



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:

First Canadian Properties Corporation – Ranchlands G.P. LTD. (as represented by MNP LLP), COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

***P. Petry, PRESIDING OFFICER
H. Ang, BOARD MEMBER
R. Deschaine, 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: 016123705

LOCATION ADDRESS: 1829 Ranchlands Boulevard N.W.

FILE NUMBER: 70742

TAXABLE ASSESSMENT: \$19,530,000

This complaint was heard on the 23rd day of September, 2013 at the office of the Assessment Review Board located at Floor Number 4, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 4.

Appeared on behalf of the Complainant:

- *J. Langelaar*

Appeared on behalf of the Respondent:

- *G. Good*

Property Description:

- [1] The subject property is a retail strip centre constructed in 1980. It consists of 65,872 square feet (sq. ft.) of rentable area with varying unit sizes. The subject property has been assessed using the capitalized income approach. The primary dispute centres on whether income approach parameters for this property are similar to properties in the Kensington district and others closer to the downtown core.

Issue:

- [2] Has the inclusion of Kensington and other retail properties near the downtown unreasonably elevated the typical income expected of the subject and other like suburban strip centres?
- [3] What are the most appropriate rental rates for the application of the capitalized income approach to value for the subject property?
- [4] Other matters and issues were raised in the complaint filed with the Assessment Review Board (ARB). The only issues, however, that the parties sought to have the Composite Assessment Review Board (CARB) address in this hearing, are those referred to above, therefore the CARB has not addressed any of the other matters or issues initially raised in the Complaint.

Complainant's Requested Value:

- [5] The Complainant's request is that the taxable assessment be reduced to \$18,730,000.

Board's Decision:

- [6] The CARB decision is to reduce the taxable assessment for the subject to \$18,730,000.

Legislative Authority, Requirements and Considerations:

- [7] The Composite Assessment Review Board (CARB), derives its authority from Part 11 of the Municipal Government Act (MGA) RSA 2000:
- [8] *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).*
- [9] For purposes of the hearing, the CARB will consider MGA Section 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*
- [10] The Matters Relating to Assessment and Taxation Regulation (MRAT) is the regulation referred to in MGA section 293(1)(b). The CARB consideration will be guided by MRAT Part 1 Standards of Assessment, Mass appraisal section 2:
- [11] *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*

Summary of the Party's Positions**Complainant**

- [12] The Complainant argued that the subject property and similar suburban strip centres are not similar to the popular street side pedestrian retail space in the Kensington or Centre Street areas close to the downtown. Suburban strip centres typically provide ample parking on site and are in a different economic market.
- [13] The Complainant brought forward seven lease rates for CRU space 0 – 1000 sq. ft. in the Kensington area showing a median of \$40 per sq. ft. This information was then compared to three leases within the subject and two leases from another strip centre at 1941 Uxbridge Drive in the North West quadrant of the City. These five leases which were all of spaces less than 1,000 square feet (sq. ft.) showed a median lease rate of \$25 per sq. ft. The Complainant recommended that the \$25 per sq. ft. rates be applied to lease areas less than 1,000 sq. ft. The assessment of the subject for this space size is based on \$30 per sq. ft. for this space size range.
- [14] For spaces in the 1,001 to 2,500 sq. ft. size category, the Complainant presented four lease rates for properties in the Kensington area showing a median lease rate of \$28.50 per sq. ft. This information was compared to a market study of 21 leases of space in this size range for strip centres in the North West quadrant of the City which show a median rate of \$27 per sq. ft. This is the rate recommended by the Complainant for this size range. The Respondent has assessed the subject property at a rate of \$29 for space within this size range.

- [15] The Complainant also presented a review of seven leases of space in the 2,501 to 6,000 sq. ft size range from CRUs in North West Calgary showing a median rate of \$26 per sq. ft. This is the rate recommended by the Complainant for this size range. The rate for this size range used by the Respondent in reaching the assessment of the subject was \$28 per sq. ft.
- [16] The Complainant's pro-forma applying only the above recommendations for the described space sizes results in a reduce value of \$18,730,000.

Respondent

- [17] The Respondent introduced the rent roll for the subject property and pointed out that the subject property is achieving income only slightly less than the income projected in the assessment.
- [18] The Respondent also brought forward market lease information to support the assessed rates for three of the unit size categories. The median rate for the 0 to 1,000 sq. ft. size range was \$32 per sq. ft.; the median for the 1,001 to 2,500 sq. ft. size range was \$27 per sq. ft. and the median for the 2,501 to 6,000 sq. ft. size range was \$26 per sq. ft.
- [19] The Respondent argued that the rental rates are correct and that the assessment is fair and equitable.

Findings and Reasons for the Board's Decision:

- [20] The CARB considered the Respondent's statement that the actual income supports the income used in the subject property's assessment. Once vacancy and other adjustments required to produce the property's net operating income are taken into account the income is considerably less than that stated by the Respondent. However, the CARB is not aware of how the Respondent determine the actual income of the subject.
- [21] The CARB has carefully reviewed both parties' evidence with respect to the question of whether the expected or typical income applied to the subject property is elevated by the inclusion of the Kensington and other properties closer to the downtown.
- [22] Both parties' evidence shows this to be the case, especially for the space size from 0 to 1,000 sq. ft. In the Respondent's evidence the last six comparables in the chart may be considered to be closer to the downtown area. If these are excluded from the analysis then the median value per sq. ft. drops from \$32 per sq. ft. to \$24.50 per sq. ft. The Complainant's evidence was that the near downtown leases produce a median of \$40 per sq. ft. while the subject and one other suburban property show a median of \$25 per sq. ft. The median arising from both parties evidence for properties that may be said to be more suburban is only \$0.50 apart and therefore the CARB accepts this evidence as the best reflection of the market lease rate for this space size range.
- [23] With respect to the next space size range of 1,001 to 2,500 sq. ft. there are fewer leases of properties closer to the downtown and it would appear from the limited data available that the rates for this size range do not differ as much as for the smaller size

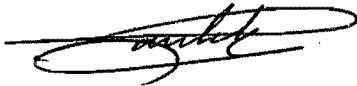
range. The evidence of both parties without any exclusion of data shows that a \$27 median rate per sq. ft. is supported in the market place. Therefore the CARB has adopted this rate per sq. ft. for the space size 1,001 to 2,500 sq. ft.

[24] The same situation is true of the space size range from 2,501 to 6,000 sq. ft. Both parties presented evidence which support a rate of \$26 per sq. ft. The CARB has therefore also adopted this rate as the best market evidence for the space size of 2,501 to 6,000 sq. ft.

[25] The three lease rates reviewed above were the only changes sought by the Complainant and therefore the CARB has adopted the Complainant's proposed value of \$18,730,000 as being the correct and equitable value for the subject property.

It is so ordered.

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



Presiding Officer

APPENDIX "A"

DOCUMENTS PRESENTED AT THE HEARING AND CONSIDERED BY THE BOARD:

NO.	ITEM
1. C1	Complainant Disclosure
2. C2	Complainant Rebuttal
3. 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

Subject	Property Type	Property Sub-Type	Issue	Sub-Issue
Commercial	Strip Centre	Retail	Rental Rate	