



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

***L. Yakimchuk, PRESIDING OFFICER
G. Milne, BOARD MEMBER
A. Zindler, 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 2014 Assessment Roll as follows:

ROLL NUMBER: 141001305
LOCATION ADDRESS: 755 Lake Bonavista Dr SE
FILE NUMBER: 75925
ASSESSMENT: \$31,470,000

This complaint was heard on August 7 and 8, 2014 at the office of the Assessment Review Board located at Floor Number 4, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 1.

Appeared on behalf of the Complainant:

- *A. Izard, Altus Group*

Appeared on behalf of the Respondent:

- *R. Farkas, City of Calgary Assessor*

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

- [1] There were no procedural or jurisdictional matters.
- [2] Neither party objected to any members of the Composite Assessment Review Board panel (the Board).

Property Description:

- [3] The subject property, Lake Bonavista Promenade, has been assessed as an enclosed shopping centre, using the income approach. The property includes a 107,561square foot (sf) "B+" quality improvement on 8.73 acres.

Issues:

- [4] Should the subject property be assessed using typical or site specific parameters? Specifically, should the rent rates be changed from \$10.00/sf to \$8.00/sf for the supermarket, \$25.00/sf to \$19.00/sf for CRU 6000 to 14000 sf, and from \$17.00/sf to \$15.00/sf for office space? Should the vacancy rate be adjusted to 6.25% (typical) rather than 2.00% (actual)?

Complainant's Requested Value: \$27,660,000

Board's Decision:

- [5] The Board reduced the assessment to \$27,870,000.

Legislative Authority, Requirements and Considerations:

The Composite Assessment Review Board (CARB) derives its authority from the Act 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).

For the purposes of this hearing, the CARB will consider the Act 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.

Matters Relating to Assessment and Taxation Regulation (MRAT) is the regulation referred to in the Act Section 293(1)(b). The CARB decision will be guided by MRAT Section 2, which states that

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.

and MRAT Section 4(1), which states that

The valuation standard for a parcel of land is

- (a) market value, or

if the parcel is used for farming operations, agricultural use value

Position of the Parties

Complainant's Position:

[6] Altus Group, on behalf of the Complainant, argued that the subject property had been assessed using the income approach with a mix of site specific and typical parameters. The Complainant cited many decisions where this approach had not been accepted in previous Board decisions.

[7] The Complainant argued that the City of Calgary had calculated rent rates by comparing Commercial Rental Units (CRUs) and offices within the enclosed shopping centre, rather than comparing one shopping centre to another by finding CRU and office leases from each shopping centre and calculating typical rates.

[8] The Complainant also pointed out that the City was not consistent in its approach because some of the units, namely the bank and the grocery store, were assessed by comparing them to other banks and grocery stores outside the shopping centre. The Complainant argued that this was a mixed methodology, inconsistent with mass appraisal.

[9] The Complainant also said that the capitalization (Cap) rate used for this property had been calculated using a mix of sales from enclosed and open air shopping centres (C1 p65). Documentation was provided to show that of the four neighbourhood shopping centre sales

used in the Cap rate study, three were open air neighbourhood shopping centres, and one was an enclosed shopping centre. The Complainant confirmed that the Cap rate was not under appeal at this hearing.

[10] A vacancy rate analysis included in the Complainant's evidence (C1 p64) shows that the typical vacancy for neighbourhood shopping centres was higher than the 2.00% assessed for Lake Bonavista Promenade, at 6.25% for the SE quadrant. The Complainant stated that the typical neighbourhood shopping centre Cap rate used in the subject assessment had been derived using citywide sales, including a SE property with a typical 6.25% vacancy.

[11] The Complainant also said that although office rental leases from Lake Bonavista Promenade had been used in the city wide office rental study, these rates were not applied to offices in the subject. The 2014 Retail Office Leases analysis shows a rate of \$16.00/sf for all offices in the "B-" to "B+" range. Instead, an actual rate was derived by finding the median of four leases within the subject for a site specific rate of \$17.00/sf..

[12] As well, the Complainant pointed out that an October, 2010 lease for the supermarket within the property was not included in the citywide analysis, whereas an older lease from August 2010 had been included. The lease is for \$4.00/sf and would change the median of the 2014 Citywide Supermarket Lease Analysis: C Quality (C1 p43) from \$10.00/sf to \$9.00/sf.

Respondent's Position:

[13] The Respondent, City of Calgary, explained that the assessment had been calculated based on comparisons from within Lake Bonavista Promenade shopping centre because enclosed shopping centres are difficult to compare to each other. Each shopping centre appears to be a neighbourhood of its own, with its own economic environment. For this reason, the best values for CRUs and offices can be found by calculating the median values from within the shopping centre. The Respondent provided analyses from enclosed neighbourhood malls to support this argument (R1 p24-56).

[14] The Respondent acknowledged there were times when older leases had to be used, or when a property lease was the only one of its type and the actual lease value became the typical value.

[15] The Respondent explained that City of Calgary used citywide rates for banks, supermarkets and automotive businesses because typical values could be found for those portions of the shopping centre.

[16] The Respondent presented an Assessment Request for Information (ARFI) which supported the rates assessed for the property (R1 p110-124).

Board's Reasons for Decision:

[17] The Board considered the Complainant's argument that site specific rates and mixed methodology were not the correct approach to mass appraisal. MRAT Part 1 Section 2 states that

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.

[18] The Board decided that, in keeping with (c) above, "*properties similar to that property*" is a definition which would most accurately be applied to other shopping centres similar to the subject shopping centre. The Respondent's argument that there are no similar shopping centres to compare was not well supported. Most of the comparable shopping centres had lease values in a similar range to the subject lease range.

[19] The Board understood the difficulty of assessing shopping centres because the lease values ranged widely within the shopping centres and among them. Some of the leases being used dated as far back as (year) 2000 and often there were single lease categories where the actual became the typical.

[20] The Board supports the Complainant's argument that the best approach to assessment using the income approach would be to compare rates from similar properties, possibly enclosed neighbourhood shopping centres or possibly any comparable neighbourhood shopping centres. There were not enough rent rates in portions of the subject study (sometimes only one example) to support a typical value for many of the CRUs, so these "typical" site specific rent rates were not well supported.

[21] The Board also considered the use of the subject office rates in regional studies. If these rates are typical of the region, then the values calculated using them may be appropriate for the subject valuation. The Respondent was unable to explain why site specific values were used instead. The Board observed that community wide rates were used for banks and supermarkets, and supports using community wide rates for offices as well, as these are available and the ranges are common to the shopping centre ranges.

[22] The Board observed that the citywide supermarket analysis was for "C" quality supermarkets. Because this is the analysis the City used, the Board accepted that the supermarket must be a "C" quality and included the lease for the subject in the study. No evidence was presented by the City to exclude the subject. The median rate for supermarkets, using three values, was \$9.00 and the Board accepts that this is the typical rate for the subject supermarket.

[23] In the absence of other rent rate analyses, the Board accepts the Complainant's calculated typical values of \$19.00/sf for CRU 6000-1400 sf, and \$15.00/sf for offices, with the others remaining unchanged. The typical vacancy rate of 6.25% was accepted. The Complainant did not ask for a change in the Cap rate.

[24] The Board reduced the assessed value of the subject property to \$27,870,000.

DATED AT THE CITY OF CALGARY THIS 21st DAY OF August 2014.



L. Yakimchuk

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	Rebuttal

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 office use only:

A	B	C	D	E
CARB	Retail	Neighbourhood Mall	Income approach	Rent, Vacancy
				<i>Enclosed</i>