

**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:**

***Investors Group Trust Co Ltd (as represented by Altus Group Limited), COMPLAINANT***

**and**

***The City Of Calgary, RESPONDENT***

**before:**

***B. Horrocks, PRESIDING OFFICER***

***J. Joseph, MEMBER***

***R. Deschaine, 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 2011 Assessment Roll as follows:

<b>ROLL NUMBER:</b>	<b>121177208</b>
<b>LOCATION ADDRESS:</b>	<b>30 RIVERGLEN DR SE</b>
<b>HEARING NUMBER:</b>	<b>63077</b>
<b>ASSESSMENT:</b>	<b>\$1,460,000</b>

This complaint was heard on the 2nd day of Nov., 2011 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:

- Mr. A. Izard (Altus Group Limited)

Appeared on behalf of the Respondent:

- Mr. R. Ford

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

There were no concerns with the composition of the Board.

There were no preliminary matters. The merit hearing proceeded.

The parties agreed that all evidence, argument and decision, with respect to Capitalization rate, from Hearing number 63930 would be carried forward and applied to this decision.

**Property Description:**

The subject property is a 0.66 acre parcel located in the Riverbend community in SE Calgary. The site is improved with a multi tenant building with 4,459 square feet (SF) of rentable area. The building was constructed in 1996 and is considered to be of B quality. One access to the adjacent Neighbourhood Shopping Centre is provided through the subject. The subject is assessed using the Direct Sales Approach to Value for the land component only.

**Issues:**

The Assessment Review Board Complaint Form contained 9 grounds for appeal. At the outset of the hearing, the Complainant advised there were only two outstanding issues, namely the rent rates and the capitalization (Cap) rate.

**Complainant's Requested Value:** \$1,100,000 (Complaint Form)  
\$1,180,000 (Hearing)  
\$1,260,000 (Alternate at Hearing)

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

**Issue** Rental Rate

The Complainant's Disclosure is labelled C-1.

The Complainant, at page 29, provided a list of 2011 Assessment parameters, noting that the rental rates for the adjacent Neighbourhood Shopping Centre (Riverbend) are \$24.00 / SF and \$22.00 / SF for the CRU 0 – 1000 SF and 1001 – 2500 SF spaces respectively. The Complainant further noted the same rates were being applied at the Ogden Neighbourhood Centre which is in close proximity to the subject.

The Complainant, at pages 30 and 31 provided Requested Assessment Summaries with the calculations based on the two different Cap rates at issue (7.75% and 7.25%). In response to a question from the Respondent, the Complainant advised the Vacancy rate used in the calculations should be 7.25% and not 7.50% which had been used. The Complainant noted that changing the vacancy rate increased the net operating income (NOI) by approximately \$400 and didn't impact the valuation conclusion.

The Respondent's Disclosure is labelled R-1.

The Respondent advised that the City of Calgary has derived a land value as well as an improved value for all properties in its jurisdiction. When an improved property is of such an age, design or other influence that the property is incapable of producing a capitalized income value which exceeds the established land value then the land value represents the market value of the property. The Respondent advised that this was the case with the subject.

The Respondent, at page 13, provided a chart of land sales during the period August 2008 to December 2009 that contained 8 sales of parcels ranging from 12,985 SF to 431,854 SF. The sales had been used to develop the chart at the bottom of the page which identified the 2011 Commercial Rates to be applied to lands with different zoning. There is no explanation as to how the sales are converted to the Commercial Rates. When the land rate for land zoned C-C2 is applied to the subject, the land amount is \$1,461,293 and the resultant assessment is \$1,460,000.

The Board finds the Respondent's land sales do not provide a reliable estimate of the land value of the subject. The sales are dated, they are from different quadrants of the City and they were all vacant at the time of sale. Further, there was no backup from the Respondent in support of the allegation that the land value exceeded the capitalized income value. In addition, the Respondent did not provide any evidence of adjustments that would need to be made to recognize encumbrances on the land such as demolition costs and penalties for lease termination.

