

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:

CERTUS DEVELOPMENTS INC.
(as represented by Altus Group Ltd.), COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

Earl K. Williams, PRESIDING OFFICER
A. Huskinson, MEMBER
A. Maciag, 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: 037159803

LOCATION ADDRESS: 4820 Northland DR NW

FILE NUMBER: 72355

ASSESSMENT: \$15,740,000

This complaint was heard on 12th day of August, 2013 at the office of the Assessment Review Board located at Floor Number 4, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 2.

Appeared on behalf of the Complainant:

- K. Fong Agent, Altus Group Ltd
- D. Main Agent, Altus Group Ltd

Appeared on behalf of the Respondent:

- T. Johnson Assessor, The City of Calgary

Procedural or Jurisdictional Matters:

[1] The Board was advised that the parties have agreed the rental rate for CRU 0-1,000 square foot (sq. ft.) will be reduced from \$36.00 psf to \$34.00 psf. A 2013 Revised Recommendation Assessment was prepared by the Respondent.

[2] Further the Board was advised by the Respondent that a proposal was presented to the Complainant which would have reduced the rental rate for the CRU 2,501-6,000 sq. ft. category from \$33.00 psf to \$29.00 psf. The proposal was considered and rejected by the Complainant.

[3] No Procedural or Jurisdictional Matters were raised by the parties.

Property Description:

[4] The subject property at 4820 Northland DR NW is comprised of 3 buildings with a total area of 34,043 sq. ft. retail strip on 3.33 acres of land with a 1996/1997 approximate year of construction (ayoc) assigned a B and A+ quality rating in the community of Brentwood with the Property Use: Commercial and Sub Property Use: CM0210 Retail – Shopping Centres – Strip. The space profile of the subject property is 3,550 sq. ft. of CRU 0-1,000 sq. ft.; 9,920 sq. ft. of CRU 1,001-2,500 sq. ft.; 6,173 sq. ft. of CRU 2,501-6,000 sq. ft.; and a bank leasing 14,400 sq. ft.

[5] The assessment was prepared on the Income Approach with a capitalization rate (cap rate) of 6.75%; a market rental rate of \$36.00 per square foot (psf) for the CRU 0-1,000 sq. ft.; \$34.00 psf for the CRU 1,001 – 2,500 sq. ft.; \$33.00 psf for the CRU 2,501-6,000 sq. ft.; and \$32.00 psf for the bank.

Issues:

[6] Should the subject property assessed on the Income Approach with the assessed rental rates for:

- 1) CRU 1,001-2,500 sq. ft. be reduced from \$34.00 psf to \$32.00 psf?
- 2) CRU 2,501-6,000 sq. ft. be reduced from \$33.00 psf to \$28.00 psf?

Complainant's Requested Value: \$14,920,000

Board's Decision:

[7] Based on the evidence and arguments presented, the Board supports that the rental rate for the CRU 1,001-2,500 sq. ft. remain at \$34.00 and for the CRU 2,501 -6,000 sq. ft. be reduced to \$28.00 psf.

[8] The assessment is reduced to \$15,200,000.

Position of the Parties

[9] The Complainant and Respondent presented a wide range of evidence consisting of relevant and less relevant evidence. In the interests of brevity, the Board will restrict its comments to those items the Board found relevant to the matters at hand. Furthermore, the Board's findings and decision reflect on the evidence presented and examined by the parties before the Board at the time of the hearing.

[10] The Complainant's evidence package included a Summary of Testimonial Evidence, the Property Assessment Notice, the City of Calgary 2013 Property Assessment Summary Report, the City of Calgary Non-Residential Properties – Income Approach Valuation work sheet, and comparable market leasing analysis.

[11] The Respondent's evidence package included a Summary of Testimonial Evidence, a map identifying the location of the property, photographs of the exterior of the subject property, the Property Assessment Notice, the City of Calgary Non-Residential Properties – Income Approach Valuation work sheet, the Assessment Request for Information and 2013 CRU Rental Rate Analysis.

Issue – CRU Rental Rate

Complainant's Position:

[12] CRU 1,001-2,500 sq. ft. – in support of the requested rental rate the Complainant reviewed the table titled 2013 CRU Rental Rate Analysis on page 21 of Exhibit C1. The analysis presented lease details on a sample of 13 comparables which are all strip centres with the CM0210 property use, with an A+ quality rating and located in the NW and NE quadrants. The analysis of the sample reported the leased area ranged from 1,000 to 2,497 sq. ft. and rental rate ranged from \$15.00 psf to \$40.00 psf. The mean rental rate was reported as \$31.68 psf and median rental rate as \$32.00 psf.

