

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:

Prime Properties Inc. Immeubles Prime Inc. (as represented by Altus Group Ltd.),
COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

B. Horrocks, PRESIDING OFFICER
J. Rankin, BOARD MEMBER
J. Pratt, 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:	156161705
LOCATION ADDRESS:	227 153 AV SE
FILE NUMBER:	72952
ASSESSMENT:	\$2,110,000

This complaint was heard on the 28th day of October, 2013 at the office of the Assessment Review Board located at Floor Number 4, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 3

Appeared on behalf of the Complainant:

- A. Izard (Altus Group Ltd.)
- K. Fong (Altus Group Ltd.)

Appeared on behalf of the Respondent:

- J.S. Villeneuve-Cloutier (City of Calgary)
- R. Urban (City of Calgary)

Observer: T. Nguyen

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] There were no preliminary matters. The merit hearing proceeded.

Property Description:

[5] The subject property is a 0.70 acre parcel located in the Midnapore community in SE Calgary. The site is improved with a 11,632 square foot (sf) Retail Strip Shopping Centre, commonly referred to as Midridge Plaza. The improvement was constructed in 1989 and is classified as "C+" 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 three outstanding issues, namely: "The assessed rental rate for 'CRU Space < 1,000sf' at the subject should be no higher than \$13.50 psf", "The assessed rental rate for 'CRU Space 1,001 – 2,500sf' at the subject should be no higher than \$15.00 psf" and "The assessed rental rate for 'CRU Space 2,501 – 6,000sf' at the subject should be no higher than \$12.00 psf".

Complainant's Requested Value: \$1,620,000 (Complaint Form)
\$1,800,000 (Hearing)

Board's Decision:

[7] The 2013 assessment is reduced to \$1,800,000.

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 typical market net rental rate for 'CRU Space 0 - 1,000 sf', to be used in the Income Approach to value, to determine the market value for assessment purposes?

Complainant's Position:

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

[9] The Complainant, at page 13, provided the Property Assessment Summary Report, noting the subject is classified as "C+" quality.

[10] The Complainant, at page 27, provided the Rent Roll for the subject as of December 31, 2012.

[11] The Complainant, at pages 37 to 114, provided all of the leases submitted by the City in response to the Complainant's 299/300 request.

[12] The Complainant, at page 29, provided a table titled, CRU 0-1,000 sf C+ Quality Rental Study. The table contains details of 13 leases (all C+ quality) with start dates in the period January 1, 2010 to May 1, 2012. The lease rental rates range from \$5.00 to \$17.50 psf and the median lease rental rate is \$13.50 psf. The Complainant requested the rate of \$13.50 be applied in the assessment.

Respondent's Position:

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

[14] The Respondent, at page 15, provided the Assessment Request for Information (ARFI) for the subject, dated June 27, 2012, noting the subject is achieving rental rates of \$16.00 and \$17.00 psf.

[15] The Respondent, at page 24, provided a table titled, Lease Comparables 0 to 1,000 sq ft CRU. The table contains details of 5 leases (4 "B" quality and 1 "B-" quality) with lease start dates in the period May 1, 2010 to June 30, 2012. The lease rates range from \$19.00 to \$28.00 psf and the median lease rate is \$21.90 psf. The Respondent noted the subject is assessed using the rate of \$19.00 psf.

Board's Reasons for Decision:

[16] The Board finds the Complainant's evidence more compelling. The Complainant has used all "C+" quality comparable leases, the same quality classification as the subject, while the Respondent has used leases from "B" quality comparables.

[17] The typical market net rental rate to be used for the CRU Space 0 – 1,000 sf is \$13.50 psf.

Issue: What is the typical market net rental rate for CRU Space 1,001 – 2,500sf, to be used in the Income Approach to value, to determine the market value for assessment purposes?

Complainant's Position:

[18] The Complainant, at pages 30 and 31, provided a table titled, CRU 1,001-2,500 sf C+ Quality Rental Study. The table contains details of 36 leases (all C+ quality) with start dates in the period from January 1, 2010 to January 1, 2012. The lease rental rates range from \$8.00 to \$22.00 psf and the median lease rate is \$15.00 psf. The Complainant requested the rate of \$15.00 psf be applied to the assessment.

Respondent's Position:

[19] The Respondent, at page 25, provided a table titled, Lease Comparables – 1,001 to 2,500 sq ft CRU. The table contains details of 7 leases with start dates in the period April 1, 2010 to October 1, 2011. The lease rates range from \$7.50 to \$18.00 psf and the median lease rate is \$16.00 psf. The Respondent noted that the subject is assessed at the rate of \$18.00 psf. Through questioning, it was determined that the property at 6624 Centre Street SE is classified as "B-" quality.

Board's Reasons for Decision:

[20] The Board finds the Complainant's evidence more compelling. The Complainant has used all "C+" quality comparable leases, the same quality classification as the subject.

[21] The typical market net rental rate to be used for the CRU Space 1,001 – 2,500 sf is \$15.00 psf.

Issue: What is the typical market net rental rate for CRU Space 2,501 – 6,000sf, to be used in the Income Approach to value, to determine the market value for assessment purposes?

Complainant's Position:

[22] The Complainant, at page 32, provided a table titled, CRU 2,501 – 6,000 sf C+ Quality Rental Study. The table contains details of 11 leases with start dates in the period January 1, 2010 to June 1, 2012. The lease rental rates range from \$7.68 to \$20.00 psf and the median lease rate is \$12.00 psf. The Complainant requested the rate of \$12.00 psf be applied in the assessment.

[23] The Complainant submitted the Respondent's lease comparable at 15216 Shaw Road SE is actually a Freestanding Retail and not a Retail Strip.

Respondent's Position:

[24] The Respondent, at page 26, provided a table titled, Lease Comparables – 2,501 to 6,000 sq ft CRU. The table contains details of 11 leases with start dates in the period January 1, 2010 to June 1, 2012. The lease rates range from \$7.68 to \$20.00 psf and the median lease rate is \$13.00 psf. The Respondent noted the subject is assessed at the rate of \$14.00 psf.

Board's Reasons for Decision:

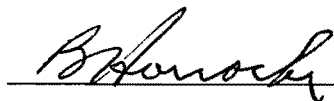
[25] The Board finds the Complainant's evidence more compelling. The Complainant has used all "C+" quality comparable leases, the same quality classification as the subject.

[26] The typical market net rental rate to be used for the CRU Space 2,501 – 6,000 sf is \$12.00 psf.

[27] The Board, using the Rent Roll (page 27,C-1) calculated the actual Potential Gross Income (PGI) to be \$143,936. The Board noted the requested PGI was \$142,033 (page 34,C-1) and the assessed PGI was \$165,144 (page 12,R-1). The Board concluded the subject is overassessed.

[28] The Board finds there was no logical explanation for the City to use "B" quality comparables or Freestanding Retail comparables when the subject is a C+ quality Retail Strip Centre.

DATED AT THE CITY OF CALGARY THIS 27 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

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