



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:

1240725 Alberta Ltd. (Linnell Taylor Assessment Strategies), COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

***I. Weleschuk, PRESIDING OFFICER
J. Massey, 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:	175177005
LOCATION ADDRESS:	800 Crowfoot Cr. NW
FILE NUMBER:	70285
ASSESSMENT:	\$11,120,000

This complaint was heard on 8th day of July, 2013 at the office of the Assessment Review Board located at Floor Number 3, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 11.

Appeared on behalf of the Complainant:

- *J. Mayer*

Appeared on behalf of the Respondent:

- *T. Johnson*

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

- [1] The Board noted that their file included a completed copy of the Assessment Review Board Complaint form and Assessment Complaints Agent Authorization form.
- [2] The Board proceeded to hear the complaint with only a provincial member and one local member, which under Section 458(2) of the Act provides for a quorum of the Composite Assessment Review Board. Neither party objected to the members of the Board, as introduced, hearing the evidence and making a decision regarding this assessment complaint. Neither party objected to the complaint being heard by a two member panel.
- [3] No preliminary issues were raised by either party.

Property Description:

- [4] The subject property is located at 800 Crowfoot Cr. NW, and is part of the larger Crowfoot power centre in the Arbour Lake District. The property is 1.86 acres in size, with two buildings on the site. One building is retail structure of 14,115 square feet (SF) shared by seven tenants. Of this total area, 6,740 SF exist as 1,001-2,500 SF CRU space, with the remaining 7,375 SF divided into 2,501-6,000 SF CRU space. The other building is a stand-alone structure of 5,578 SF with a bank as the only tenant. The property also includes 94 surface parking spaces. The current assessment is \$11,120,000, using an Income Approach.

Issues:

- [5] What is the correct assessment of value? The Complainant argued that using the value of the subject sale in February 2010 and applying a time adjustment results in the best indication of value. The Respondent argued that the Income Approach is the best indication of market value.

Complainant's Requested Value: \$9,438,000

Board's Decision:

[6] The Board confirms the 2013 Assessment of \$11,120,000.

Legislative Authority:

[7] Section 4(1) of Matters Relating to Assessment and Taxation Regulation (MRAT) states that the valuation standard for a parcel of land is "market value". Section 1(1)(n) defines "market value" as the amount that a property, as defined in Section 284(1)(r) of the Act might be expected to realize if it is sold on the open market by a willing seller to a willing buyer. Section 467(3) of the Act states that an assessment review board must not alter any assessment that is fair and equitable, taking into consideration (a) the valuation and other standards set out in the regulations. The issues raised in the Complaint may refer to various aspects of the assessment or calculation of the assessed value, and may be addressed by the Board. However, the ultimate test that the Board must apply is whether the assessed value reflects the market value of the assessed property.

Issue 1: What is the correct assessment of value?

[8] The two parties used different approaches to arrive at their requested assessed value and the 2013 assessed value as calculated by the City. The Complainant relied on the February 2010 sale value of the subject property, then applied a time adjustment derived by using a grouped sales analysis, to calculate the requested assessment value. The Respondent agreed that the February 2010 sale of the subject property was a market value transaction, but did not have any evidence related to the appropriate time adjustment. The Respondent presented the Income Approach calculation used by the City to derive the 2013 assessment. The Complainant did not dispute any specific factor used by the City in its Income Approach assessment calculation. The issue came down to which approach best indicated the market value of the subject property, as of the July 1, 2012 valuation date.

Complainant's Position:

[9] The Complainant presented the February 2010 sale of the subject property, and support documentation showing that this was a transaction that met the test of a sale at market value (page 16-25, Exhibit C1).

- [10] The Complainant derived a time adjustment by comparing the sale prices of five sales of suburban multi-tenant retail buildings of 10,000 SF to 50,000 SF that occurred in 2010, with six sales of similar sized properties that occurred in 2012 (page 9, Exhibit C1). The average and median of each data group was compared in a table on page 10, Exhibit C1, indicating a time adjustment of 32%.
- [11] The Complainant presented various previous Board decisions and one court decision that indicated that the best indication of value was the sale of the subject. The Complainant argued that using the time-adjusted sale value is consistent with the approach used in Board Decision CARB 1314/2012-P (page 39-44, Exhibit C1) which addressed the assessment for the subject property in 2012. A time-adjusted sale relies on fewer calculation factors than the Income Approach, therefore provides a more direct indication of market value.
- [12] In rebuttal, the Complainant did not dispute any of the factors used in the City's 2013 Income Approach calculation, but pointed out that the Income Approach is a methodology that relies on deriving a number of factors, which introduces uncertainty and is a more complex approach to obtaining a value. The Complainant commented on the two 2012 sales presented by the Respondent (page 62, Exhibit R1) and suggested that one of the sales included a substantial amount of office space, therefore was not comparable to the subject property.

