



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:

Glenmore & Centre LTD. (as represented by MNP LLP), COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

***P. Petry, PRESIDING OFFICER
H. Ang, BOARD MEMBER
R. Deschaine, 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:

ROLL NUMBER: 101016509

LOCATION ADDRESS: 6624 Centre Street S.E.

FILE NUMBER: 70679

ASSESSMENT: \$13,150,000

This complaint was heard on the 23rd day of September, 2013 at the office of the Assessment Review Board located at Floor Number 4, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 4.

Appeared on behalf of the Complainant:

- *J. Langelaar*

Appeared on behalf of the Respondent:

- *G. Good*

Property Description:

- [1] The subject is a B- class retail strip centre with two buildings constructed in 1965 and 1975. It consists of 68,023 square feet (sq. ft.) of rentable area with varying commercial retail unit (CRU) sizes. The subject property has been assessed using the capitalized income approach. Prior to the hearing of this complaint the Complainant had advised the Respondent of an error respecting a space designated as "bank" space. The Respondent agreed that this designation was in error and had therefore made a recommendation to correct the error and reduce the assessment to \$12,480,000. This correction was acceptable to the Complainant; however the Complainant brought forward the following matters which were still in dispute.

Issue:

- [2] Does the subject property have greater similarity to the Respondent's C+ property category than it does to the currently assigned B- property category?
- [3] What are the most appropriate rental rates for the application of the capitalized income approach to value for the subject property?
- [4] Other matters and issues were raised in the complaint filed with the Assessment Review Board (ARB). The only issues, however, that the parties sought to have the Composite Assessment Review Board (CARB) address in this hearing are those referred to above, therefore the CARB has not addressed any of the other matters or issues initially raised in the Complaint.

Complainant's Requested Value:

- [5] The Complainant's request is that the assessment be reduced to \$10,590,000.

Board's Decision:

- [6] The CARB has accepted the correction suggested by the Respondent but no other changes are made. The assessment is therefore set at \$12,480,000.

Legislative Authority, Requirements and Considerations:

- [7] The Composite Assessment Review Board (CARB), derives its authority from Part 11 of the Municipal Government Act (MGA) RSA 2000:
- [8] *Section 460.1(2): Subject to section 460(11), a composite assessment review board has jurisdiction to hear complaints about any matter referred to in section 460(5) that is shown on an assessment notice for property other than property described in subsection (1)(a).*
- [9] For purposes of the hearing, the CARB will consider MGA Section 293(1):
- In preparing an assessment, the assessor must, in a fair and equitable manner,*
- (a) apply the valuation and other standards set out in the regulations, and*
- (b) follow the procedures set out in the regulations*
- [10] The Matters Relating to Assessment and Taxation Regulation (MRAT) is the regulation referred to in MGA section 293(1)(b). The CARB consideration will be guided by MRAT Part 1 Standards of Assessment, Mass appraisal section 2:
- [11] *An assessment of property based on market value*
- (a) must be prepared using mass appraisal,*
- (b) must be an estimate of the value of the fee simple estate in the property, and*
- (c) must reflect typical market conditions for properties similar to that property*

Summary of the Party's Positions**Complainant**

- [12] The Complainant argued that leasing activity within the subject property shows its lease rates to be more in line with the rental rates which have been applied by the Respondent for the C+ group of properties rather than the rates applied to the subject and others classed as B- properties. The Complainant brought forward three leases for the subject property in the unit space size range of 1,001 to 2,500 sq. ft. These leases showed a median value of \$14 per sq. ft. while the assessed value for this size range is \$18 per sq. ft. Other market analysis showed a median of \$16.50 per sq. ft. for the B- category. The Complainant also provided market lease data for similar properties in the C+ category showing a median value of \$15.38 per sq. ft. and a weighted average of \$14.92 per sq. ft. It was argued that the subject is not even achieving rental rates in this space range that are equal to other C+ properties.
- [13] Next the Complainant provided lease information for the 2,501 to 6,000 sq. ft. unit size range. These leases within the subject property showed an average rate of

\$13.33 per sq. ft. while the assessed rate for this unit size in the B- category is \$17 per sq. ft. Market analysis showed that other properties in the B- category are achieving a median rate of \$16 per sq. ft. and that C+ properties are achieving a median rate of only \$12 per sq. ft. The Complainant argued that the subject has been shown to be achieving rates that are greater in similarity to the rates used by the Respondent in assessments of C+ properties than those applied in assessments of B-classified properties.

- [14] Based on the foregoing evidence and argument, the Complainant requested that the CARB assign the subject to the C+ class and apply the rental rates used by the Respondent for that class. These values are \$15 per sq. ft. for space in the 2,501 to 6,000 sq. ft. range and \$10 per sq. ft. for space in the 6,001 to 14,000 range. The resulting assessment should be \$10,590,000.

Respondent

- [15] The Respondent introduced the rent roll for the subject property and pointed out that the subject property is achieving a rate of \$18 per sq. ft. for 12,397 sq. ft. of space that is currently assessed at a rate of only \$11 per sq. ft. The Complainant's counter to this statement was that another 11,760 sq. ft. of space is leased for only \$8 per sq. ft. but is assessed at a rate of \$11 per sq. ft.
- [16] The Respondent clarified that while the Complainant argues it has used the same period of time for its analysis as does the Respondent; that is incorrect. The Respondent uses a 30 month period post the valuation date and therefore the 2009 leases relied upon by the Complainant would not have been included in the Respondent's analysis.
- [17] The Respondent also provided market lease data in support of the \$17 and \$18 per sq. ft. rates used in developing the current assessment for the subject property.

Findings and Reasons for the Board's Decision:

- [18] The CARB has carefully reviewed both parties' evidence with respect to the question of classification and rental rates. The CARB finds that the data presented by the Complainant is incomplete and not sufficient to be reflective of the income achievable by the subject property. As pointed out by the Respondent, two of the leases relied upon by the Complainant are dated and the CARB has not place weight on these values. This leaves only 4 leases on which to base a change. In light of the previous leasing within the subject at levels in the range of \$20 - \$25 per sq. ft. and absent any explanations as to why such values are out of reach in the near future, the CARB had difficulty in deciding in favour of the Complainant.
- [19] The Respondent's evidence respecting the fact that the subject's actual income is very close to the income the Respondent has applied in its valuation is somewhat compelling. The CARB recognizes that this is not the analysis one would apply in reaching an assessment of the subject, it nevertheless brings the wisdom of downgrading the earning capability of the subject into question.

[20] The CARB has not been convinced that the subject property is wrongly classified as a B- property. The typical rental rates for that category will therefore apply.

[21] The CARB's decision therefore is to adopt the corrected value offered by the Respondent of \$12,480,000 as the correct fair and equitable assessment for the subject property.

It is so ordered.

DATED AT THE CITY OF CALGARY THIS 17th DAY OF October 2013.



Presiding Officer

APPENDIX "A"

DOCUMENTS PRESENTED AT THE HEARING AND CONSIDERED BY THE BOARD:

NO.	ITEM
1. C1	Complainant Disclosure
2. C2	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 ADMINISTRATIVE USE

Subject	Property Type	Property Sub-Type	Issue	Sub-Issue
Retail	Strip Centre	Retail vs Industrial	Equity	Rental Rate