

**COMPOSITE
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:

Quinco Financial Inc. (as represented by Altus Group Ltd.), COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

***Board Chair, C. J. Griffin
Board Member 1, B. Jerchel
Board Member 2, A. Wong***

This is a complaint to the Composite Assessment Review Board in respect of a property assessment prepared by the Assessor of The City of Calgary and entered in the 2012 Assessment Roll as follows:

ROLL NUMBER:	049015209
LOCATION ADDRESS:	3451 Sunridge Way NE
FILE NUMBER:	67711
ASSESSMENT:	\$17,250,000.

This complaint was heard on 28th day of June, 2012 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:

- *K. Fong*

Appeared on behalf of the Respondent:

- *D. Zhao*

Property Description:

[1] According to the *Property Assessment Public Report* (Exhibit C-1 pg. 11) the subject property is categorised as being a CM0206 Retail – Freestanding Big Box. The property has a Year of Construction (YOC) of 2000 and it has been given a **B** quality rating. The property contains 125,732 Sq. Ft. and the underlying site is 6.00 acres in size. It is important to note that while the property contains a total of 125,732 Sq. Ft., only 97,732 Sq. Ft. of the total is under Complaint as the remaining 28,000 Sq. Ft. is exempt and it also has its own roll number.

[2] The assessment of the property has been prepared through application of the Income Approach to Value with the following inputs:

<u>Category</u>	<u>Rentable Area</u>	<u>Rental Rate</u>	<u>Typical Vacancy</u>
Big Box 14,001 – 40,000 Sq. Ft.	23,658 Sq. Ft.	\$17.00/Sq. Ft.	1.00%
Big Box 40,001 – 80,000 Sq. Ft.	74,074 Sq. Ft.	\$12.50/Sq. Ft.	1.00%
Vacant Space Shortfall @	\$8.00/Sq. Ft.		
Non-Recoverable Allowance @	1.00%		
Capitalization Rate @	7.50%		

Issues:

[3] There are a number of interrelated issues outlined on the Assessment Review Board Complaint form; however, at the Hearing the Complainant reduced the issue to be heard by the CARB to:

1. The assessed rental rate applied to the property is too high given the restricted parking available on the site.

Complainant's Requested Value: \$12,667,000. (Amended at the Hearing)

Party Positions:**Complainant's Position**

[4] The Complainant maintains that the subject property is really more light industrial than it is retail and that the property, which was constructed under a previous Land Use By-law (2P80), does not provide the amount of parking spaces that would be required under the current Land Use By-law (1P2007). Additionally, the shape of the site (Exhibit C-1 pg. 21) together with the site coverage ratio is such that additional parking on the site cannot be accommodated. As a result of the foregoing, the subject property has considerably less onsite parking than would be normally associated with a retail store and this has a direct impact upon the rent potential of the property. The Complainant provided (Exhibit C-1 pg. 11) a calculation showing the property currently has a parking ratio of 1 stall per 100 m² whereas the current Land Use Designation (Exhibit C-1 pg. 30) of C-R3 f1. Oh12 Commercial Region 3 would require a minimum parking ratio of 4.5 stalls per 100 m² (Exhibit C-1 pg. 39). Applying the requirements of the current By-law would require a total of 525 stalls and a parking area of approximately 5.04 acres.

[5] In support of their requested \$10.00/Sq. Ft. rental rate, the Complainant provided (Exhibit C-1 pgs. 96 & 97) lease comparables from two properties deemed similar to the subject. The first comparable refers to a 25,000 Sq. Ft. space in an industrial/retail type property leased for a 5 year term with a commencement date of Dec. 1, 2011. The lease rate steps up from \$10/Sq. Ft. in the first two years to \$10.25 in year 3, \$10.55 in year 4 and \$10.85 in year 5 which would indicate an average rate of \$10.33/Sq. Ft. The second comparable relates to a 10,966 Sq. Ft. space leased for a 5 year term starting August 1, 2010. This lease indicates a rental rate of \$12/Sq. Ft. for the first two years, \$13/Sq. Ft. for years 3 and 4 and \$14/Sq. Ft. in

