

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:

Rocky Ridge Shopping Centre Ltd. (as represented by Colliers International Realty Advisers Inc.), COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

W. Kipp, PRESIDING OFFICER
A. Maciag, BOARD MEMBER
J. Massey, 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 2013 Assessment Roll as follows:

ROLL NUMBER:	200075117
LOCATION ADDRESS:	11595 Rockyvalley Drive NW, Calgary AB
FILE NUMBER:	70341
ASSESSMENT:	\$18,910,000

This complaint was heard on the 12th day of June, 2013 at the office of the Assessment Review Board located at Floor Number 3, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 8.

Appeared on behalf of the Complainant:

- *C. Hartley and B. Peacock*

Appeared on behalf of the Respondent:

- *H. Argento and N. Sunderji*

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

- [1] There were no preliminary procedural or jurisdictional matters before the CARB.

Property Description:

[2] The property that is the subject of this assessment complaint is a retail shopping centre located in the northwest Calgary community of Rocky Ridge. It adjoins Twelve Mile Coulee Road which is a boundary between The City of Calgary and Rocky View County.

[3] The shopping centre which was constructed in 2004 contains several retail buildings with one or more tenants, a supermarket (Calgary Co-op) and a gas bar with carwash. The total rentable area of the buildings is 62,850 square feet. Within this total area are two areas of just one square foot which is the measurement method used when dealing with retail centres with gas bars and carwashes.

[4] For 2013, the property was assessed using an income approach. In that approach, typical rental rates were assigned to the various space types, vacancy allowances were made as were allowances for non-recoverable operating expenses. Typical rents which are assigned according to tenant space size varied from \$18.00 to \$32.00 per square foot for retail space. A \$2.00 per square foot rent was assigned to mezzanine space. For the gas bar and carwash, total rent amounts are used instead of rates per square foot of floor area. The gas bar has a rate of \$45,000 and the carwash has a rate of \$35,000. For the major tenant that occupies the supermarket, gas bar and carwash, a 1.0 percent vacancy allowance is made. For all other retail areas, the allowance is 7.25 percent. A 1.0 percent non-recoverable operating expense allowance is deducted. For operating expenses on vacant space, the deduction is based on costs of \$8.00 per square foot. The resulting net operating income of \$1,324,171 is capitalized at a rate of 7.00 percent to arrive at the \$18,910,000 assessment.

Issues:

[5] In the Assessment Review Board Complaint form, filed February 27, 2013, Section 4 – Complaint Information had a check mark in the box for #3 “Assessment amount”.

[6] In Section 5 – Reason(s) for Complaint, the Complainant stated a number of grounds for the complaint, most of which were not presented at the hearing.

[7] At the hearing, the Complainant pursued the following issue:

- 1) Three of the rent rates should be reduced as follows:
 - i. Supermarket 44,728 SF – reduce from \$18.00 to \$15.00 per SF (SF = Square Foot/Feet)
 - ii. CRU 1,001-2,500 SF category – reduce from \$31.00 to \$30.00 per SF on the entire 8,332 SF (CRU = Commercial Rental Unit)
 - iii. CRU 2,501-6,000 SF category – reduce from \$30.00 to \$27.00 per SF on the entire 3,650 SF

Complainant's Requested Value: \$16,780,000 (Request made at the hearing)

Board's Decision:

[8] The CARB confirms the assessment at \$18,910,000.

Position of the Parties

Complainant's Position:

[9] For the supermarket space, the Complainant provided rental data for three other supermarket stores in Calgary. For those stores, 2011-2013 leases were at rents at \$14.50 to \$17.00 per square foot. One of the leases (\$15.00 per square foot) was for a large 62,338 square foot Safeway store in a southwest Calgary power centre. The \$14.50 rent rate was set out in a lease for a store within the neighbourhood centre in the southeast community of Riverbend. The \$17.00 rent rate was for a 10 year term in a building in a non-residential area near Barlow Trail in the northeast quadrant. The rent for the subject Co-op store was set in a 2005 lease for a 20 year term at \$15.30 per square foot.

[10] For the CRU space of between 1,001 and 2,500 square feet, the Complainant supported its claim with data from two leases within the subject centre. These leases, commencing in December 2010 and January 2012, both specified rent of \$30.00 per square foot. Both of these leases were for 10 year terms. The two leases cited comprised almost one half of the space in this category in the subject shopping centre.

