

**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(4).

between:

Assessment Advisory Group, COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

Steven C Kashuba, PRESIDING OFFICER

Ed Reuther, MEMBER

Ron Roy, 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:	090041997	“
LOCATION ADDRESS:	4344 Macleod Trail SW	
HEARING NUMBER:	58348	
ASSESSMENT:	\$6,440,000	

This complaint was heard on 5th day of July, 2010 at the office of the Assessment Review Board located at Floor Number 3, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 9.

Appeared on behalf of the Complainant:

- *Mr. T. Howell*

Appeared on behalf of the Respondent:

- *Mr. P. Grandbois*

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

No procedural or jurisdictional issues identified.

Property Description:

The subject property is known as Cal Spas/Armani, a recreational and retail development, stand-alone business located at 4344 Macleod Trail SW wherein the area of the recreational space is 26,694 square feet while the area of the retail space is 10,050 square feet. The current assessment of the subject property is set at \$6,440,000.

Issues:

1. Neither is the capitalization rate nor the vacancy rate correct as applied to the subject property when determining its assessment value.

Complainant's Requested Value: \$6,040,000

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

1. Does the assessment reflect the correct rates for vacancy and capitalization?

The Complainant, in their pro forma (1-C, page 11), argued that the City's application of a vacancy rate of 4% to both the Recreational portion of the business as well as to the Retail portion of the business, rather than 6%, is wrong. It is their submission that a vacancy rate of 6% should be applied to the income stream, and taken together with a capitalization rate of 8.25% rather than 8.00%, would result in the correct assessment value. In support of this submission the Complainant advanced five comparables (1-C, pages 17 – 26), which reflect rental values for small, medium, and large CRUs as well as for office space. The Market Net Rental Rates, in this submission, range from a low of \$9 to a high of \$24 per square foot. In addition, the Complainant's comparables reflect vacancy rates ranging from 7% to 9%. This, in the view of the Complainant, supports their request for the application of a vacancy rate of 6%. In each comparable case, a capitalization rate of 8.25% has been applied.

The board, in its review of the Complainant's submission, finds that the requested vacancy rate of 6% is not supported through a study of vacancy rates of like businesses in the same sector of the City. As a result, it is not possible to apply to the income stream a vacancy rate advanced by the Complainant which is not evident in similar business institutions (1-C, page 14).

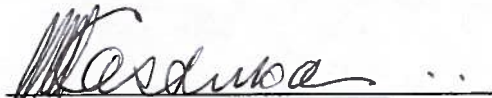
As for the submission on the part of the Respondent, the board places considerable weight upon their evidence which deals with capitalization rates by property type and sector of the City (1-R, page 15) wherein the rate of 8.00% is applied to the subject property. The capitalization rate of 8.00% is further supported by the Colliers International Capitalization Rate Report (1-R, page 71 forward), as well as the capitalization rates indicated in sales of like properties (1-R, pages 107 – 118).

In conclusion, the board finds that the evidence presented by the Complainant was not sufficiently persuasive so as to alter the assessment of the subject property. In particular, the board finds that the rental rents as presented by the Respondent and submitted earlier in an ARFI by the Complainant (1-R, page 128) fully supports the Market Net Rental Rates of \$14 per square foot for recreational space and \$18 per square foot for retail space as presented in the City's income approach to valuation (1-R, page 13).

Board's Decision:

It is the decision of the board to confirm the assessment of the subject property for 2010 at \$6,640,000.

DATED AT THE CITY OF CALGARY THIS 16 DAY OF July 2010.



Steven C Kashuba
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.*