

**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-26.1, Section 460(4).

**between:**

**Altus Group, *COMPLAINANT***

**and**

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

**before:**

**J. Noonan, *PRESIDING OFFICER***

**J. O'Hearn, *MEMBER***

**B. Jerchel, *MEMBER***

This is a complaint to the Calgary Assessment Review Board in respect of Property assessment prepared by the Assessor of The City of Calgary and entered in the 2010 Assessment Roll as follows:

<b>ROLL NUMBER:</b>	<b>071064307</b>
<b>LOCATION ADDRESS:</b>	<b>3330 17 Ave SE</b>
<b>HEARING NUMBER:</b>	<b>58804</b>
<b>ASSESSMENT:</b>	<b>\$11,210,000</b>

This complaint was heard on the 10<sup>th</sup> day of June, 2010 at the office of the Assessment Review Board located at the 4<sup>th</sup> Floor, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 3.

Appeared on behalf of the Complainant:

- K. Fong, *Agent*, Altus Group

Appeared on behalf of the Respondent:

- . B. Duban, E. Lee, D. Zhao, *Assessors*, *The City of Calgary*

**Property Description:**

The subject is located at 3330 17 Ave SE, Calgary. It is a neighbourhood shopping centre built in 1976 known as the Forest Lawn Co-op. The assessed value is \$11,210,000 but on discovery of an error in the rate applied to a fast food restaurant, the Assessor advised the correct amount should be \$10,930,000.

**Issues:**

1. In consideration of age and lease renewal, should the Bank assessed rate be reduced from \$28 to \$24?
2. Should the vacancy allowances for grocery anchor and CRU spaces be increased from 1% and 5% to 2% and 11%?

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

**Issue 1: Bank rate**

The Complainant introduced a list of 8 comparable bank leases plus the subject's recently renewed lease at \$19.50 per sq.ft. The median rate was \$24. In close proximity to the subject are two other bank spaces: a new TD branch in refitted space, leased at \$33.50 and a Citi Financial in a smaller 2000 sq.ft. space leased at \$22. Including the subject, the average of these three is \$25. The Complainant's main argument was that older, attached bank spaces ought to be assessed at a lower rate than newer, free-standing banks equipped with drive through capability.

The Respondent's lease comparables ranged from \$21 to \$58 and produced a median of \$28.58. A further list of 29 bank leases produced a mean of \$27.89. The City is unable to discern a difference between free-standing and attached bank lease rates, and achieves equity by assessing all neighbourhood shopping centre banks in the southeast at the same \$28 rate.

The CARB did not hear a satisfying explanation why this bank leases at a very low rate. Beyond the Complainant's general assertion that older attached structures are not as attractive as newer facilities, the Board can only speculate. Although the Forest Lawn area might have its challenges, these would not appear to have caused a vacuum of banking services, witness the other banks nearby. The CARB found the best evidence to be the equity list supplied by the

Respondent, showing that all banks in southeast neighbourhood centres are assessed at \$28 per sq.ft. typical lease rate. To establish the subject in its own \$25 or lower category would create an inequity between similar properties, and so the CARB finds that \$28 is the appropriate value.

As an aside, the CARB is newly charged with paying greater attention to the complaint form. Here, the Complainant did not specifically identify the bank lease rate as an issue or ground of complaint, but did identify the CRU spaces lease rates as an issue. Though there might be argument as to whether bank space is or is not CRU space, the CARB heard no objection from the parties, heard the evidence, and made a decision.

## Issue 2: Vacancy Allowance

The Complainant urged the CARB to view the vacancy allowance not in the isolation of a single year, but rather from the perspective of a long term investor who would anticipate vacancy over a much longer time frame. Over 10 years, the City's 1% anchor space allowance would anticipate vacancy of only 5 or 6 weeks, an unrealistically low number. Rather, a 4% allowance ought to be applied, in line with the allowance granted to numerous examples of big box free-standing stores, many of which functioned in concert with other developments in a manner similar to a neighbourhood shopping centre. For CRU space an allowance of 11% was advanced, supported by a full page vacancy study of similar developments but excluding anchor spaces. This study had been compiled by Altus over the previous year from rent roll information supplied by their clients, and produced a weighted average of 10.5% vacancy for CRU space. While a 5-6% vacancy might be expected over the longer term, if one averaged this 11% requested allowance with the previous 2 years allowances, a conservative number was still achieved.

The Respondent noted that in the Calgary market, shopping centre anchor grocery space was frequently owner-occupied, but where leases were in place their terms were for 20 years or more, and thus a 1% vacancy allowance for this type of space was justified. Big box stores are a different class of property. With regard to CRU vacancy, the City annually collects ARFIs which are returned from property owners over a short time period, and thus give a true snapshot of vacancy as opposed to all the vacancies that occurred over the year, no matter their duration. As well, the City found errors in the Complainant's study, such as vacancy that only occurred in 2010 – thus having no bearing on July 1, 2009 typicals – or instances where vacancy was owner-initiated to accommodate construction/renovation.

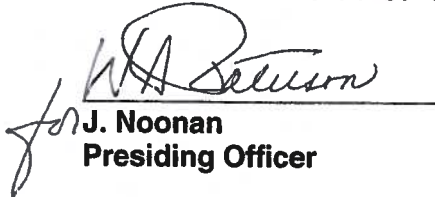
The Respondent presented a cap rate study of four neighbourhood/community shopping centres, three sales in 2009 and one in 2008. Using City typicals for rent rates, vacancy, operating shortfalls, etc. from those respective years, a median cap rate of 7¼% was calculated, as compared to an 8% cap rate used for July 1, 2009 assessed value. If one were to substitute the Complainant's vacancy allowances of 4% and 11% in this study, the median cap rate would drop to 6.39% or an implied 7% for assessment purposes.

The CARB found insufficient evidence from either party to justify a change to the 1% grocery anchor vacancy allowance. The Board also found the City's method of data collection superior to that advanced by the Complainant, giving a more reliable estimate of vacancy for CRU space, and so found insufficient reason to accept the requested 11% vacancy allowance for this space type.

**Board Decisions on the Issues:**

The Board reduces the assessment to the corrected amount determined by the assessor, \$10,930,000.

DATED AT THE CITY OF CALGARY THIS 23 DAY OF June 2010.

  
for J. Noonan  
Presiding Officer

*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.*