Matters Relating to Assessment and Taxation Regulation), at Section 2 (c) states that such a value estimate must reflect typical market conditions for properties similar to the subject property. The challenge then becomes one of properly stratifying properties so that similar properties are being compared.

[16] The 13 sales analyzed in the Respondent's capitalization rate analysis have varying characteristics other than location in the north or south parts of Calgary. Building ages and sizes vary. The subject property has 11,937 square feet of rentable area whereas the 13 sale

properties range from 2,834 to 39,480 square feet. Some of the properties have prominent locations on major roadways while others are within residential communities. There are four properties in south Calgary with Macleod Trail influence but those in the north do not have "highly" similar locations to the subject. For example, the Edmonton Trail sale actually involved two separate properties that are located immediately north of the downtown core of the city. Another has a 16 Avenue NW address which means that it is located on the Trans-Canada Highway in a commercial area. The CARB finds that if the 13 sales were to be stratified so that only those with highly similar characteristics to the subject were used in the capitalization rate analysis, the result would be based on one or two sales at best and this would not be a good sampling of market activity for this type of investment property.

[17] The conclusion that the CARB draws from the capitalization rate analysis is that the Respondent has used mass appraisal techniques in determining the appropriate capitalization rate for strip retail centres and given the amount and diversity of data that it had to work with, has come to a reasonable conclusion.

[18] During the hearing, the Complainant made some argument that the Respondent's method of extracting capitalization rates from sales data is flawed in that typical rents/incomes from incorrect time periods are used in some cases. The Respondent objected to this argument being made at the hearing when it was not a part of the Complainant's direct or rebuttal evidence and argument. Nor was it mentioned on the complaint form. The CARB agreed with the Respondent and the Complainant did not pursue the claim.

[19] The CARB confirms the 2013 assessment at \$6,020,000.

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

  
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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
3. C2	Complainant Rebuttal

*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 Mall	Income Approach	Capitalization Rate