

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:

1163185 Alberta Ltd. (as represented by Altus Group Ltd.), COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

B. Horrocks, PRESIDING OFFICER

P. McKenna, BOARD MEMBER

A. Zindler, 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:	201464104
LOCATION ADDRESS:	2031 33 AV SW
FILE NUMBER:	72599
ASSESSMENT:	\$10,810,000

This complaint was heard on the 7th day of October, 2013 at the office of the Assessment Review Board located at Floor Number 4, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 6

Appeared on behalf of the Complainant:

- A. Izard (Altus Group Ltd.)

Appeared on behalf of the Respondent:

- R. Urban (City of Calgary)

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

- [1] There were no concerns with the board as constituted.
- [2] The Complainant has visited the site, while the Respondent has not.
- [3] The parties have discussed the file.
- [4] The Complainant requested that C-2 from Hearing 72487 be carried forward to this hearing.

Property Description:

- [5] The subject property is a 0.78 acre parcel located in the South Calgary community in SW Calgary. The site is improved with a 40,276 square foot (sf) retail strip centre, commonly referred to as The Shoppes at Marda Loop. The improvement was constructed in 2009 and is considered to be A+ quality. The subject is assessed using the Income Approach to value with net operating income (NOI) capitalized at the rate of 6.75%.

Issues:

- [6] An "assessment amount" and "an assessment class" were identified on the Assessment Review Board Complaint Form as the matters that apply to the complaint. At the outset of the hearing, the Complainant advised that there were four outstanding issues, namely: "The assessed rental rate for 'CRU Space < 1,000 sf' at the subject should be no higher than \$30 per square foot (psf)", "the assessed rental for 'CRU Space 1,001 – 2,500 sf' at the subject should be no higher than \$29 psf, the assessed rental rate for 'Retail Office' Space at the subject should be no higher than \$19.50 psf" and "the assessed rental rate for 'Retail Bank' Space at the subject should be no higher than \$38 psf".

Complainant's Requested Value: \$9,500,000 (Complaint Form)
\$10,340,000 (Hearing)
\$10,410,000 (Alternate at Hearing)

Board's Decision:

[7] The 2013 assessment is confirmed at \$10,810,000.

Legislative Authority, Requirements and Considerations:

The Composite Assessment Review Board (CARB) derives its authority from the Municipal Government Act (MGA) RSA 2000, 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).

MGA requires that:

- 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.

Matters Relating to Assessment and Taxation Regulation (MRAT) requires that:

- 2 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.
- 4(1) The valuation standard for a parcel of land is
 - (a) market value, or
 - (b) if the parcel is used for farming operations, agricultural use value.

Board's Decision in Respect of Each Matter or Issue:

Issue: What is the market net rental rate for CRU Space < 1,000 sf, to be applied in the Income Approach to value, to determine the market value, for assessment purposes? The subject is assessed with a rate of \$35.00 psf, while the Complainant requested a rate of \$30.00 psf.

Complainant's Position:

[8] The Complainant's Disclosure is labelled C-1.

[9] The Complainant, at page 41, provided a table titled, 2013 CRU Rental Rate Analysis (CRU 0 to 1,000 sf). The table contains details of 6 leases with start dates ranging from March 1, 2010 to April 1, 2012 and lease rates ranging from \$24.00 to \$40.00 psf. The median lease rate is \$31.25 psf. The Complainant requested a rate of \$30.00 psf for the assessment.

[10] The Complainant, at pages 31 and 36, provided the Income Approach Valuations for two equity comparables located at 2215 33 AV SW (Marda Loop Station) and 3550 Garrison GA SW, noting they are both assessed at the rate of \$30.00 psf, which supports the Complainant's request for the subject.

Respondent's Position:

[11] The Respondent's Disclosure is labelled R-1.

[12] The Respondent, at page 12, provided the Assessment Request for Information (ARFI) for the subject, noting the CRU Space < 1,000 sf is currently achieving a rate of \$50.00 psf.

[13] The Respondent, at page 44, provided a table titled, City of Calgary Lease Comparables A+ Retail SW. The table contains details of 3 leases with start dates ranging from July 1, 2011 to April 1, 2012, and lease rates of \$32.00, \$35.00 and \$40.00 psf. The median lease rate is \$35.00 psf. The Respondent noted the subject is assessed at the rate of \$35.00 psf.

[14] The Respondent, at pages 47 and 48, provided the Property Assessment Detail Reports for the Complainant's two equity comparables, noting they are both A2 quality, and should be assessed at a lower rate than the subject, which is A+ quality.

Board's Reasons for Decision:

[15] The Board finds the Respondent's evidence more compelling. Although there are only 3 leases, they are the most current and the median is \$35.00 psf, which supports the assessed rate. The Complainant's typical leases (median \$31.25 psf) do not support the Complainant's request of \$30.00 psf. The Complainant's comparables for a different classification (A+ versus A2) are not comparable.

[16] The market net rent for the CRU Space < 1,000 sf, to be used in the Income Approach, is confirmed at \$35.00 psf.

Issue: What is the market net rental rate to be applied for CRU Space 1,001 – 2,500 sf, in the Income Approach to value, to determine the market value, for assessment purposes?
The subject is assessed with a rate of \$34.00 psf, while the Complainant requested a rate of \$29.00 psf.

Complainant's Position:

[17] The Complainant, at page 42, provided a table titled, 2013 CRU Rental Rate Analysis (CRU 1,001 to 2,500 sf). The Table contains details of 7 leases with start dates ranging from January 1, 2010 to March 15, 2012, and lease rates ranging from \$28.00 to \$35.00 psf. The median lease rate is \$32.00psf.

