



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:

***AMA Properties Ltd. (as represented by Linnell Taylor Assessment Strategies),
COMPLAINANT***

and

The City Of Calgary, RESPONDENT

before:

***I. Weleschuk, PRESIDING OFFICER
J. Massey, BOARD MEMBER
J. Lam, 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:	175036805
LOCATION ADDRESS:	220 Crowfoot Cr. NW
FILE NUMBER:	72025
ASSESSMENT:	\$3,990,000

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

Appeared on behalf of the Complainant:

- *D. Sheridan*

Appeared on behalf of the Respondent:

- *V. LaValley*

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

- [1] The Board noted that the file included a completed copy of the Assessment Review Board Complaint form. An Assessment Complaints Agent Authorization form in the file indicated that CVG Canadian Valuations Group Ltd. was the agent. Linnell Taylor Assessment Strategies apparently have an agreement with CVG Canadian Valuations Group Ltd. to represent some of their clients. In accordance with Section 51 of Matters Related to Assessment Complaints Regulation, the agent authorization must be in the form as prescribed in the Regulation. This Complaint, by agreement of both parties, was rescheduled from July 9, 2013 to 1:30 pm on July 11, 2013 to allow the Complainant to obtain an Assessment Complaints Agent Authorization form naming Linnell Taylor Assessment Strategies as agent. Such a form was presented to the Board and was included in the file. The hearing proceeded as rescheduled.
- [2] Neither party objected to the members of the Board, as introduced, hearing the evidence and making a decision regarding this assessment complaint.
- [3] No preliminary issues were raised by either party.

Property Description:

- [4] The subject property is located at 220 Crowfoot Cr. NW, and is part of the larger Crowfoot power centre in the Arbour Lake District. The property is 1.00 acre in size, with a building footprint of 7,667 square foot (SF). The 7,667 SF main level is assessed as CRU space, while the basement level consists of 3,335 of basement office space and 4,332 SF of storage space. It is owner occupied, and operates as an Alberta Motor Association Branch Office. The property fronts onto Crowfoot Crescent NW and Crowfoot Gate NW (connecting John Laurie Blvd NW to Crowfoot Crescent NW). The current assessment is \$3,990,000, using an Income Approach.

Issues:

- [5] What is the correct assessment of value? The Complainant argued that the rental rate used in the Income Approach assessment calculation for the CRU 6,001-14,000 SF categories was too high. The Complainant also argued that the 6.25% capitalization rate used in the 2013 Income Approach assessment calculation was incorrect. No other factors used in the 2013 Non-Residential Properties-Income Approach Valuation calculation (page 12-13, Exhibit R1 or page 9, Exhibit C1) were disputed.

Complainant's Requested Value: \$3,050,000

Board's Decision:

- [6] The Board reduces the 2013 Assessment to \$3,530,000.

Legislative Authority:

- [7] Section 4(1) of Matters Relating to Assessment and Taxation Regulation (MRAT) states that the valuation standard for a parcel of land is "market value". Section 1(1)(n) defines "market value" as the amount that a property, as defined in Section 284(1)(r) of the Act might be expected to realize if it is sold on the open market by a willing seller to a willing buyer. Section 467(3) of the Act states that an assessment review board must not alter any assessment that is fair and equitable, taking into consideration (a) the valuation and other standards set out in the regulations. The issues raised in the Complaint may refer to various aspects of the assessment or calculation of the assessed value, and may be addressed by the Board. However, the ultimate test that the Board must apply is whether the assessed value reflects the market value of the assessed property.

Issue 1: What is the correct rental rate for the CRU 6,001-14,000 SF category?**Complainant's Position:**

- [8] The Complainant took the position that the assessed rental rate of \$31.00/SF for the CRU 6,001-14,000 SF main floor office space was too high. The rental rate of \$8.00/SF applied to the basement office space and the rental rate of \$2.00/SF applied to the storage space was not in dispute.

- [9] The Complainant argued that the subject property should not be assessed as a CRU space, as it was not a typical retail property. It was a mix of retail area characterized as area accessible to customers/clients, and office space characterized as area that was only accessible to employees or clients by invitation. Therefore, the rental rate applied to the main level is better reflected by the rental rates being obtained for office buildings rather than CRU space.
- [10] The Complainant presented an analysis of office rental rates (page 4-7, Exhibit C1) that included six suburban office buildings in or proximal to the NW quadrant of the City, two second floor office leases in the Crowfoot power centre, and lease information from the Shawnee Station SW Passport Office. Based on an analysis of these lease comparables, the Complainant concluded that the appropriate rate for the main level office space was \$25.00/SF.
- [11] In answer to Board questions, the Complainant stated that the mix of office and retail activity at the subject property was most similar to that at the Shawnee Station Passport Office. The Shawnee Station property was smaller than the subject, and was recently leased at \$27.00/SF.
- [12] In rebuttal (Exhibit C2), the Complainant presented evidence related to the three CRU 6,001-14,000 SF comparables from Crowfoot power centre presented by the Respondent to support the \$31.00/SF assessed main floor rental rate (page 25, Exhibit R1). The Complainant stated that the comparable located at 95 Crowfoot Cr. NW is a bank, and not comparable to the subject. The property at 20 and 60 Crowfoot Cr. NW consists of a number of CRU spaces, some office space, a fast food restaurant and a full service restaurant, therefore not comparable to the subject. The property at 140 Crowfoot Cr. NW consists of gas bar, fast food and full service restaurant, again not comparable to the subject. The larger CRU spaces in these properties were "typical retail" or restaurant uses. The Complainant argued that none of these properties are similar to the subject, therefore the rental rates don't reflect the market value of the subject main floor space.

