



## **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:

***Calgary Co-operative Association Limited (as represented by Altus Group Limited),  
COMPLAINANT***

and

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

before:

***M. Axworthy, PRESIDING OFFICER  
D. Julien, BOARD MEMBER  
T. Usselman, BOARD 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 2013 Assessment Roll as follows:

**ROLL NUMBER: 127091304**

**LOCATION ADDRESS: 2580 Southland DR SW**

**FILE NUMBER: 72282**

**ASSESSMENT: \$33,250,000**

This complaint was heard on 24 day of July, 2013 at the office of the Assessment Review Board located at Floor Number 3, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 12.

Appeared on behalf of the Complainant:

- *A. Izard*

Appeared on behalf of the Respondent:

- *H. Yau*
- *J. Lepine*

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

[1] The Respondent and the Complainant asked that the argument and testimony made in respect of the preliminary issue raised by the Respondent and all evidence, argument and testimony made in respect to CARB 72282/P-2013 be carried forward to CARB 72282/P-2013. The Board agreed with this request.

[2] The Respondent objected to the inclusion of certain rebuttal evidence in Exhibit C-5, asserting that much of the rebuttal material constituted new evidence and should not be heard by the Board. They stated that most of the evidence included in C-5 had nothing to do with the property type Neighbourhood/Community Shopping Centre. They further indicated that the information contained in C-5 had been provided to the Complainant in advance of its Evidence Submission C-1 as part of a MGA 299/300 request. The Respondent contended that by not including this material in its C-1 submission, the Complainant was attempting to split their argument making it difficult for the Respondent to provide an adequate defence.

[3] The Complainant indicated that while some of the material did not address the property type under complaint, it was relevant because it demonstrated inconsistency in how the Respondent handles the issues of non-brokered and vacant land sales across property types.

[4] The Board considered the procedural issue raised by the Respondent and determined that it was difficult to determine in advance of hearing the matter whether the material was relevant to the subject complaint and constituted new evidence. The Board elected to hear the evidence and determine the appropriate weight to place on the evidence after the Board had heard the arguments by both parties.

**Property Description:**

[5] The subject property is improved with a 134,508 square feet (sq. ft.) consisting of a car wash/automotive service station, 68,287 sq.ft. grocery store, an adjoining 8,715 sq. ft. bank, interior CRU and restaurant space, a liquor store and fast food pad restaurant. The assessable land area is 624,922 sq. ft. on a site classified as a Neighbourhood/Community Centre. Quality ratings range from C+ to A2. The subject is assessed using the Income Approach to value.

**Issues:**

- [6] The Complainant addressed the following issues at this hearing:
- a) The assessed cap rate applied in the Income Approach to value should be increased to 7.50%.
  - b) The assessed rental rates applied to Quality "B" grocery stores should be \$13.00 instead of \$15.00 per sq.ft.
  - c) The upper level in the Liquor Store has been improperly assessed as Office Space and should be assessed as Mezzanine Space.
  - d) The assessed rental rate for Restaurant Fast Food should be no higher than \$28.00 per sq.ft.
  - e) The assessed rental rate for Commercial Retail (CRU) space 1,001-2,500 sq.ft. should be no higher than \$18.00 per sq.ft.

**Complainant's Requested Value:** \$29,500,000 (cap rate at 7.5% and reduced rental rate)

OR \$31,640,000 (cap rate at 7.0% and reduced rental rate)

**Board's Decision:**

- [7] The Board decides as follows:
- a. The cap rate is confirmed at 7.0%.
  - b. The assessed rental rate for 'B' quality grocery stores is reduced to \$14.00 per sq.ft.
  - c. The assessed rental rate for Mezzanine Space of \$2.00 per sq.ft. is applied to the upper level space in the liquor store.
  - d. The assessed rental rate Fast Food Restaurants is confirmed at \$32.00 per sq.ft.
  - e. The assessed rental rate for CRU space of 1,001-2,500 sq. ft. rental rate is confirmed at \$20.00 per sq.ft.

The resulting assessment is reduced to **\$32,020,000 (Revised)**.

**Legislative Authority, Requirements and Considerations:**

- [8] The Act, Section 460.1(2), subject to Section 460(11), a composite assessment review board has jurisdiction to hear complaints about any matter referred to in section 460(5) that is shown on an assessment notice for property, other than property described in subsection 460(1)(a).

