

**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:

Host International of Canada (as represented by Altus Group Ltd.), COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

***L. Wood, PRESIDING OFFICER
R. Deschaine, MEMBER
K. Farn, MEMBER***

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:	902513043
LOCATION ADDRESS:	8925 BARLOW TR NE
HEARING NUMBER:	62829
ASSESSMENT:	\$3,050,000

This complaint was heard on 24 day of October, 2011 at the office of the Assessment Review Board located at Floor Number 3, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 10.

Appeared on behalf of the Complainant:

- *Ms. D. Chabot* *Agent, Altus Group Ltd.*

Appeared on behalf of the Respondent:

- *Mr. K. Buckry* *Assessor, City of Calgary*

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

There were no procedural or jurisdictional matters raised by the parties during the hearing.

Property Description:

The subject property consists of several various food court kiosks (321 – 477 sq. ft.) that are located in the Airport Terminal Building at the Calgary International Airport

Issues:

1. The assessed rental rates of \$90.00 psf and \$105.00 psf should be reduced to \$25.50 psf and \$57.00 psf respectively.

Complainant's Requested Value: \$1,740,000

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

1. The assessed rental rates of \$90.00 psf and \$105.00 psf should be reduced to \$25.50 psf and \$57.00 psf respectively.

The Complainant submitted that the assessed rates applied to several kiosks at the Calgary International Airport are too high. She submitted the Master Lease Abstract between the Calgary International Airport and Host International Canada Ltd. to show the fee structure. The Airport charges its tenants a percentage rent based on gross revenues for their space (Exhibit C2). The Complainant argued that rentable area of these kiosks should be based on the percentage rent of 4.6% which would equate to a base rent of \$25.50 psf and \$57.00 psf (depending upon the gross revenue of the terminal tenants, Sbarro, Swiss Chalet, Second Cup, and Manchu Wok). She argued the value of these spaces is actually what the tenant is paying for which is unique to the airport.

The Complainant presented two charts, the first is the current assessment for these kiosks and the second is based on her request (Exhibit C1 page 9). She noted the storage (10,336 sq. ft.) and office (2,182 sq. ft.) areas are not in dispute.

Current Assessment:

Name	Rentable Area (SF)	Rate (SF)	PGI	Vacancy & NR (%)	EGI	Shortfall/Op Costs	Cap Rate (%)	NOI	Assessment
Sbarro	321	\$ 90.00	\$28,890	6.50	\$27,012	\$ 417	8.50	\$26,595	\$312,881
Swiss Chalet	407	\$100.00	\$40,700	6.50	\$38,055	\$ 529	8.50	\$37,525	\$441,475
Second Cup	319	\$100.00	\$31,900	6.50	\$29,827	\$ 415	8.50	\$29,412	\$346,021
Sbarro	438	\$105.00	\$45,990	6.50	\$43,001	\$ 569	8.50	\$42,431	\$499,191
Manchu Wok	477	\$105.00	\$50,085	6.50	\$46,829	\$ 620	8.50	\$46,209	\$543,640
Storage	10,336	\$ 3.00	\$31,008	6.50	\$28,992	\$2,016	8.50	\$26,977	\$317,376
Office	2,182	\$ 26.00	\$56,732	6.50	\$53,044	\$2,837	8.50	\$50,208	\$590,680
Total									\$3,051,264

Proposed Assessment:

Name	Rentable Area (SF)	Rate (SF)	PGI	Vacancy & NR (%)	EGI	Shortfall/Op Costs	Cap Rate (%)	NOI	Assessment
Sbarro	321	\$25.50	\$ 8,186	6.50	\$ 7,653	\$ 417	8.50	\$ 7,236	\$ 85,131
Swiss Chalet	407	\$25.50	\$10,379	6.50	\$ 9,704	\$ 529	8.50	\$ 9,175	\$107,939
Second Cup	319	\$25.50	\$ 8,135	6.50	\$ 7,606	\$ 415	8.50	\$ 7,191	\$ 84,601
Sbarro	438	\$57.00	\$24,966	6.50	\$23,343	\$ 569	8.50	\$22,774	\$267,927
Manchu Wok	477	\$57.00	\$27,189	6.50	\$25,422	\$ 620	8.50	\$24,802	\$291,784
Storage	10,336	\$ 3.00	\$31,008	6.50	\$28,992	\$2,016	8.50	\$26,977	\$317,376
Office	2,182	\$26.00	\$56,732	6.50	\$53,044	\$2,837	8.50	\$50,208	\$590,680
Total									\$1,745,438

The Respondent submitted that terminal tenants are assessed based on the Income Approach to value similar to other commercial retail income producing properties. He argued that the profitability of a business within a space does not reflect what the space is actually worth. The Respondent submitted that the arrangement between the landlord and tenant in this instance is not typical market rent. The Respondent stated in order to assess the subject space one must take into consideration how similar assessments are prepared.

The Respondent submitted that he used a combination of the Calgary Airport Authority's flat rates within the terminal building as well as the corresponding tenant rates in the Sunridge Mall. He chose the Sunridge Mall to derive typical market rents for the Airport kiosks because of its location (NE quadrant) and traffic flows as most similar to the subject. The Respondent submitted 14 food court tenants in the Sunridge Mall that have leased areas between 339 – 426 sq. ft. and their net rent is \$120 - \$210 psf (median of \$155 psf) (Exhibit R1 page 19).

He noted that the assessed rates he applied to the Airport kiosks (\$90 - \$105 psf) are much lower than the assessed rate applied to the Sunridge Mall food court tenants (\$150 psf). The Respondent also applied an upward adjustment to the subject's capitalization rate of 8.5% (as opposed to the 6.0% capitalization rate he applied to the food court tenants at Sunridge Mall) to account for the different motivation of customers who go to the airport versus those who go to

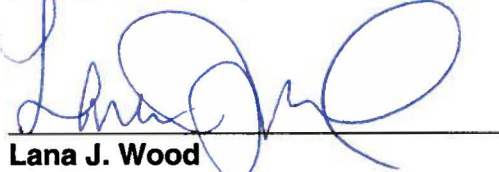
the shopping malls (Exhibit R1 page 17). The Respondent indicated that he exercised his judgment in assessing these kiosks based on section 293(2) of the *Municipal Government Act*.

The Board finds the Respondent's adjustments to the subject's income approach valuation parameters in which he "softened" the rental rate, vacancy rate and capitalization rate in comparison to Sunridge Mall was fair and reasonable. The Board is also in agreement with the panel's findings in LARB 0393-2011-B when it stated that it has not been convinced that the percentage rent paid is a reflection of what the kiosk space is worth. As such, the Board finds there was insufficient evidence presented by the Complainant to warrant a change in the assessment.

Board's Decision:

The decision of the Board is to confirm the 2011 assessment for the subject property at \$3,050,000.

DATED AT THE CITY OF CALGARY THIS 5th DAY OF DECEMBER 2011.



**Lana J. Wood
Presiding Officer**

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

EXHIBIT NO.	ITEM
1. C1	Complainant's Submission
2. C2	Complainant's Rebuttal
3. R1	Respondent's Submission

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 ADMINISTRATIVE USE

SUBJECT	PROPERTY TYPE	PROPERTY SUB - TYPE	ISSUE	SUB - ISSUE
CARB	Other Property Types	Specialty Property	Income Approach	Net Market Rent/ Lease Rates