



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:

DP Plaza Ltd.

(as represented by Colliers International Realty Advisors Inc.), COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

B. Horrocks, PRESIDING OFFICER

T. Livermore, BOARD MEMBER

R. Kodak, 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:	149150294
LOCATION ADDRESS:	14919 DEER RIDGE DR SE
FILE NUMBER:	76657
ASSESSMENT:	\$21,740,000

This complaint was heard on the 6th day of August, 2014 in Boardroom 6 at the office of the Assessment Review Board located at Floor Number 4, 1212 – 31 Avenue NE, Calgary, Alberta.

Appeared on behalf of the Complainant:

- T. Howell (Colliers International Realty Advisors Inc.)

Appeared on behalf of the Respondent:

- G. Jones (City of Calgary)
- K. Ivinac (City of Calgary)

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

- [1] There were no concerns with the Composite Assessment Review Board (CARB) as constituted.
- [2] The parties have visited the site.
- [3] The parties have not discussed the file.
- [4] There were no preliminary matters. The merit hearing proceeded.

Property Description:

[5] The subject property is a 7.61 acre parcel located in the Deer Ridge community in SE Calgary. The site is improved with a Neighbourhood Shopping Centre comprised of nine buildings. The improvements were constructed in phases, starting in 1989 and finishing in 1996, and are primarily classified B+ quality.

[6] For the 2014 tax year, the subject is assessed using the Income Approach to Value. Typical rents applied were: \$17.50 per square foot (psf) for Auto Mechanical Repair, \$27.00 psf for Bank, \$32.00 psf for CRU 0-1,000 square feet (sf), \$32.00 psf for CRU 1,001-2,500 sf, \$25.00 psf for CRU 2,501-6,000 sf, \$2.00 psf for Non-Retail Mezzanine, \$32.00 psf for PAD 1,001-2,500 sf, \$25.00 psf for PAD Restaurant Dining Lounge, \$26.00 psf for PAD Restaurant Fast Food, \$13.00 psf for Supermarket, and \$105,000 for the Gas Bar, Store, Car Wash. Typical vacancy allowances and non-recoverable operating expenses were deducted. The resulting net operating income (NOI) was capitalized at a rate of 6.75% to arrive at an assessed value that was truncated to \$21,740,000.

Issues:

[7] An assessment amount was identified on the Assessment Review Board Complaint Form as the matter that applies to the complaint. At the outset of the hearing, the Complainant advised that there were five outstanding issues, namely; the rental rate for CRU 0-1,000 sf should be \$26.00 psf, the rental rate for CRU 1,001-2,500 sf should be \$26.00 psf, the rental rate for CRU 2,501-6,000 sf should be \$23.00 psf, the rental rate for CRU Pad 1,001-2,500 sf should be \$24.00 psf and the capitalization (cap) rate should be 7.00%.

Complainant's Requested Value: \$18,913,800 (Complaint form)
\$19,690,000 (Hearing)

CARB's Decision:

[8] The 2014 assessment is confirmed at \$21,740,000.

Legislative Authority, Requirements and Considerations:

The (CARB) derives its authority from the Act, Section 460.1:

- (2) *Subject to section 460.1(1), 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).*

The Act requires that:

- 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) requires that:

- 2 *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.*
- 4(1) *The valuation standard for a parcel of land is*
- (a) *market value, or*
 - (b) *if the parcel is used for farming operations, agricultural use value*

CARB's Decision in Respect of Each Matter or Issue

Issue: What is the market net rental rate for CRU 0-1,000 sf to be used in the Income Approach to Value to determine the market value of the subject property, for assessment purposes?

Complainant's Position:

[9] The Complainant's Disclosure is labelled C-1.

[10] The Complainant, on pages 20 through 22, provided the rent roll for the subject property noting units B127 and C101A are currently leased at the rate of \$26.00 psf, in support of its requested rental rate of \$26.00 psf.

Respondent's Position:

[11] The Respondent's Disclosure is labelled R-1.

[12] The Respondent submitted the Complainant is requesting rental rates based on actual rents in place at the subject property while the Respondent applies rental rates based on typical rents in place at comparable properties. Leases are stratified by Quadrant, Quality and Sub-Property Use.

[13] The Respondent, on page 33, provided a table titled 2014 Commercial Retail Unit Leases: (CRU 0 – 1,000 SF – SE Neighbourhood and Community 'B+'). The table contains details of five leases from two different Neighbourhood Centres in the SE. The lease rates range from \$30.00 psf to \$44.00 psf. The median lease rate is \$35.00 psf. The Respondent noted the subject is assessed at the rate of \$32.00 psf.

Complainant's Rebuttal Position:

[14] The Complainant's Rebuttal is labelled C-2.

[15] The Complainant, on pages 142 through 168, provided a table titled 2014 Commercial Retail Unit Leases. The table was prepared by the City of Calgary and provided to the Complainant in response to the Complainant's s.299 request. The Complainant asked why a number of leases were not included in the Respondent's Neighbourhood Study. The Respondent advised they were not included because they were a different sub-property use. The subject is a CM0203 Retail.

CARB's Findings:

[16] The Respondent's market evidence supports the assessed rate of \$32.00 psf.

Issue: What is the market net rental rate for CRU 1,001-2,500 sf to be used in the Income Approach to Value to determine the market value of the subject property, for assessment purposes?

Complainant's Position:

[17] The Complainant, on pages 20 through 22 provided the rent roll for the subject property noting units B103, B107 and B135A are currently leased at \$26.00 psf, \$24.00 psf and \$20.50 psf respectively, in support of its requested rental rate of \$26.00 psf.