**ISSUE 1: Should the assessed cap rate, using the Income Approach to value, be increased from 7.0 to 7.50%?**

**Position of the Parties****Complainant's Position:**

The Complainant provided the following disclosure documents in support of its position:

- C-2 "Community -Neighbourhood Shopping Centre Cap Rate Analysis"

• C-3 A and B "Community- Neighbourhood Shopping Centre Cap Rate Historical Data" and used the evidence contained in those exhibits to support the following arguments:

[9] The Complainant used two different methods of calculating cap rates to support its proposed cap rate of 7.50%:

- a. Cap Rate Method I used the same market rental rates, vacancy rates, operating costs, and non-recoverable rates as the Respondent to develop the assessment; however, in deriving the cap rate, the Complainant divided the assessed NOI by the actual sales price of the respective Neighbourhood /Community Shopping Centres, rather than by the applicable assessed value, as done by the Respondent. The median rate derived under this methodology was 6.87%, as illustrated in the following table:

**2013 NBHD-Community Shopping Centre Analysis = Capitalization Rate Method I**

\*\*\* The Application of Assessed Income as Prepared by The City of Calgary ABU \*\*\*

Name of Centre	Address	Sale date	Rental rate (/sq.ft.)	Net Operating Income (NOI)	Total Sale Price	Cap Rate (%)
Chinook Station, BMO	6550 MacLeod Trail SW	2013-03-03	\$42.00	\$271,921.29	\$4,250,000.00	6.40%
Southview Plaza	3301 17 Ave & 1819 33 Street SE	2011-12-30	\$10.71	\$305,510.32	\$2,700,000.00	11.32%
MacLeod Trail Plaza	180 94 Ave SE	2011-08-18	\$19.90	\$2,318,301.19	\$33,750,000.00	6.87%
Pacific Place Mall	999 36 Street NE	2011-05-27	\$17.96	\$3,078,515.68	\$44,000,000.00	7.00%
Sunridge Sears Centre	3320 Sunridge Way NE	2011-01-19	\$14.41	\$825,181.41	\$12,600,000.00	6.55%
Mean				\$1,359,885.98	\$19,460,000.00	7.63%
Median				\$825,181.41	\$12,600,000.00	6.87%

- b. Cap Rate Method II used the methodology outlined in the February, 1999 Alberta Assessors Association Valuation Guide (AAAVG) to derive a median cap rate among the five sales. Under this approach, "typical" market rental rates calculated by the Complainant were applied to the various spaces of each of the Neighbourhood/Community Shopping Centres. The Complainant noted that Method II had been used by Assessment Business Unit (ABU) in 2012 [pp.102-104 C-2].
- c. In Cap Rate Method II, the Complainant used the same vacancy rates, operating costs, and non-recoverable rates that were used by the Respondent to develop the assessment. The cap rate on each sale was calculated by dividing the "typical" NOI by the actual sales price of the respective Neighbourhood/Community Shopping Centres, rather than dividing the assessed NOI by the respective assessed value, as was done by the Respondent. The median rate derived under this method was 7.63%, as illustrated in the following table [p. 29 C-1]:

**[10] 2012 NBHD-Community Shopping Centre Analysis = Capitalization Rate Method II**

**\*\* The Application of Typical Market Income as Prescribed by the 'AAACG' and 'Principles of Assessment' \*\***

Name of Centre	Address	Sale date	Rental rate (/sq.ft.)	Net Operating Income (NOI)	Total Sale Price	Cap Rate (%)
Chinook Station, BMO	6550 MacLeod Trail SW	2012-03-03	\$60.71	\$410,717.	\$4,250,000.00	9.66%
Southview Plaza	3301 17 Ave & 1819 33 Street SE	2011-12-30	\$9.73	\$277,858.	\$2,700,000.00	10.29%
MacLeod Trail Plaza	180 94 Ave SE	2011-08-18	\$18.31	\$2,128,680.	\$33,750,000.00	6.31%
Pacific Place Mall	999 36 Street NE	2011-05-27	\$19.43	\$3,355,811.	\$44,000,000.00	7.63%
Sunridge Sears Centre	3320 Sunridge Way NE	2011-01-19	\$16.33	\$932,844.	\$12,600,000.00	7.40%
			Median	\$932,844.	\$12,600,000.00	7.63%
			Weighted Mean	-	-	7.30%

[11] In addition to the five sales comparables in paragraph [9], the Complainant provided five other sales of Neighbourhood /Community Shopping Centres that occurred from January, 2009 to December, 2009 and applied both methods of deriving cap rates to these sales. [pp. 51-53 C-1]

[12] Applying "Cap Rate Method I" methodology to the ten Neighbourhood/Community Shopping Centre sales derived a median cap rate of 7.63% [p. 51 C-1].

