

**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, Revised Statutes of Alberta 2000 (the Act).

**between:**

***Canadian Tire Real Estate Limited (as represented by AEC International), COMPLAINANT***

**and**

***The City Of Calgary, RESPONDENT***

**before:**

***Board Chair, J. Zezulka  
Board Member 1, D. Pollard  
Board Member 2, K. Farn***

This is a complaint to the Calgary Assessment Review Board in respect of a property assessment prepared by the Assessor of The City of Calgary and entered in the 2011 Assessment Roll as follows:

**ROLL NUMBER:130150204**

**LOCATION ADDRESS: 9940 – Macleod Trail SE**

**HEARING NUMBER: 63479**

**ASSESSMENT: 14,240,000.00**

This complaint was heard on 23 day of June, 2011 at the office of the Assessment Review Board located at Floor Number Four, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom One

Appeared on behalf of the Complainant:

- *Mr. J. Luong*

Appeared on behalf of the Respondent:

- *Mr. Ian McDermott*
  - *Mr. Eliseo D'Altorio*

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

The property complaint was heard in conjunction with Roll numbers 086148202 and 200466050.

**Property Description:**

The subject is a single storey free standing Canadian Tire store, directly off Macleod Trail .The building is approximately 33 years old.

**Issues:**

(from the Executive summary of the Complainant)

".....the assessments of the subject properties have been unfairly increased in the 2010 to 2011 time frame and as a result the atypical rates applied to the subjects are unfair and inequitable."

" The principle differences between AEC's value determination and that of the City of Calgary are the use of a typical rental rate vs. Actual lease rates in the marketplace, equity considerations and the capitalization rate".

Both parties used the income approach to value in the determination of their respective values.

The Claimant used a rental rate of \$10.00 per s.f. and a capitalization rate of 7.50 per cent.

The Respondent used a rental rate of \$10.00 per s.f ,and a capitalization rate of 7.75 per cent.

The major difference between the two parties lies in the floor area, and the storage space rents.

The Respondent assessed 100,874 s.f. as retail space, and 68,898 s.f. as storage at \$2.00 per s.f. The Complainant held that there is 88,122 s.f. of retail space and automotive center, and 76,196 s.f. of storage, at \$1.00 per s.f. The garden center was excluded from the claimant's calculations.

The Respondent produced sufficient calculations and diagrams to demonstrate that the correct floor area of the building is 100,874 s.f., of which 74,226 s. f. is retail space, and 26,648 s.f. is storage. There is a 43,068 s.f basement, 20,376 s.f. of mezzanine storage, and a garden centre of 5,454 s.f.

**Complainant's Requested Value:** \$10,510,000.00

**Evidence**

In the evidence submission, the Complainant submitted a Calgary market survey that included the lease rates of various types of larger retail properties. The survey produced the following results;

Type;	Average rental Rate	Median Rental Rate
Department Stores	\$4.50	\$4.50
Box Store	\$5.86	\$5.70
Box Store ( Wal-mart)	\$8.21	\$7.78
Grocery Store	\$14.05	\$14.80
Canadian Tire	\$14.48	\$14.50

Throughout the submission, the Complainant held that the subject leases were "atypical". In his evidence submission, the Complainant states; "Given that the Canadian Tire leases are atypical in comparison to similar and comparable large retail in the City of Calgary, little weight was given to the leasing activity".

Both parties agreed that a 1.0 per cent vacancy rate is appropriate.

The Complainant presented a capitalization rate survey containing eight properties that show a capitalization rate range from 7.3 to 8.4 per cent. No rental information for any of the surveyed properties was included, and no explanation as to how the individual capitalization rates were derived was presented.

A Cost Development model, designed to illustrate the rent required to justify the capital cost of a property was also presented for the subject property. While this type of model is useful in some applications, the results are fraught with uncertainty. The results can vary depending on the input of development costs, land values, lease term/amortization period, financing interest rates, and a number of other factors.

Finally, the complainant submitted a single transaction involving a former Canadian Tire Store in South Edmonton Common. The Complainant conducted an analysis to determine the rental rate that would flow from the \$15,000,000 selling price. However, the result of the analysis is simply the product of the inputs used by the Complainant, and was of little value to the Board.

The Respondent presented seven comparables from which a capitalization rate was derived. In developing a capitalization rate, the Respondent used what were determined to be typical rents, rather than using the actual rents in place. The average and median rate produced 7.46 and 7.07 per cent. However, of the seven comparable properties, four are smaller than 10,000 s.f. and three are between 50,000 and 55,000 s.f. As such, none are considered comparable to the subject, and the conclusions drawn from the sale of these properties is, in the Board's opinion, suspect as it relates to the subject. Moreover, the average and median rates derived from these sales did not lead the Board to the same conclusion as the Respondent.

**Board's Decision**

The Board agrees with the Respondents area calculations, and determines that it is the correct area upon which to base the assessment.

There is no dispute among the parties that \$10.00 per s.f. is the appropriate rent for the retail space.

Although the Complainant disagreed with the \$2.00 per s.f rental rate for the storage areas, no evidence was presented that would convince the Board that the Respondent's rental rate is in error.

In total, The Respondent's capitalization rate study included 12 properties, to which typical rents, vacancy, and costs were applied to derive a typical net operating income. Upon review, however, there appears to be conflicting information about many of the properties. Of the 12 properties, the RealNet sales card reports a different capitalization rate from the rate reported by the City in six instances. Neither rate was verified for the Board. Five transactions reportedly occurred outside of the valuation date, one was post facto, one is a sale lease back, six might be affected by excess land, and so forth. The board finds that four transactions are the least affected by extraneous influences. These are 5220 – Falsbridge Drive NE, 1990 – Southland Drive SE, 20, 60 – Crowfoot Crescent NW, and 800 Crowfoot Crescent NW . The average capitalization reflected is 7.715 per cent, and the median rate is 7.775 per cent. The Board adopts 7.75 per cent as the appropriate capitalization rate.

Using the amended inputs, the revised assessment calculates to \$13,787,445.00

The revised assessment is truncated to \$13,780,000.00.

DATED AT THE CITY OF CALGARY THIS 26 DAY OF July, 2011.



**Jerry Zezulka**  
**Presiding Officer**

**APPENDIX "A"**

**DOCUMENTS PRESENTED AT THE HEARING  
AND CONSIDERED BY THE BOARD:**

NO.	ITEM
1.	C1 Complainant Submission of Evidence,
2.	C2 Complainat , Support and Background
3.	C3 Rebuttal Submission of the Complainant
4.	R1 Assessment Brief of the City of Calgary
5.	R2 Assessment Brief of the City of Calgary ; 9940 – Macleod Trail SE

2011

*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.*