

**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:

ROLL NUMBER:	200321156
LOCATION ADDRESS:	917 85 St SW
HEARING NUMBER:	58993
ASSESSMENT:	\$16,560,000

This complaint was heard on the 9th day of June, 2010 at the office of the Assessment Review Board located at the 4th 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:

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

Property Description:

The subject is located at 917 85 St SW, Calgary. It is a newer neighbourhood shopping centre known as the West Springs with the main grocery anchor dating to 2006 and CRU development thereafter. The assessed value is \$16,560,000.

Issues:

1. Should the liquor store space be reduced to a \$19 lease rate from \$27?
2. Should the vacancy allowances for grocery anchor and CRU spaces be increased from 1% and 2% to 4% and 11%?
3. Should the grocery anchor space be reduced to a \$13 lease rate from \$15 in keeping with a prior decision that considered the neighbourhood a developing area?

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

Issue 1: Liquor store

The Complainant presented a list of seventeen free-standing and CRU liquor store spaces from across the city, located in community, neighbourhood and power centres, and one beltline location, ranging in size from 3030 sq.ft to 7769 sq.ft. The median rate for business assessment NARV was \$19 from a range of \$16 to \$24 and so the request that the subject be reduced to \$19.

The Respondent pointed out that the Complainant was not contesting the \$27 rate applied to other CRU spaces of similar size in this shopping centre, just the liquor store space. The respondent presented five business assessment NARV comparables, all assessed at \$27 and five SW lease comparables with two at \$32, two at \$28 and one at \$26.50.

The CARB finds that liquor store space is comparable to other CRU space and recognizes that CRU space will vary in value. Although the Complainant has many examples of liquor stores valued lower than the subject, the CARB was satisfied that the best comparables were to be drawn from the area, and here, one finds evidence of similarly sized CRU spaces assessed at \$27 and under lease at higher rates.

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.

Issue 3: Anchor space

In a prior year, a \$13 lease rate had been applied by decision of the MGB in consideration that the subject was in a developing neighbourhood. The Complainant asked this treatment be continued.

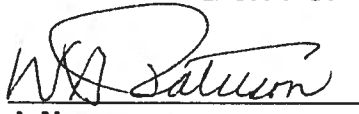
The Respondent noted that this request was contradicted by inclusion of the subject in Altus' grocery store stratification under the \$15 lease category.

The CARB heard no evidence that the neighbourhood development or lack thereof warranted continued reduction for the grocery anchor space.

Board Decisions on the Issues:

The Board confirms the assessment of \$16,560,000.

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.*