[18] The Complainant, at pages 31 and 36, provided the Income Approach Valuations for the same two equity comparables, noting they are both assessed at the rate of \$29.00 psf. The Complainant requested the rate of \$29.00 psf to be applied to the subject property.

Respondent's Position:

[19] The Respondent, at page 45, provided a table titled, Lease Comparables CRU Retail 1,001 – 2,500 sf. The table contains details of 8 leases with start dates ranging from January 1, 2010 to March 15, 2012, and lease rates ranging from \$31.00 to \$36.00 psf. The median lease rate is \$34.50 psf. The Respondent noted the subject is assessed at the rate of \$34.00 psf.

[20] The Respondent, at 12, provided the ARFI for the subject, noting there is one lease at the rate of \$48.00 psf.

Board's Reasons for Decision:

[21] The Board finds the Respondent's evidence more compelling. The Respondent's leases are all from properties that are the same A+ classification as the subject, whereas the Complainant's equity comparables are both A2 quality classification, and should be assessed lower than the subject. The Complainant's typical leases (median \$32.00 psf) do not support the Complainant's request (\$30.00 psf)

[22] The market net rent to be applied to the CRU Space 1,001 – 2,500 sf in the Income Approach is confirmed at \$34.00 psf.

Issue: What is the market net rental rate, to be applied to the Office Space, in the Income Approach to value, to determine the market value, for assessment purposes? The subject is assessed with a rate of \$20.00 psf, while the Complainant requested a rate of \$19.50 psf.

Complainant's Position:

[23] The Complainant, at page 47, provided a table titled, 2013 Retail Office Leases. The table contains details of 15 leases with start dates ranging from March 1, 2010 to July 1, 2012 and lease rates ranging from \$14.00 to \$25.00 psf. The median lease rate is \$19.50. The Complainant requested a rate of \$19.50 psf to be applied to the assessment.

Respondent's Position:

[24] The Respondent provided no evidence to support the assessed rate.

Board's Reasons for Decision:

[25] The Board finds the Complainant's evidence is not persuasive enough to prove that the requested rate of \$19.00 psf is correct. The Board notes all of the Complainant's comparables, with one exception, are from lower quality buildings. In addition, approximately 85% of the leases are from one property which is a different use than the subject.

[26] The market net rental rate to be applied to the Office Space in the Income Approach is confirmed at \$20.00 psf.

Issue: What is the market net rental rate to be applied to the Bank Space, in the Income Approach to value, to determine the market value, for assessment purposes? The subject is assessed with a rate of \$42.00 psf while the Complainant requested a rate of \$38.00 psf.

Complainant's Position:

[27] The Complainant, at page 51, provided a table titled, 2013 Altus Group's 'A Quality' Retail Bank Analysis. The table contains details of 21 leases with start dates ranging from January 1, 2010 to March 20, 2012, and lease rates ranging from \$24.00 to \$49.80 psf. the median lease rate is \$38.00 psf. The Complainant requested a rate of \$38.00 psf to be applied to the assessment.

[28] The Complainant, at page 64, reproduced the above table with two added columns titled, "Reported Quality" and "City Bank Study Quality", noting it has used the "Reported Quality" to prepare its analysis, whereas the Respondent has used "City Bank Study Quality" in its analysis.

Respondent's Position:

[29] The Respondent, at page 50, provided a table titled, 2013 Bank Rate Study Summary, noting that all banks are analyzed city wide by quality, for establishing rates, and that "A" Quality banks in the City are assessed at the rate of \$42.00 psf.

[30] The Respondent, at page 51, provided a table titled, 2013 Bank Lease Analysis: A Quality. The table contains details of 14 leases with start dates ranging from January 4, 2010 to March 19, 2012, and lease rates ranging from \$28.00 to \$49.80 psf. The median lease rate is \$42.50 psf. The Respondent noted the subject is assessed at the rate of \$42.00 psf. The Respondent submitted that one lease at 1600 85 ST SW (\$28.00 psf) and one lease at 8888 Country Hills Blvd NW (\$34.00 psf) are outliers, while the remainder "straddle the median".

[31] The Respondent, at page 12, provided the ARFI for the subject, noting the bank is paying a rate of \$50.00 psf.

Board's Reasons for Decision:

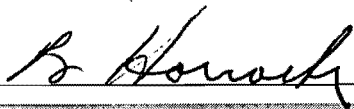
[32] The Board finds the evidence in the City Bank Lease Analysis supports the assessed rate of \$42.00 psf. In addition, the ARFI would suggest the subject is well served by the assessment process.

[33] The market net rental rate to be applied to the Bank Space, in the Income Approach, is confirmed at \$42.00 psf.

[34] The Board notes this decision differs from the decision in CARB 72700P-2013. In CARB 72700P-2013, the Complainant persuaded the Board that the Complainant should be able to rely on information provided by the City on its website, without further investigation. In this hearing, the Respondent provided a "step by step" explanation of how the information is accessed on the City website, and how that information should be interpreted by a knowledgeable user.

[35] The 2013 assessment is confirmed at \$10,810,000.

DATED AT THE CITY OF CALGARY THIS 14 DAY OF November 2013.



B. Horrocks

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(Hearing 72487)	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 Administrative Use Only

Property Type	Property Sub-Type	Issue	Sub-Issue
Retail	Strip Plaza	Income Approach	Rental rates