[11] Rent comparables from two other shopping centres were provided in support of the reduced rent claim for the 2,501 to 6,000 square foot space category. Both of these centres are in the same market area as the subject. Three of the leases were for space in a centre in Tuscany (northwest Calgary) and the other two were in a centre on Country Hills Boulevard NW. Rents for these 2010-2012 leases ranged from \$25.00 to \$33.00 per square foot. The median, which was being requested for space in the subject was \$27.15 (truncated to \$27.00) per square foot.

[12] Part of the Complainant's argument focussed on the location of the subject on the west Calgary city limit where there is a growing community to the east but very sparse population immediately to the west in the County.

[13] In rebuttal to the Respondent's rental evidence, the Complainant produced maps comparing locations of shopping centres. It was also argued that the quality classifications of some of the Respondent's lease comparables were superior to that of the subject. It was also argued that the majority of the Respondent's comparables in the two contested CRU categories were for leases in just one property (Panatella) that is superior to the subject. Reliance on this data skewed the median and mean averages upwards.

Respondent's Position:

[14] Due to the relatively small universe of rental data for supermarket stores, the Respondent does its analysis on a city-wide basis. Centres from which rental data is collected are stratified into quality classes of A, B or C. The subject is in the class "A" stratification. Rents for supermarket space in four other "A" class centres support the \$18.00 rate that is applied for assessment purposes. Class "B" supermarket space has a typical rent rate of \$15.00 per square foot. Two of the Complainant's rent comparables were from "B" class properties and the third was from a power centre that is treated differently than neighbourhood shopping centres.

[15] For support of CRU rental rates, the Respondent provided a table of data pertaining to leases in class "A-" neighbourhood shopping centres, all of which are in the northwest city quadrant. The list of leases was dominated by leases in a Panatella Blvd shopping centre. The median rate for the 1,001-2,500 square foot category was \$33.00 per square foot and the median for the larger class (2,501-6,000 square feet) was \$34.50 per square foot.

[16] With regard to location, the Respondent argued that the subject is just one of many neighbourhood shopping centres that are built in communities where residential development is ongoing and developers are aware that it could be several years before a shopping centre is surrounded by fully built-up residential communities.

Board's Reasons for Decision:

[17] The CARB finds the rental evidence of the Respondent to be most compelling in determining the appropriate rate for supermarket space. None of the comparables provided by the Complainant were for space that is similar in quality to the subject. While several of the Respondent's comparables are in newer shopping centres, they are all class "A" properties which makes them most comparable to the subject.


[18] For the CRU space, the Complainant provides just two leases from the subject property in support of its requested \$1.00 per square foot reduction in rent for the 1,001-2,500 square foot category. The Respondent provides 14 comparables. The CARB is concerned about the heavy weighting given to the Panatella Blvd shopping centre but is satisfied that the overall \$33.00 per square foot rate is supported using mass appraisal analysis techniques. The Complainant argued that the Panatella centre is shown in some City documentation as being in the class "A2", the Respondent's evidence shows it as an "A-", similar to the subject. Notwithstanding that class "A2" might be superior to "A-", the CARB was not presented with evidence to enable it to determine whether rent rate adjustments were necessary. The two leases in the subject centre are insufficient evidence to convince the CARB to make a \$1.00 per square foot reduction.

[19] In the 2,501-6,000 square foot category, the CARB has the same concern about the preponderance of Panatella Blvd leases in the table. It is noted that there are no current leases in the subject property so examples were drawn from other centres by both parties. Both parties

chose examples from the Tuscany Blvd shopping centre. Although the evidence suggests that there could be a rent adjustment in this size category, the space in the category amounts to less than six percent of the total area of the centre and any adjustment would have a minimal impact on the overall assessment.

[20] For the above, reasons, the CARB finds that the current \$18,910,000 assessment on the property is reasonable and it confirms that amount for the 2013 roll year.

DATED AT THE CITY OF CALGARY THIS 4 DAY OF July 2013.



W. Kipp
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	Complainant 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 Internal Use

Appeal Type	Property Type	Property Sub-Type	Issue	Sub-Issue
CARB	Retail	Neighbourhood	Income Approach	Net Market Rent/Lease Rates