



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:

970742 Alberta Ltd.

(as represented by Linnell Taylor Assessment Strategies), COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

C. J. Griffin, PRESIDING OFFICER

J. Pratt, BOARD MEMBER

G. Milne, BOARD MEMBER

This is a complaint to the Composite Assessment Review Board (CARB) 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(S): 075049106 / 075099507 / 200239705 & 072021447

LOCATION ADDRESS: 4805 – 17 Ave. SE / 3917 – 17 Ave. SE / 4610 – 17 Ave. SE & 3908 – 17 Ave. SE

FILE NUMBER: 72120 (also incorporating #72122, #72113 & #72115)

ASSESSMENT: \$1,220,000. / \$821,000. / \$1,020,000. & \$970,000. (respectively)

This complaint was heard on the 12th day of June, 2013 at the office of the Assessment Review Board located at Floor Number 4, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 5.

Appeared on behalf of the Complainant:

- J. Mayer

Appeared on behalf of the Respondent:

- A. Hendrata
- I. Pau

Board's Decision in Respect of Procedural Matters:

The Complaint requested that all four of the properties which are the subject of this Hearing be heard in a single Hearing as all the properties deal with identical issues and the evidence is also common. The Respondent, while having prepared a similar brief for each of the property addresses, had no objection to a single Hearing. Accordingly, the CARB agreed to hear the Complaint(s) for all four of the properties in one single Hearing.

Property Description:

[1] All four of the subject properties are small 'strip shopping centres' ranging in size from 4,058 Sq. Ft. to 5,150 Sq. Ft. and all front onto 17th Avenue SE in the community of Forest Lawn in SE Calgary. The properties have a year of construction that range between 1972 and 1986. All of the properties are leased by local small business owners.

Issue(s):

[2] The Complainant maintains that the current assessments do not reflect the Market Value of the property as at July 1, 2012. All four of the properties have been valued, for assessment purposes, through application of the Income Approach to Value and all have been valued using a capitalization rate of 6.75% which the Assessor applies City wide to this category of property. The Complainant maintains that the foregoing process has resulted in a capitalization rate that is too low to accurately reflect the value of the subject properties and requests the CARB to raise the capitalization rate to 7.00% which will result in lower assessed values.

Current Assessment(s):

- [3]
- | | |
|---------------|--------------------|
| \$ 1,220,000. | (Roll # 075049106) |
| \$ 821,000. | (Roll # 075099507) |
| \$ 1,020,000. | (Roll # 200239705) |
| \$ 970,000. | (Roll # 072021447) |

[4] \$ 1,183,000. (Roll # 075049106)
\$ 791,900. (Roll # 075099507)
\$ 987,800. (Roll # 200239705)
\$ 935,300. (Roll # 072021447)

[5] The assessments are **confirmed** at: \$ 1,220,000. (Roll # 075049106)
\$ 821,000. (Roll # 075099507)
\$ 1,020,000. (Roll # 200239705)
\$ 970,000. (Roll # 072021447)

[6] The Complainant presented (Exhibit C1 pg. 9) a summary of four sales comparables all of which are located in the SE quadrant of the City and all of which have a B+, B, B- or C-assessment quality assigned as compared to the subjects, three of which are assigned a C+ and one is assigned a B-. These properties have a year of construction ranging from 1960 to 1984 and they range in size from 4,950 Sq. Ft. to 11,298 Sq. Ft. Two of the properties were sold in 2011 and two were sold in 2012. The Complainant indicated (Exhibit C1 pg. 8) that his analysis of these sales incorporated the use of the same typical rents and vacancy inputs utilized by the Assessor to derive the 2013 assessed values. Based on the foregoing the analysis concludes capitalization rates ranging from a low of 6.26% to a high of 7.85% and indicate a median of 7.08% which, the Complainant contends, supports their request for 7.00%.

[7] The Respondent introduced (Exhibit R1 pg. 30) the *Calgary Assessment 2013 Strip Centre Capitalization Rate Summary*. This study summarizes 13 sales of strip centre properties located throughout the City. These properties were sold in 2010, 2011 and 2012 with prices ranging from a low of \$360,000 to a high of \$15,000,000. The indicated capitalization rates range from a low of 4.28% to a high of 9.27% and indicate a median of 6.44% and an average of 6.70% which, the Respondent maintains, supports the applied 6.75%. The Respondent contends that applying a different capitalization rate to the subject properties would not maintain equity with the other properties in the same category.

[9] The Respondent also provided (Exhibit R1 pg. 6) a summary of the Income Approach process utilized by Calgary Assessment and which indicates “*Most income producing properties are valued based on their income potential using a regressed typical lease rate by observing market triple net leases from January 2010 to June 2012.*” Additionally, the Respondent also provided, on this same page of the Exhibit, a chart indicating that for sales occurring in 2012 the valuation date is July 1, 2012 for the roll year 2013 and the corresponding information for sales recorded in 2011 and 2010. The Respondent went on to explain to the CARB that the valuation

date is also reflective of the year from which 'typicals' are derived. The Respondent pointed out to the Board that two of the sales comparables reported by the Complainant were sold in 2011 but that the Complainant had incorrectly used the typical from 2012 as opposed to 2011 and this would skew the results of his capitalization rate study. The Respondent also pointed out that one of the comparables reported by the Complainant, that being 3515 – 17 Avenue SE, has a different building type classification of 'Retail - Freestanding' which is a separate and distinct property category that is valued with a different capitalization rate than that used for 'Strip Shopping Centres'. Additionally the Respondent pointed that another of the comparables utilized by the Complainant is considered by the Assessor to have been a non arms-length transaction which excludes it from being incorporated into the City study. The non arms-length classification stems from the fact that the property was purchased by one of the existing tenants and the Assessor considers this to be sufficient reason to discount the use of this property in their capitalization rate analysis. The Respondent also pointed out to the CARB that the remaining two sales reported by the Complainant have also been incorporated into the capitalization rate study completed by the City. Based upon the foregoing, the Respondent requests that the Board confirm the assessments for the year 2013.

Board's Decision Reasons:

[10] The Board agrees with the Respondent that two of the sales reported by the Complainant are questionable due to, in one case, the property type classification and, in the other case, the matter of the sale potentially being a non arms-length transaction. The Board also agrees with the Respondent that utilizing the inappropriate 'typicals' will skew the results of the Complainant's capitalization rate study. For these reasons the Board puts less weight upon the sales evidence produced by the Complainant.

[11] The CARB is also concerned about the matter of equity and finds that it would be inappropriate to assign a separate capitalization rate to the subject properties as this would lead to an inequitable situation with similar properties with the same property type classification.

DATED AT THE CITY OF CALGARY THIS 3 DAY OF July 2013.


C. J. Griffin

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 MGB Administrative Use Only

Municipality: Calgary Decision No. 72120/P-2013 Roll Nos: 075049106 / 075099507 /
200239705 & 072021447

<u>Property Type</u>	<u>Property Sub-Type</u>	<u>Issue</u>	<u>Sub-Issue</u>
Retail	Strip Shopping Centre	M.V.	Capitalization Rate