[13] Applying "Cap Rate Method II" methodology to the ten Neighbourhood/Community Shopping Centre sales derived a median cap rate of 7.76% [p. 53 C-1].

[14] The Complainant provided documentation surrounding the sale and respective assessments of each Neighbourhood/Community Shopping Centre, including photographs, sales transactions, rent roll, Assessment Request for Information (ARFIs) and assessment explanation supplements.

[15] The Complainant noted that they were in agreement with the Respondent on sales comparables listed as MacLeod Trail Plaza, Pacific Place Mall and Sunridge Sears Centre.

[16] The Complainant argued that Chinook Station BMO should be included in the cap rate analysis as it was not a sale of land only as suggested by the Respondent. They noted that the property had sold on March 3, 2013 when the bank building was substantially completed [pp. 41-48 C-2] and that while the sale was non- brokered, The City had been inconsistent in its use of non-brokered sales as sales comparables for cap rate analysis [pp.3-60 C-5].

[17] The Complainant argued that the sale of Southview Plaza (3301 17 AV SE) should be included in the cap rate analysis for the following reasons:

- a. Although the property was vacant at the time of sale, it had been purchased for its income potential as evidenced in the building permit that had been issued for renovations to the former Safeway building [p. 56 C-2]

- b. The parcels should not have been re-classified from Neighbourhood/Community Shopping Centre to Retail- Freestanding Big Box and Strip Centre as it was possible that a new anchor tenant would move in.
- c. While the Safeway site and the Commercial Retail Units (CRUs) were sold to two different corporate entities, it appeared that they may be related.

[18] The Complainant provided documentation suggesting that the ABU had been inconsistent in its use of non- brokered sales and vacant properties in its various sales analyses, whether retail, industrial or Beltline.

### Respondent's Position:

The Respondent provided a 688 page disclosure document, "Exhibit R-1" (see **Note**) and provided the following evidence and argument with respect to this issue:

[19] The sales comparables used by the Respondent to calculate the cap rates are shown in the following table, with a resultant median cap rate of 6.87% [p.152 R-1], assessed at 7.0%:

Name of Centre	Address	Sale Registration Date	Sale Price	Sale Year Assessed Area (sq.ft.)	Sale Year Assessed Net Operating Income (NOI)	ABU Cap Rate
Sunridge Sears Centre	3320 Sunridge Way NE	2011-01-19	\$12,600,000.	60,514	\$825,181.	6.55%
Pacific Place Mall	999 36 ST NE	2011-05-27	\$44,000,000.	188,537	\$3,078,516.	7.00%
MacLeod Trail Plaza	180 94 Avenue SE	2011-08-18	\$33,750,000.	123,766	\$2,318,301.	6.87%
Median						6.87%
Average						6.80%

[20] Chinook Station BMO (6550 MacLeod Trail SW):

- a. A copy of an Assessment Request for Information (ARFI) dated April 3, 2013 for the Chinook Station BMO indicating that the BMO lease was a land lease only and therefore should not be used as Neighbourhood/Community Shopping Centre sales comparable for a cap rate study. [pp.18-28 R-1]
- b. A copy of the RealNet and Commercial Edge land transaction summary for Chinook Station BMO indicating that the property was being utilized as a surface parking lot by the vendor and was vacant at the time of sale.
- c. A copy of a City of Calgary Non-Residential sales Questionnaire indicating that the sale was for vacant land, not brokered, and required \$170,000 in utility servicing subsequent to the sale.

**Note:** There was an error in the electronic pagination of the Respondent's evidence package R-1 which made it very difficult for the Board to use and caused a lot of confusion in the course of the hearing. The page numbers were typed over previous page numbers and were sometimes obscured. The Board attempted to ensure the page numbers referenced in the decision are correct, but this has proved challenging in some cases.

