

**CALGARY
ASSESSMENT REVIEW BOARD
DECISION WITH REASONS**

In the matter of the complaint against the Property/Business 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:

L. Wood, PRESIDING OFFICER

J. Pratt, MEMBER

K. Kelly, 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: 076011709

LOCATION ADDRESS: 1819 33 Street SE

HEARING NUMBER: 59461

ASSESSMENT: \$1,460,000

This complaint was heard on 20th day of July, 2010 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:

- Mr. K. Fong

Appeared on behalf of the Respondent:

- Ms. B. Duban

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

The Board notes the matters that were checked on the complaint form included (3) an assessment, and (4) an assessment class. It appeared that the only issue before the Board was the assessment.

Property Description:

The subject property, the Forrest Lawn Plaza, is a retail shopping centre located in the community of Southview. The building is comprised of 9675 sq ft and is situated on a .64 acre site. It was constructed in 1970. It has a quality rating of C-.

Issues: (as identified on the complaint form)

1. The assessed rental rate applied to the CRU Space within the subject property should be no greater than \$12 based on the absolutely deplorable condition and state of the property and the rents being achieved there.
2. The assessed vacancy allowance applied to the subject property should be increased to reflect the current market conditions for CRU space at 10%.

Complainant's Requested Value: \$ 940,000

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

The Board notes that there were several statements on the appendix to the complaint form as to why the assessment for the subject property is incorrect, however, only two of which were raised before the Board at the hearing: rental rate and vacancy. The Board also notes that the vacancy rate originally sought was 9% but increased to 10% at the hearing.

The assessed rental rate applied to the CRU Space within the subject property should be no greater than \$12 based on the absolutely deplorable condition and state of the property and the rents being achieved there.

The Complainant is requesting a reduction in the market net rental rate from \$14.00 psf to \$12.00 psf for the CRU space that affects 6,595 sq ft of the subject property. The Complainant indicated that this is the only site not renovated, with an adjacent Safeway store, in the City of Calgary. The building's appearance and performance is not typical to other properties in the market place. The photographs submitted depict the building in very poor physical condition with some of its windows boarded up and the evidence suggests that it has suffered from chronic vacancy in excess of two years. The comparables presented by the Respondent were superior comparables, situated in better locations than the subject property and as acknowledged by the Respondent, in better condition than the subject property. The Board finds that the subject property is atypical in nature. As such, the Board looked at the rental rates that the subject property is achieving and determined, on average, it was generating \$12.80 psf. The Board is satisfied that \$13.00 psf rate would be appropriate under these circumstances.

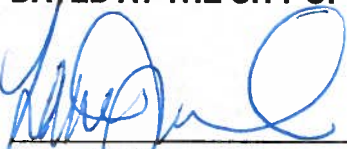
The assessed vacancy allowance applied to the subject property should be increased to reflect the current market conditions for CRU space at 10%.

The Board finds that the subject property is in poor condition and suffers from chronic vacancy. The Complainant indicated that in July of 2009 the vacancy rate for the subject property was 15.03% and by the end of the year, reached 20.86%. As such, the 5% vacancy allowance is not adequate. The Respondent indicated that the variables of vacancy and capitalization rate in the income approach are interdependent and if one variable is adjusted, then the other must be adjusted as well. In the example provided by the Respondent whereby the capitalization rate for the subject property was adjusted to 7% and the vacancy rate to 10%, the assessment of the subject property actually increased in value by approximately \$200,000 (Exhibit R1 page 42). The Board is not convinced that the capitalization rate of 8% needs to be adjusted in this instance even if the vacancy rate is adjusted as this is an atypical building. The Board believes that the 10% vacancy rate should be applied to recognize the chronic vacancy that this building is experiencing.

Board's Decision:

The decision of the Board is to reduce the assessment of the subject property from \$1,460,000 to \$1,250,000 (rounded) for the 2010 assessment year.

DATED AT THE CITY OF CALGARY THIS 5th DAY OF Aug 2010.



Lana J. Wood
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.*