Finally, the Board finds the Complainant's requested rental rates of \$24.00 / SF and \$22.00 / SF to be equitable.

**Issue** Cap rate (Carried forward from Hearing #63930)

The Complainant's Disclosure is labelled C-1.

The Complainant, at page 29, provided eight 2011 Composite Assessment Review Board (CARB) Decisions from 2 different Boards wherein the Cap rate had been increased from 7.25% to 7.75% as requested by the Complainant.

The Complainant, at page 83, provided Community – Neighbourhood Shopping Centres 2011 Capitalization Rate Analysis and Argument which contained

- The Capitalization Rate Methodology,
- City of Calgary Capitalization Rate Approach,
- Excerpts from the Alberta Assessor's Association Valuation Guide
- Government of Alberta Principles of Assessment I and

- The Capitalization Analysis.

The Complainant submitted the Analysis was prepared in accordance with the guidelines cited above.

The Analysis was prepared utilizing 5 sales of Shopping Centre properties that had occurred in 2009 and Typical Market Rents. The Analysis concluded that the median cap rate for those 5 sales was 7.81%.

The Respondent's Disclosure is labelled R-1.

The Respondent provided two charts on page 21. The top chart compared the Assessment to Sales Ratio (ASR) of the 5 sales used in the Complainant's Cap rate study, using the 7.25% Cap rate (as assessed) and the 7.75% Cap rate (as requested). The Respondent submitted the 7.75% Cap rate produced an inferior estimate of market value because the resulting median ASR (0.93) was further from the desired standard of 0.95 to 1.05 than the median ASR achieved (1.00) using the Cap rate of 7.25%. The bottom chart produced a similar result when the two Cap rates were applied to the 6 sales which were utilized in a number of previous CARB decisions.

The Respondent, at page 23, provided nine 2011 CARB Decisions from 6 different Boards wherein the assessed Cap rate of 7.25% had been confirmed.

The Complainant, through rebuttal (C-2), attempted to introduce the 2011 City of Calgary Cap Rate Study, but was restricted because that evidence had not been disclosed for this hearing.

The Board finds the Cap rate utilized by the Respondent produces a superior estimate of market value, as evidenced by the ASR test. Further, the previous CARB Decisions submitted by the Complainant were based on the Respondent's Cap Rate Study, which was not in evidence at this hearing. Finally, the Board does not agree with the calculation used by the Complainant, as it is based on factors derived using different methodologies. The Complainant used actual and implied rent rates to derive the net operating income (NOI) and subsequent Cap rates of the Analysis properties resulting in an 'actual' Cap rate for the property stratum (Community – Neighbourhood Shopping Centres). It then applied the 'actual' Cap rate to a valuation model that calculates NOI using 'typical' lease rates.

**Board's Decision:**

The 2011 assessment is reduced to \$1,260,000.

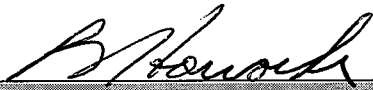
**Reasons**

The Cap rate utilized by the Respondent produces a superior result.

The Complainant has not utilized a consistent approach in the derivation of the Cap rate and in the application of that rate.

The Income Approach to Value, utilizing equitable rental rates of \$24.00 and \$22.00 / SF respectively and a Cap rate of 7.25% yields a more compelling estimate of market value than the "Land value" only as determined by the Direct Sales Comparison Approach to Value.

DATED AT THE CITY OF CALGARY THIS 25<sup>th</sup> DAY OF November 2011.



**B. Horrocks**  
**Presiding Officer**

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

<b>NO.</b>	<b>ITEM</b>
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**

<i>Subject</i>	<i>Property Type</i>	<i>Property Sub - Type</i>	<i>Issue</i>	<i>Sub - Issue</i>
<i>CARB</i>	<i>Retail</i>	<i>Stand Alone</i>	<i>Income Approach</i>	<i>Net Market Rent/Lease Rates and Capitalization Rate</i>