Respondent's Position:

- [13] The Respondent stated that the subject is a commercial retail property located as part of the Crowfoot power centre, therefore the income approach is the most appropriate method to determine market value, using mass appraisal.
- [14] The Respondent presented a summary table (page 25, Exhibit R1) of three CRU 6,001-14,000 SF comparables with a median of \$31.00/SF and average of \$29.67/SF. The median was used as the rate that the City applied as the rental rate for this category of CRU space. The Respondent also presented Exhibit R2, the ARFI information for these three comparables (allowed by the Board as evidence with the agreement of the Complainant). Because the Crowfoot power centre has a large amount of commercial space, it is assessed based on rates derived from properties within the Crowfoot power centre. This was the best indication of market value.

- [15] The Respondent argued that the subject building could be used for a number of commercial retail uses, and was in essence no different than a bank or many of the other commercial uses in the Crowfoot power centre. The subject building was not a typical office building, as the only offices were located along the outside wall of part of the main level, constituted a small portion of the total area and are accessible to customers/clients when accompanied by staff. The Respondent argued that the comparables presented by the Complainant were for typical suburban office space and did not reflect the use or the market rents that could be achieved by the subject.

Findings of the Board on this Issue:

- [16] The Board considered all the lease comparables presented by both parties. The subject is a somewhat unique property, in that it is not a typical CRU space nor is it a typical office space. The most similar lease comparable presented was the Shawnee Station Passport Office, which is achieving a lease rate of \$27.00/SF. The Board concluded that the market value lease rate for the subject main level space is \$27.00/SF, based primarily on the rental rate for the Shawnee Station Passport Office. This rental rate is supported by the range of lease rates for all the other lease comparables presented by both parties.

Issue 2: What is the correct capitalization rate for the subject property?

Complainant's Position:

- [17] The Complainant took the position that the assessed capitalization rate of 6.25% is wrong and that the correct capitalization rate for the subject property is 6.75%. To support this rate, the Complainant presented a summary table of three suburban offices in the NW quadrant of the City, and the Alberta Motor Association Head Office located in the SW quadrant of the City, which showed that all these properties had an assessed capitalization rate of 6.75% (page 8, Exhibit C1). Page 30-49 in Exhibit C1 provided support information to the table on page 8, Exhibit C1.

Respondent's Position:

- [18] The Respondent presented a table showing the capitalization rates used in the 2013 assessment calculation (page 27, Exhibit R1) for the three properties used as CRU 6,001-14,000 SF lease rate comparables. This table indicated the median capitalization rate of 6.35%, average of 6.09% and the resulting rate applied to the assessment calculations of 6.25%. The 2013 Non-Residential Properties-Income Approach Valuation sheets for two of these three properties were presented on pages 30-35, Exhibit R1 showing that a rate of 6.25% was used in the 2013 assessment calculation.

Findings of the Board on this Issue:

- [19] The Board did not consider the four capitalization rate comparables presented by the Complainant (page 8, Exhibit C1) as being buildings that were comparable to the subject. These four comparables were typical office buildings in a suburban location. The subject is not such a property. For this reason, the Board was not persuaded by the Complainant's evidence.
- [20] The Board finds that the capitalization rate of 6.25% as used by the City in preparing its 2013 assessment as the correct rate.

Board's Reasons for Its Decision

- [21] The Board concluded that the most comparable rental rate was the Shawnee Station Passport Office rate of \$27.00/SF. The capitalization rate of 6.25% used by the City in its 2013 assessment calculation was confirmed. The Board applied a rental rate of \$27.00/SF to the main level CRU 6,001-14,000 SF category in to the Non-Residential Properties-Income Approach Valuation calculation (page 12, Exhibit R1) to arrive at an assessment of \$3,530,000. The Board concludes that the 2013 assessment is \$3,530,000.

DATED AT THE CITY OF CALGARY THIS 1 DAY OF August 2013.



Ivan Weleschuk
Presiding Officer

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

NO.	ITEM
1. C1	Complainant Disclosure
2. R1	Respondent Disclosure
3. C2	Complainant Rebuttal Disclosure
4. R2	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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Subject	Type	Sub-type	Issue	Sub-issue
CARB	Retail	Stand Alone	Income Approach	Rental rate Capitalization rate