

**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:

Altus Group Ltd, COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

Don H Marchand, PRESIDING OFFICER

Peter Charuk, MEMBER

Allan Zindler, MEMBER

These are two complaints 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: 027120005	ROLL NUMBER: 031010929
LOCATION ADDRESS: 33 CASTLERIDGE BV NE	LOCATION ADDRESS: 3550 – 32 AV NE
HEARING NUMBER: 57623	HEARING NUMBER: 59067
ASSESSMENT (2010): \$12,370,000	ASSESSMENT (2010): \$10,870,000

For expediency of hearing the complaints the Parties requested that the two properties be heard as part of one hearing as the evidence and argument are identical in nature.

These complaints were heard on 14 day of June, 2010 at the office of the Assessment Review Board located at, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 3.

Appeared on behalf of the Complainant; *Altus Group Ltd.*: A. Izard & B. Neeson

Appeared on behalf of the Respondent; *City of Calgary*: E. Lee & D. Zhao

Description and Background of the Properties under Complaint:

Both subjects are Safeway Grocery Stores in NE Calgary; 33 Castleridge Boulevard is in the community of Westwinds and 3550 – 32 avenue is in the community of Horizon. Both stores are located with commercial – Community 2 land use designation.

The Westwinds store has a rentable area of 66,130 square feet .The Horizon store has a rentable area of 67,600 square feet. The parcel size at 33 Castleridge Boulevard is 8.75 acres and the parcel at 3550 – 32nd avenue is on 6.14 acres.

The subject property assessments have been grouped and coded as CM0203 with the description Retail Shopping Centre – Neighbourhood (NBHD). Coded as such the subject's Safeway stores are treated as anchors within the neighbourhood shopping centres with a 1% vacancy allowance. Within the same sub-group CRU space is assessed within the income approach analysis with a 2% vacancy allowance.

The CRU space at 33 Castleridge Boulevard consists of a 3,823 square foot restaurant (Pizza Hut), a rental unit of 2474 square feet and a TD Bank of 5,737 square feet.

The CRU space at 3550 - 32nd avenue consists of a Safeway Gas Bar

Within the subject's Assessment Review Board Complaint form under *Section 5 – Reason(s) for Complaint* seven and eleven points respectively were identified as the grounds of appeal.

The Complainant advised that the only points or issue under complaint at the hearing would be: "> *The assessed vacancy allowance applied to the subjects: the 1% applied to anchor space should be increased to 4% and the 2% applied to the rental (CRU) space should be increase to 11% as reflected by the current market indicators.*

The Parties requested that the evidence and arguments respecting the "1% applied to anchor space should be increased to 4%" be carried to this hearing from **File 59570**.

Issues:

1. Should the subject's vacancy allowance used in the income approach analysis be revised from 1% to 4% for the anchor space?
Or
Do the subjects "Safeway Stores" serve as anchor space or as free standing retail stores?
2. Should the subject's vacancy allowance used in the income approach analysis be revised from 2% to 11% for the CRU space?

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

First issue: Anchor space or free standing store - increasing the vacancy allowance from 1% or 4%.

The CARB reviewed the evidence showing the location, layout, and configuration of each subject. The Safeway stores are clearly part of community/neighbourhood shopping centre complexes. They have separate title within the shopping centre complexes and they have CRU space on title. The parties and readers are directed to the findings, conclusions and decision reached within **FILE 59570**.

The argument for an equitable vacancy allowance is lost when the subjects are not similar to the stand alone group of properties identified by the Complainant. They are coded: - CM0206 - Retail Store – Big Box, CM0201 – Retail Store – Stand alone, CM0323 – Retail – Ret Whse, CS2100 – Retail, or CM0210 - Retail Store – Strip. None of the Complainant's comparables are considered to be part of a CM0203 Retail Shopping Centre – Neighbourhood (NBHD) properties.