Respondent's Position:

- [13] The Respondent stated that the subject is a commercial retail property located as part of a power centre, therefore the Income Approach is the most appropriate method to determine value using mass appraisal. The Respondent presented summary tables showing how rental rates for the various CRU categories, bank space, net operating income (NOI) and capitalization rates used in the Income Approach were derived (page 55-62, Exhibit R1).
- [14] The Respondent presented subject Assessment Request for Information (ARFI) documents dated May 10, 2011 (page 23-34, Exhibit R1), July 20, 2012 (page 35-43, Exhibit R1) and April 25, 2013 (page 44-53, Exhibit R1) to demonstrate that rental rates were increasing over this time period.
- [15] On page 62, Exhibit R1, the Respondent presented three sales of properties used to derive the capitalization rate. Two of these properties sold just prior to the valuation date. 20 and 60 Crowfoot Cr. NW is a property with 60,612 SF of assessable area and sold in April 2012 for \$31,250,000 (\$515/SF of assessable area). 140 Crowfoot Cr NW has 51,048 SF of assessable area and sold in May 2012 for \$35,500,000 (\$695/SF of assessable area). The Respondent compared the subject's assessment of \$564/SF of assessable area to these two recent sales in the same power centre to demonstrate that the 2013 assessment reflected the market value of the subject property.

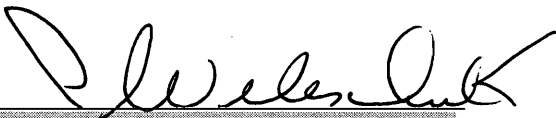
Findings of the Board on this Issue:

- [16] The issue before the Board is not to determine which of the two methodologies presented is better than the other. The issue is to determine the correct assessment value, which means determining the market value of the subject property as of the July 1, 2012 valuation date.
- [17] The Board does not dispute the argument made by the Complainant that the sale price of a property is the best indication of value. However, that sale value must be current; in other words, reflective of the current market value. Using a time adjustment to update a sale value is a valid approach if the time adjustment accurately reflects the change in the market over the subject time period for the subject property type. There are a number of acceptable approaches to deriving a time adjustment, if the appropriate market data is available and used in accordance with accepted appraisal or assessment methodologies. In considering the time adjustment analysis presented by the Complainant, the Board finds the analysis was not specific to the subject property (commercial retail space in a power centre), but included a range of commercial retail properties outside the downtown core within a defined size strata. Simply taking two groupings of sales, one of sales in 2010 and the other of sales in 2012, and comparing the median and mean was not a rigorous analysis. The Board was not convinced that the 32% time adjustment derived by the Complainant reflects the time adjustment appropriate for the subject property.
- [18] Regarding the Income Approach used by the City, the Respondent presented summary tables to demonstrate the basis of the various factors used in the calculation. The Board notes that the Respondent did not dispute any of the specific factors used in the calculation.
- [19] Little detail was presented by either party regarding the three sales presented on page 60, Exhibit R1, and particularly the two 2012 sales. The Board finds that both the 2013 assessed value and the requested assessment fall within the range of value (\$/SF of assessable area) represented by the two sales. The Board therefore put little weight to this evidence.

Board's Reasons for Its Decision

[20] The Board was not persuaded by the time adjustment analysis presented by the Complainant, finding the analysis was not specific to the subject property type (commercial retail space in a power center). The Income Approach presented by the Respondent was not disputed by the Complainant and the summary data was presented by the Respondent to support the factors used in the calculation. The Board concludes that the 2013 assessment of \$11,120,000 is correct and confirms this assessment.

DATED AT THE CITY OF CALGARY THIS 17th DAY OF July 2013.



Ivan Weleschuk
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	Complainant Rebuttal 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.*