year 5 which equates to an average of \$12.80/Sq. Ft. Additionally the Complainant provided (Exhibit C-1 pgs.84 – 94) a copy of a sublease for approximately 28,000 Sq. Ft. in the subject building dated June 30, 2010 which indicates a rental rate of \$4.50/Sq. Ft. for the first two years, \$6.00/Sq. Ft. in years 3 and 4 and \$6.50/Sq. Ft. in the final year which equates to an average of \$5.50/Sq. Ft. The Complainant explained to the CARB that the space had originally been marketed at an asking rate of \$6.50/Sq. Ft. but a tenant could not be secured at that rate. As additional support for this latter information the Complainant provided (Exhibit C-1 pg. 53) a copy of a sale summary sheet dealing with the sale of the subject property in January 2010 which indicates that, at the time of the sale, there was approximately 29,000 Sq. Ft. of space available for sublease at a rate of \$6.50/Sq. Ft. The Complainant concluded by suggesting the foregoing supports their requested \$10/Sq. Ft. rental rate.

Respondent's Position

[6] The Respondent introduced (Exhibit R-1 pg. 51) twenty-six (26) assessment equity comparables of properties in the Big Box 14,001 – 40,000 Sq. Ft. size range with assessments based upon the application of a \$17/Sq. Ft. rental rate. Twenty-eight (28) lease rate comparables for properties in this same size category are presented (Exhibit R-1 pg. 52) all of which have commencement dates in 2009, 2010 or 2011. The rates of these lease comparables range from a low of \$8.50/Sq. Ft. to a high of \$30.91/Sq. Ft. and the indicated median is \$17/Sq. Ft. Additionally eight (8) lease comparables for the 40,001 – 80,000 Sq. Ft. size category were introduced (Exhibit R-1 pg. 54) which show a range from \$11/Sq. Ft. to \$16.65/Sq. Ft. with a median of \$12.50/Sq. Ft. being indicated. Based upon this evidence the Respondent requested the CARB to confirm the assessment.

Complainant's Rebuttal

[7] The Complainant introduced (Exhibit C-1 pg. 69) a chart showing the same lease comparables for the size category of 14,001 – 40,000 Sq. Ft. as presented by the Respondent (Exhibit R-1 pg. 52) including the site area and the site coverage ratio for each. The Complainant suggested that none of these compare favourably with the subject property because the shape of the subject site together with its site coverage ratio make it incapable of providing the required number of parking stalls.

Board's Decision: The assessment is **reduced** to: **\$12,670,000.**

Decision Reasons:

[8] The CARB is of the judgment that the subject property is A-typical insofar as typical retail properties is concerned and this stems from the significant lack of on-site parking. The CARB agrees with the Complainant's contention that the subject property would be unable to attract the typical retail tenant that would pay \$17/Sq. Ft. due to this lack of parking. The CARB does not question the validity of the applied typical rental rate; however, as stated, the subject property is not typical. The CARB is persuaded by the evidence of the Complainant as it relates to the requested \$10/Sq. Ft. lease rate and concurs with the Complainant's contention that this rate is a much more reasonable expectation for the subject property. The most recent sub-lease activity within the subject property provides the CARB with a strong indication as to the competitiveness of the retail space within the subject property compared to "typical" retail space.

DATED AT THE CITY OF CALGARY THIS 27 DAY OF JULY 2012.


C. J. Griffin, Presiding Officer

APPENDIX "A"**DOCUMENTS PRESENTED AT THE HEARING
AND CONSIDERED BY THE BOARD:**

NO.	ITEM
1. C1	Complainant Disclosure
2. C2	Complainant Rebuttal
2. R2	Respondent Disclosure

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 MGB Administrative Use Only

Decision 0783-2012-P			Roll No. 049015209	
Subject	Type	Issue	Detail	Issue
CARB	Shopping Centre	Market Rent	Income Approach	Typical Rent