

**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:

**Bel-Aire Development Ltd.; Quintra Development Ltd. c/o Matrix Real Estate Services
(as represented by Altus Group Ltd.), COMPLAINANT**

and

The City Of Calgary, RESPONDENT

before:

**J. Krysa, PRESIDING OFFICER
R. Deschaine, MEMBER
I. Fraser, MEMBER**

This is a complaint to the Calgary Assessment Review Board in respect of the annual property assessment prepared by the Assessor of The City of Calgary and entered in the 2012 Assessment Roll as follows:

ROLL NUMBER:	200558971
LOCATION ADDRESS:	16919 24 Street SW
HEARING NUMBER:	68112
ASSESSMENT:	\$11,420,000

The complaint was heard on September 25, 2012, in Boardroom 9 at the office of the Assessment Review Board, located at 1212 – 31 Avenue NE, Calgary, Alberta.

Appeared on behalf of the Complainant:

- K. Fong

Appeared on behalf of the Respondent:

- R. Farkas

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

There were no procedural or jurisdictional matters raised by either party during the course of the hearing.

Property Description:

The subject property is a 141,981 sq.ft. (square foot) parcel of land, improved with a 32,545 sq.ft. strip shopping centre development known as Bridlewood Centre. The development is comprised of three individual structures with the following attributes:

Improvement Type	Quality	Year of Construction	Area (Sq.Ft.)
Retail (Multi-tenanted)	A2	2008	19,442
Retail Pad (Bank)	A+	2008	5,429
Retail (2 Storey)	A2	2008	7,674

Issues:

The Complainant raised the following matters in section 4 of the complaint forms:

3. an assessment amount
4. an assessment class

At the commencement of the hearing, the Complainant withdrew matter # 4, and led evidence and argument only in relation to matter #3, an assessment amount. The Complainant set out twelve grounds for the complaint in section 5 of the complaint form with a requested assessment of \$5,820,000; however, at the hearing, only the following issues were before the Board:

1. Does the assessed vacancy allowance adequately reflect the subject's vacancy issues and their impact on the subject's market value?
2. Is the \$45.00 per sq.ft. market rent coefficient assigned to the subject's retail bank premises, correct and equitable in relation to similar properties?
3. Does the \$15.00 per sq.ft. market rent coefficient applied to the subject's 2nd floor office premises reflect the typical market rent of the area.
4. What is the appropriate stratification, and corresponding market rent rate, of main floor retail space used for office purposes?
5. What are the correct and equitable market rent rates applicable to the subject's CRU (Commercial Retail Unit) areas?

Complainant's Requested Value:

At the hearing, the Complainant requested an assessment of \$6,920,000; however, the Complainant also provided an alternate request of \$7,790,000, reflecting partial consideration of the Complainant's issues.

Board's Decision in Respect of the Issues

Issue 1: Does the assessed vacancy allowance adequately reflect the subject's vacancy issues and their impact on the subject's market value?

[1] The Complainant argued that the subject property is unique amongst typical strip shopping centres as a result of the significant and chronic vacancies experienced since its 2008 construction date, despite efforts to lease the space through various leasing agencies. The Complainant submitted that the 5% vacancy allowance in the assessment calculation is insufficient to reflect the subject's typical vacancy rate of 28%, and an increase in the vacancy allowance to 25% is warranted.

[2] In support of the argument, the Complainant provided two letters, dated April 30, 2009 and July 19, 2009, from John Traber, a representative of the assessed person detailing several leasing issues in respect of the subject property. The Complainant also provided several photographs to demonstrate that some of the vacant areas were also devoid of interior finish, and a summary of the subject's vacancies evident on the rent rolls or ARFI (Assessment Request for Information) responses, as set out below:

Rent Roll Date	Leased Area	Vacant Area	Total Area	Vacancy (%)
Jul 11	25,360	7,271	32,631	22.28%
Jul 10	23,960	8,671	32,631	26.57%
Nov 09	25,160	7,471	32,631	22.90%
Apr 09	21,144	11,299	32,443	34.83%
Dec 08	21,144	11,299	32,443	34.83%
			Median	27.72%
			Mean	28.14%

[3] In support of the argument for an increased vacancy allowance, the Complainant also provided several decisions of the Assessment Review Board in respect of other properties affected by chronic vacancy, wherein the Board allowed an increase to the assessed "typical" vacancy allowances to reflect site specific circumstances.

[4] The Respondent argued that there are no inherent factors in the subject property that would impact the subject's vacancy rate, and that the subject property is a relatively new development experiencing a typical "lease up" period, as evidenced by the steadily decreasing vacancy rates from 34.83% in 2008/09, to a rate of 11.9% in 2012.

[5] In support of the argument, the Respondent provided excerpts of the ARFI responses in respect of the subject property confirming the Complainant's vacancy rates above, as well as an undated ARFI document purported to be the 2012 response, indicating a total vacant area of 3,907.6 sq.ft., equating to a vacancy rate of 11.9%.

Decision: Issue 1

[6] The Board finds that the assessed 5% vacancy allowance does not adequately reflect the subject's vacancy rate and its impact on the subject's market value, and a 20% vacancy allowance is allowed.

[7] The Board was persuaded by the vacancy rate evidence of both parties that indicates the subject is not operating near the vacancy level of typical strip shopping centres. While the Board accepts the Respondent's argument that new developments typically experience "lease up" periods with higher vacancy rates, the Board notes that after 4 years, the subject's 2012 vacancy rate of 11.9% remains well above the typical strip shopping centre vacancy rate of 5%.

[8] Consequently, the Board accepts that the subject's vacancies of 2008 and 2009 are typical of a new development's "lease up" period, and irrelevant in the determination of current market value. However, the Board is persuaded that the subject is not currently operating as a typical strip shopping centre as evident by the subject's atypical vacancies reported in 2010, 2011 and 2012, which exhibit an average vacancy rate of 20.25%.

Decision: Issues 2, 3, 4, and 5

[9] In respect of Issues 2 through 5, concerning matters that directly relate to the PGI (Potential Gross Income) of the subject property, the Board makes no individual findings.

[10] Notwithstanding the Complainant's individual issues which influence the subject's PGI, the Board notes that the eleven leased areas set out on the Complainant's rent roll evidence at page 98 of exhibit C1 exhibit an average contract rent rate of \$29.27 per sq.ft., in contrast to the subject's assessed PGI of \$924,775, which equates to an average market rent rate of \$28.41 per sq.ft. [p.10, C1].

[11] The Board finds this evidence is a compelling indication that the subject's assessed rent rates are not in excess of the subject's "market" rent rates, and do not result in an assessment in excess of the subject's market value. Consequently, the Board finds that no reduction in the assessed market rents is warranted.

The assessment is **REVISED** from: \$11,420,000 to: **\$9,070,000**.

DATED AT THE CITY OF CALGARY THIS

19

DAY OF NOVEMBER, 2012.



J. Krysa
Presiding Officer

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

NO.	ITEM
1. C1	Complainant's Submission
2. R1	Respondent's Submission
3. C2	Complainant's Rebuttal Submission
4. R2	Building Occupancy Data

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
CARB	Retail	Strip Shopping Centre	Income Approach	Vacancy; Market Rents