COMPOSITE 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 (MGA).

between:

Calgary Co-operative Association Limited (as represented by Altus Group Ltd.),
COMPLAINANT

and

The City Of Calgary,
RESPONDENT

before:

C. J. Griffin, PRESIDING OFFICER
B. Jerchel, MEMBER
A. Wong, 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 2012 Assessment Roll as follows:

ROLL NUMBER:	**005159504**
LOCATION ADDRESS:	**6520 Falconridge Blvd. NE**
HEARING NUMBER:	**68199**
ASSESSMENT:	**$12,670,000.**

This complaint was heard on 27th day of June, 2012 at the office of the Assessment Review Board located at Floor Number 3, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 8.

Appeared on behalf of the Complainant:

- K. Fong

Appeared on behalf of the Respondent:

- D. Zhao

Preliminary or Procedural Matters:

[1] A Preliminary Matter was brought forward by the Complainant relating to their request for information, from the Assessor, under Sections 299 and 300 of the Municipal Government Act (MGA) and the ensuing response from the Assessor which the Complainant maintains did not meet the requirements of Section 299 of the MGA.

[2] This same Preliminary Matter was brought forward by the Complainant in an earlier CARB Hearing and it was agreed by both parties that the Decision of the CARB pertaining to same would be carried forward and become applicable to this Hearing as well. Accordingly the CARB refers the reader to CARB Decision #0776-2012-P which provides more detail as to the decision of the CARB to allow the Assessor to submit their assessment brief in its totality.

[3] As a matter of Procedure, and with the agreement of both parties, the CARB heard, in this same week and from these same Parties in Hearing 68396 (CARB Decision 0776-2012-P), an extensive capitalization rate argument and all of the evidence and argument related to same is now carried forward and becomes applicable to this Assessment Complaint, as well as other Complaints scheduled to be heard by this same panel of the CARB, with the same parties, this same week.

Property Description:

[4] According to the *Property Assessment Public Report* (Exhibit C-1 pg. 14), the subject property is categorized as being a CM0203 – Retail – Shopping Centres – Neighbourhood with a **B+** quality for all but one component of the shopping centre which has an **A-** quality rating. The property consists of five (4) structural components that range in size from 1 Sq. Ft. to 46,737 Sq. Ft. The Year of Construction (YOC) is recorded as 1998 for three (3) of the buildings, 2002 for one (1) and 2003 for the remaining building. The underlying site is reported as being 5.70 acres in size.

[5] The property has been valued, for assessment purposes, through application of the Income Approach with the following inputs:

Category	Rentable Area	Rental Rate	Typical Vacancy
CRU 0 – 1,000 Sq. Ft.	490 Sq. Ft.	$22.00/Sq. Ft.	6.25%
CRU 1,001 – 2,500 Sq. Ft.	1,451 Sq. Ft.	$21.00/Sq. Ft.	6.25%
CRU 2,501 – 6,000 Sq. Ft.	5,243 Sq. Ft.	$20.00/Sq. Ft.	6.25%
Non Retail Mezz.	1,589 Sq. Ft.	$ 2.00/Sq. Ft.	1.00%
Supermarket	43,207 Sq. Ft.	$13.00/Sq. Ft.	1.00%
Gas Bar/Store	1 Sq. Ft.	$70,000/Yr.	6.25%
Car Wash	1 Sq. Ft.	$35,000/Yr	6.25%
Retail Bank	4,629 Sq. Ft.	$33.00/Sq. Ft.	6.25%

Vacant Space Shortfall	@	$8.00/Sq. Ft.
Non-Recoverable Allowance	@	1.00%
Capitalization Rate	@	7.25%

Issues:

[6] There are a number of interrelated issues outlined on the Assessment Review Board Complaint form; however, at the Hearing the Complainant reduced the issues to be considered by the CARB to:

1. The Assessor's applied capitalization rate of 7.25% is excessively low and not reflective of the market conditions as at the designated valuation date and the resultant assessed value is incorrect. The appropriate capitalization rate should be 7.75%.
2. The assessed rental rate for the retail bank space is too high and should be $28.00/Sq. Ft.

Complainant's Requested Value: **$11,280,000.** (Exhibit C1 pg. 32)

Party Positions:

Complainant's Position

[7] The Complainant's evidence and argument relating to the capitalization rate issue is the same as that presented to this same CARB in Hearing # 68396 (CARB Decision #0776-2012-P) and as agreed to by both parties and the CARB (refer to Procedural Matters) all of that evidence and argument pertaining to this issue is deemed applicable to this Hearing.

[8] In terms of the rental rate of the retail bank space, the Complainant introduced (Exhibit C1 pg. 34) comparable bank lease rates all of which have been extracted from banks located within the same NE market zone as the subject. These leases are separated into two categories with six (6) of the referenced leases having start dates in 2009 or 2010 and the remaining seven (7) being older with start dates ranging from 2003 to 2008. According to the calculations of the Complainant the referenced leases indicate a Median of $28.00/Sq. Ft. Based upon this information, the Complainant requests a rate of $28/Sq. Ft. be applied to the subject bank space of 4,629 Sq. Ft.

Respondent's Position

[9] The Assessor's evidence and argument relating to the capitalization rate issue is the same as that presented to this same CARB in Hearing # 68396 and as agreed to by both parties and the CARB (refer to Procedural Matters) all of that evidence and argument is deemed applicable to this Hearing.

[10] Insofar as the disputed retail bank rate is concerned, the Assessor introduced (Exhibit R1 pg. 17) the same thirteen (13) lease comparables presented by the Complainant (Exhibit C1 pg. 34) with a correction to the lease commencement date for Comparable #3 as being from 2007, ergo removing this example from the first category of most recent leases. As a result of the foregoing, the indicated Median for the most recent leases becomes $39/Sq. Ft. and the Mean is $37/Sq. Ft., both of which the Respondent maintains are in excess of but still supportive of the assessed rate of $33/Sq. Ft. The Assessor also explained to the CARB that bank lease rates, for assessment purposes, are based upon the YOC of the building and introduced (Exhibit R1 pg. 15) a chart in support of this hypothesis.

Board's Decision:

[11] The assessment is **reduced** to **$11,850,000**.

Decision Reasons:

[12] With regard to the capitalization rate issue and as agreed to by both parties (see Procedural Matters) the CARB accepts the evidence and argument of the Complainant in this regard and agrees that the appropriate capitalization rate for this property is 7.75%. The Reader is referred to CARB Decision #0776-2012-P for further details regarding this decision.

[13] Insofar as the disputed bank lease rate is concerned, the CARB is of the judgment that the Complainant's own evidence, when corrected as indicated by the Assessor, fully supports the assessed rate of $33/Sq. Ft. with the result that this rate is confirmed.

DATED AT THE CITY OF CALGARY THIS 27 **DAY OF** July **2012.**

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's 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

Decision No.0777-2012-P			***Roll No.*** **005159504**	
Subject	*Type*	*Issue*	*Detail*	*Issue*
CARB	Shopping Centre	Cap. Rate	Rental Rate	Retail Bank