The subject Safeway Store is coded as a Neighbourhood, Community Retail Shopping Centre – (CM0203) with an 8% capitalization rate. And as such, the subject is treated as anchor space. The CARB gives consideration to the complex as a whole. The entire site has its access and exits to the entire parking layout. There is a complementary architectural design, style, and the finish to the surrounding CRU buildings, and the gas bar. The CARB is satisfied that the subject is more a part of a shopping centre complex than a standalone building.

To adjust the subject's vacancy rate without having regards to interdependent factors or in isolation of other adjustments that may or may not be required is contrary to application of the Income Approach Methodology.

Second issue: The vacancy allowance for the CRU Space within CM0203 Retail Shopping Centre – Neighbourhood (NBHD) properties – increasing the vacancy allowance from 2% or 11%.

The Complainant submitted summary sheet titled: Community – Neighbourhood shopping Centre *CRU Vacancy Study* for the CARB's consideration. The study identified the address of 12 community and 34 neighbourhood centres with each of their leasable area, the anchor area, the CRU area and the amount of vacant CRU area. The total vacant CRU space was identified as 365,569 square feet. This amount in relationship to the total of 3,441,755 square feet of available CRU space indicates a weighted average 10.62%; hence the request for CRU vacancy allowance request of 11%.

Both parties submitted for the CARB review and direction supporting text book meanings, together with the advantages and disadvantages for the various measures of central tendency: *median, mean, weighted mean and the geometric mean*.

The only measure put forth by the Complainant is the 11% indicator computed by the use of a weighted averaging; arguing that it is the pure relationship between the total amount of vacant CRU space and the total amount of CRU space available.

The Complainant's based on increasing the vacancy allowances on the anchor space from 1% to 4% and the CRU space from 2% to 11% results in a requested assessment amount of \$11,460,000 for roll number 027120005 and \$10,280,000 for roll number 031010929.

The Respondent submitted its conclusion as to vacancy rate specific to the NE Neighbourhood Centres as the relationship between 37,843 square feet of vacant space to a total space of 1,856,782 square feet available or 2.04%.- also a weighted mean. The scope of the Respondent study was from a city wide Assessment Request for Information (ARFI) process wherein 40 community and 88 neighbourhood centres were studied. This is in comparison to The Complainant's 19 community and 39 neighbourhoods centres studied. The assessed vacancies applied to the quadrants as well as the breakdown being Neighbourhood and Community centres are as the following table:

Quadrant	Neighbourhood	Community
NE	2.00%	2.00%
NW	4.00%	2.00%
SE	5.00%	3.50%
SW	2.00%	2.00%

The Respondent also submitted third party market reporting vacancy data to show that the Complainants' conclusion is not coinciding with the data being reported.

The Respondent provided their review of the Complainant's Community – Neighbourhood shopping Centre *CRU Vacancy Study* wherein they questioned the validity of data relative to the shopping centres known as "Brentwood Village" and "Beacon Heights Centre". They question the reliance on a reported vacancy when there is demolition taking place on these complexes.

Applying the 2009 ARFI reported data to the Complainant's centres study the Respondents concluded an over median of 2.05% compared to the Complainant's median of 6.14%.


Reasons for the Decision:

Both parties undertook vacancy rate studies specific to CRU space within community and neighbourhood centres. The CARB gives more weight to the Respondent's study. Respondent's study is broader in scope. It measures community from neighbourhood centres. Its analysis is reported within the various quadrants of the municipality. It gives consideration to the different measures of central tendency and the results were reviewed as to their reasonableness with other reporting agencies.

To adjust the subject's vacancy rate without having regards to interdependent factors or in isolation of other adjustments that may or may not be required is contrary to application of the Income Approach Methodology.

Decision: The assessment for roll number 027120005 is confirmed at \$12,370,000 and the assessment for roll number 031010929 is confirmed at \$10,870,000.

DATED AT THE CITY OF CALGARY THIS 15th DAY OF July 2010.


D. Marchand
Presiding Officer
DM/kc

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.*