

**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 Ltd., *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>005159504</b>
<b>LOCATION ADDRESS:</b>	<b>6520 Falconridge Bv. NE a/k/a 6226 64 Ave NE</b>
<b>HEARING NUMBER:</b>	<b>57596</b>
<b>ASSESSMENT:</b>	<b>\$11,370,000 (amended)</b>

This complaint was heard on the 8<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: - *Assessor*

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

**Property Description:**

The subject is located at 6520 Falconridge Blvd NE, also known as 6226 64 Ave NE, Calgary. It is a neighbourhood shopping centre comprising a Co-op grocery store, free-standing liquor store, bank pad, and gas bar-convenience store. The amended assessment addressed issues relating to the valuation of the main floor grocery space and the mezzanine space. The assessed value is \$11,370,000.

**Issues:**

1. Should the gas bar-convenience store improvement be assessed with a \$45,000 PGI or \$70,000?
2. Should the vacancy allowance for grocery and CRU space be increased from 1% and 2% to 4% and 11%?

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

**Issue 1: Gas Bar**

The Complainant did not have a measurement of the convenience store space, but argued it appeared smaller than a typical convenience store, and so should be attributed a lesser PGI. The Board was invited to examine photos and make a judgement.

The Respondent values shopping centre gas bars consistently: if the cashier is located in a kiosk style improvement less than 1000 sq.ft., the attributed PGI is set at \$45,000. If the improvement size is greater than 1000 sq.ft., more closely resembling a convenience store, the PGI is set at \$70,000. The Respondent observed there was no evidence presented to show the size was less than 1000 sq.ft.

In the absence of measurement evidence, the CARB has no basis to alter the City's assigned \$70,000 PGI. The Board urges parties to settle factual issues such as size between themselves, prior to a hearing.

**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.

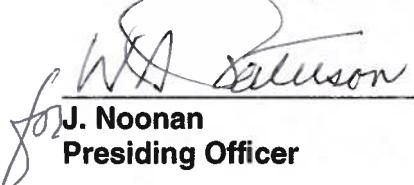
The Respondent presented a cap rate study of four neighbourhood/community shopping centres, three sales in 2009 and one in 2008. Using City typicals for rent rates, vacancy, operating shortfalls, etc. from those respective years, a median cap rate of 7¼% was calculated, as compared to an 8% cap rate 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 confirms the amended assessment of \$11,370,000.

DATED AT THE CITY OF CALGARY THIS 25 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.*