Respondent's Position:

[18] The Respondent noted the lease for Unit B107 was signed on August 1, 2013 and is therefore post facto. The Respondent, on page 34, provided a table titled 2014 Commercial Retail Unit Leases: (CRU 1,001– 2,500 SF – SE Neighbourhood and Community 'B+'). The table contains details of eight leases from four Neighbourhood Centres in the SE, including the subject. The lease rates range from \$22.00 psf to \$45.00 psf. The median lease rate is \$32.00 psf. The Respondent noted the subject is assessed at the rate of \$32.00 psf.

CARB's Findings:

[19] The Respondent's market evidence supports the assessed rate of \$32.00 psf.

Issue: What is the market net rental rate for CRU 2,501-6,000 sf to be used in the Income Approach to Value to determine the market value of the subject property, for assessment purposes?

Complainant's Position:

[20] The Complainant, on pages 20 through 22 provided the rent roll for the subject property noting units B143, B159, E100 and H100 are currently leased at \$20.00 psf, \$19.50 psf, \$25.00 psf and \$26.00 psf respectively, in support of its requested rental rate of \$23.00 psf.

Respondent's Position:

[21] The Respondent, on page 35, provided a table titled 2014 Commercial Retail Unit Leases: (CRU 2,501 – 6,000 SF – Neighbourhood and Community 'A-') noting the 'A-' quality Centres are assessed at \$28.00 psf.

[22] The Respondent, on page 36, provided a table titled 2014 Commercial Retail Unit Leases: (CRU 2,501– 6,000 SF – SE Neighbourhood and Community 'B+'). The table contains details of two leases from two Neighbourhood Centres in the SE. The lease rates were \$40.00 psf and \$25.00 psf. The median lease rate is \$32.50 psf. The Respondent noted the subject is assessed at the rate of \$25.00 psf because it wouldn't be equitable to assess 'B+' quality Centres higher than 'A-' quality Centres.

CARB's Findings:

[23] The Respondent's market evidence supports the assessed rate of \$25.00 psf.

Issue: What is the market net rental rate for PAD 1,001-2,500 sf to be used in the Income Approach to Value to determine the market value of the subject property, for assessment purposes?

Complainant's Position:

[24] The Complainant, on pages 20 through 22, provided the rent roll for the subject property noting unit D100 was currently leased at \$24.00 psf in support of its requested rental rate of \$24.00 psf.

Respondent's Position:

[25] The Respondent advised that PAD 1,001-2,500 sf are assessed the same rate as CRUs in this space category, noting CRU 1,001-2,500 sf is assessed at the rate of \$32.00 psf.

CARB's Findings:

[26] The Respondent's market evidence supports the assessed rate of \$32.00 psf.

Issue: What is the typical cap rate to be utilized in the Income Approach to Value for determining the market value, for assessment purposes?

Complainant's Position:

[27] The Complainant, on page 88, provided a table titled 2013 Neighbourhood, Community Centre Capitalization Rate Summary that had been prepared by the City of Calgary. The Complainant noted that in 2013 the Respondent had used three sales in its analysis to determine the assessed cap rate of 7.00%.

[28] The Complainant, on page 86, provided a table titled 2014 Neighbourhood/Community Capitalization Rate that had been prepared by the City of Calgary. The Complainant noted that in 2014 the Respondent had used the same three sales as in 2013 plus one additional sale at 873 85 ST SE, that had occurred on December 12, 2012. The additional sale had the effect of reducing the cap rate from 7.00% in 2013 to 6.75% in 2014. The Complainant submitted that the sale of 873 85 ST SE should not be included in the analysis because the Centre is newer and higher quality than the subject.

Respondent's Position:

[29] The Respondent, on page 38, provided a table titled 2014 Neighbourhood/Community Capitalization Rate that had been prepared by the City of Calgary. The table contains details of four sales that occurred in the period January 19, 2011 and December 21, 2012. The cap rates ranged from 4.83% to 7.00%. The median cap rate was 6.71%. The Respondent noted the subject is assessed at the rate of 6.75%. The Respondent submitted that cap studies are not stratified by quality or quadrant, and that all sales in the City are considered. Furthermore, quality differences are taken into account when typical NOI is determined.

[30] The Respondent, on page 54, provided a table titled Canadian Cap Rate Study / Q2'13 that had been prepared by CBRE National Research. The Respondent noted the range of cap rates in Calgary for Retail Neighbourhood Centres was 5.75% to 6.25% while the subject is assessed at 6.75%.

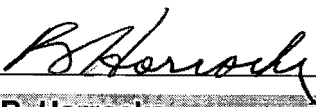
CARB's Findings:

[31] The CARB finds the sale of 873 85 ST SE is valid and can be used in the cap rate study. The Respondent's cap rate study supports the assessed cap rate of 6.75%.

CARB's Reasons for Decision:

[32] The Respondent's market evidence and cap rate study is more compelling than are the Complainant's actual leases from the subject and its argument with respect to the sale of 873 85 ST SE.

DATED AT THE CITY OF CALGARY THIS 22nd DAY OF August 2014.



B. Horrocks

Presiding Officer

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

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.*

For Administrative Use Only

Property Type	Property Sub-Type	Issue	Sub-Issue
<i>Retail</i>	<i>Neighbourhood Mall</i>	<i>Income Approach</i>	<i>Rental Rates/Cap Rate</i>