- [21] Southview Plaza (3301 17 Ave & 1819 33 Street SE)
- A copy of the RealNet land transaction summary for Southview Plaza indicating that the property was vacant at the time of sale and continues to be vacant. Therefore, the parcel was valued as land only, not income, and should not be used for a Neighbourhood /Community Shopping Centre cap rate study [pp.88-89 R-1]
  - A copy of the RealNet land transaction summary for Southview Plaza indicating that the two parcels (3301 17 Ave & 1819 33 Street SE) were sold separately reinforcing that they are correctly classified as Retail- Freestanding Big Box and Strip Centre and should not be used in a cap rate analysis of Neighbourhood / Community Shopping Centres.
- [22] A 2013 Neighbourhood / Community Shopping Centre Assessment to Sales Ratio (ASR) test comparing a 7.50% cap rate as proposed by the Complainant to a 7.00% cap rate as used by the Respondent [p. 263 R-1]:
- Using the five post 2009 sales comparables suggested by the Complainant, a 7.00% cap rate produced an ASR of 0.9674, while the 7.50% cap rate produced an ASR of 0.9028.
  - Using the three sales common to both the Complainant and the Respondent, produced the same ASRs as the five post 2009 sales.

[23] With respect to the Complainant's assertion about inconsistencies in the ABU's approach to the use of non-brokered sales and vacant land sales in its sales analyses, the Respondent reiterated its objection to the inclusion in Rebuttal Exhibit C-5 of references to the Beltline, industrial and retail sales. The Respondent stated that comparisons should not be made with other property types.

#### **Board's Reasons for Decision:**

[24] The Chinook Station, BMO sale is not accepted as a comparable Neighbourhood /Community Shopping Centre for the purpose of the cap rate analysis because it was unserved, vacant land at the time of sale and was not exposed to the open market.

[25] The Southview Plaza sales comparable is not accepted as a comparable Neighbourhood/Community Shopping Centre because the property was vacant at the time of sale and is still vacant. In addition, the two parcels (former Safeway store and adjacent CRUs) were sold off in two separate sales transactions and the buildings are clearly a lesser quality than the subject as acknowledged by the Complainant in his verbal testimony. The cap rates of 11.32% (Method I) and 10.29% (Method II) substantiate this dissimilarity.

[26] The 2009 Neighbourhood/Community Shopping Centre sales should not be used as comparables as they are dated and more recent sales transactions are available.

[27] The ASR analysis conducted by the Respondent is accepted by the Board and indicates that under cap rate Method I, the ASRs achieved using the assessed cap rate of 7.0% produces superior results than the 7.50% cap rate proposed by the Complainant.

[28] The Board placed no weight on the Complainant's evidence with respect to alleged inconsistencies in the ABU's use of non-brokered sales and vacant land sales in its sales analysis as much of the material references property types different from the subject. The Board accepts the Respondent's contention that much of the material included in Rebuttal Exhibit C-5 was available to the Complainant in advance of their submission C-1 and should more

appropriately have been included in that submission to enable the Respondent to better address the Complainant's arguments.

**ISSUE 2:** Should the assessed market rental rates applied to Quality "B" grocery stores be reduced to \$13.00 from \$15.00 per sq.ft.?

### **Position of the Parties**

#### **Complainant's Position:**

The Complainant provided a 61 page disclosure document Exhibit C-4 "Community –Grocery Leasing 'B= Average Stores' in support of its position and used the evidence contained in that exhibit to support the following arguments:

[29] In support of the requested reduction in rental rate to \$13.00 per sq.ft. the Complainant provided a Grocery Leasing Analysis [p. 21 C-1] as follows:

<b>Tenant</b>	<b>Address</b>	<b>Shopping centre</b>	<b>Area (sq.ft.)</b>	<b>Rental Rate (\$/sq.ft.)</b>	<b>Leasing year</b>	<b>Start date</b>	<b>Term (years)</b>
Sobeys Capital	8338 18 ST SE	Riverbend	34,969	\$14.50	2011	2011-12-1	5
Canada Safeway	1200 37 ST SW	Westbrook Mall	47,980	\$6.00	2011	2011-11-1	15
Basha Foods	2717 Sunridge WY NE	Sunridge Commercial District	20,000	\$17.00	2011	2011-3-1	10
Canada Safeway	8120 Beddington BLVD NW	Beddington Town Centre	54,792	\$13.50	2010	2010-11-1	5
Canada Safeway	1600 90 AV SW	Glenmore Landing	52,465	\$13.00	2010	2010-09-1	5
Sobeys Capital	6449 Crowchild TR SW	Lakeview Plaza	19,698	\$9.00	2009	2009-03-1	5
<i>Median</i>			<i>47,980</i>	<i>\$13.25</i>			
<i>Mean</i>			<i>42,041</i>	<i>\$12.17</i>			
<i>Weighted Mean</i>			<i>N/A</i>	<i>\$13.01</i>			