[13] CRU 2,501-6,000 sq. ft. – in support of the requested rental rate the Complainant reviewed the table titled 2013 CRU Rental Rate Analysis on page 22 of Exhibit C1. The analysis presented lease details on a sample of 9 comparables which are all strip centres with the CM0210 property use, in the same quadrant as the subject property with quality ratings of A+ and A2. The analysis of the comparables reported the leased area ranged from 2,732 to 5,586 sq. ft. and rental rate ranged from \$19.00 psf to \$42.00 psf. For the 9 comparables the mean rental rate was \$28.56 psf and median rental rate as \$28.00 psf.

[14] In summary the Complainant argued that the analysis outlined above supports the requested reductions.

Respondent's Position:

[15] CRU 1,001-2,500 sq. ft. - the Respondent reviewed the lease comparable table titled Lease Comparables 1,001-2,500 sq. ft. on page 27 of Exhibit R1. The analysis presented lease

details on a sample of 7 comparables. The analysis reported the leased area ranged from 1,184 to 1,931 sq. ft. and rental rate ranged from \$32.00 psf to \$40.00 psf. The mean and median rental rate was reported as \$36.00 psf.

[16] CRU 2,501-6,000 sq. ft. – the Respondent reviewed the lease comparable table titled Lease Comparables 2,501-6,000 sq. ft. on page 28 of Exhibit R1. The analysis presented lease details on a sample of 11 comparables. The analysis reported the leased area ranged from 2,746 to 5,586 sq. ft. and rental rate ranged from \$19.00 psf to \$34.00 psf. The mean rental rate was reported as \$27.82 psf and median rental rate as \$29.00 psf.

[17] The Respondent reviewed with the Board their analysis of the Complainant's rental rate analysis (pages 24-26 of Exhibit R1) and noted the following:

- 1) CRU 1,001-2,500 sq. ft. - in paragraph [12] the Complainant included 5 comparables that were from the NE quadrant which is a different market area than the subject property (page 21 Exhibit C1). Exclusion of the 5 comparables will impact on the mean and median rental rates.
- 2) CRU 2,501-6,000 sq. ft. - one of the comparables included in the Complainant's analysis referenced in paragraph [13] was a bank which should be excluded (page 22 Exhibit C1).

Board's Reasons for Decision:

[18] CRU 1,001-2,500 sq. ft. – based on the evidence and arguments the Board determined:


- 1) the Respondent's sample of 7 comparables reported a mean and median rental rate of \$36.00 psf;
- 2) when the Complainant's sample is adjusted to include only NW quadrant comparables and an analysis is completed of the sample of 8 comparables the mean rental rate is \$35.75 psf and the median rental rate is \$35.50 psf;
- 3) a review of the July 2012 ARFI submitted on the subject property, pages 19 – 23 of Exhibit R1, identified 9 leases in this CRU category with a mean rental rate of \$36.00 psf.

[19] CRU 2,501-6,000 sq. ft. – based on the evidence and arguments the Board determined:

- 1) when the Complainant's sample is adjusted to exclude the comparable that the Respondent advised is a bank, which is treated differently for assessment purposes, the rental rate mean is \$26.88 psf and the median is \$27.00 psf; and
- 2) the analysis presented by the Respondent reported a mean rental rate of \$27.00 psf and a median rental rate of \$27.00 psf;

[20] Based on the evidence and arguments presented the Board supports as representative of the market the assessed typical rate of \$34.00 psf rental rate for the CRU 1,001-2,500 sq. ft. and as requested by the Complainant \$28.00 psf for the CRU 2,501-6,000 sq. ft.

DATED AT THE CITY OF CALGARY THIS 5th DAY OF November 2013.

A handwritten signature in black ink, appearing to read 'E K Williams', written over a horizontal line.

Earl K. Williams
Presiding Officer

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

NO.	ITEM
1. C1	Complainant Disclosure Subject Property 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 ADMINISTRATIVE USE

Appeal Type	Property Type	Property Sub-Type	Issue	Sub-Issue
CARB	RETAIL	Shopping Centres-Strip	Income Approach	Lease Rate