[30] The Complainant acknowledged that the Westbrook Mall Safeway may be an outlier and that if this sale was removed, the Median would be \$13.50; the Mean \$13.40; and the Weighted Mean \$13.45.

[31] The Complainant asserted that leases should be reviewed over several years to ensure there is no confusion as to the lease end and start date. The Complainant also argued that it



was a lack of clarity in how "step-up" and lease extensions were treated by the ABU in its rental analyses. In support of their argument, the Complainant referenced several CARB decisions which speak to this issue and noted that it is difficult for the taxpayer to understand what information is being requested through the ARFI process.

[32] The Complainant asserted that the Assessment Business unit (ABU) had been inconsistent in its practice with respect to reviewing leases over several years and cited a number of examples of cases where the ABU had reviewed multiple ARFI submissions for leasing data [C-6].

[33] The Complainant argued that the Glenmore Landing Safeway should be included in the rental rate analysis because it was clear on the Tenant Rent Roll "As of- Jul 01 2010" provided by Riocan [p.37 C-4]; the 25 year lease on p. 38 of C-4; and a listing of rents in the Glenmore Landing Shopping Centre "As of 31 Dec. 11" also provided by Riocan, [p. 39 C-4] that there had been a "step-up" rent increase on September 1, 2010.

[34] The Complainant argued that the Lakeview Plaza Sobeys should also be included in the analysis because the initial lease term of 15 years (March1, 1994-February 28, 2009) was subsequently extended for a 5 year term ending February 28, 2014 at a lease rate of \$9.00 per sq. ft. Rent rolls, the original lease and the lease extension were provided in support of this argument [pp. 40--52 C-4].

[35] The Complainant argued that the Co-op Store at Deer Valley Marketplace (1221 Canyon Meadows DR SE), which was added to the City's Supermarket Rental Rate Analysis [ p. 266 R-1] should be excluded from the 'B' Grocery Store analysis because it was an 'A' quality rating. The Complainant advised that the Deer Valley Centre at had been converted from an interior to an exterior mall and extensively renovated. Photographs and site plans were provided to support this contention [pp. 54-60 C-4]

#### **Respondent's Position:**

The Respondent provided a 688 page disclosure document, "Exhibit R-1" and provided the following evidence and argument with respect to this issue:

[36] In support of its assessed rental rate of \$15.00 per sq. ft. the Respondent provided the following Revised Supermarket Rental Rate Analysis [p. 266 R-1]:

<b>Shopping Centre/ Address</b>	<b>Leased area (sq. ft.)</b>	<b>Lease rental rate (\$/sq.ft.)</b>	<b>Lease Start Date (year)</b>	<b>Lease Start Date (month)</b>	<b>Lease Term (years)</b>
Deer Valley Marketplace /1221 Canyon Meadows DR SE	55,130	\$15.00	2011	09	10
Sunridge /2717 Sunridge WY NE	20,000	\$17.00	2011	03	10
Riverbend/ 8338 18 ST SE	34,969	\$14.50	2011	12	5
Beddington Town Centre/ /8120 Beddington BLVD NW	54,792	\$13.50	2010	11	5
	<i>3 yr Median</i>	<i>\$14.75</i>			

[37] The Westbrook Mall Safeway lease used by the Complainant should be excluded because it is not a current lease as shown in the Rent Rolls and ARFI provided to The City [pp 268-271 R-1]. The City argued that a lease having a 20 year term ending October 31, 2026 implies a start date of 2006.

[38] The Glenmore Landing Safeway lease used by the Complainant should be excluded because it is not a current lease. The Rio Can Tenant Rent Roll "As of- July 2012" shows a lease term of September 1985 to August 31, 2015 [p. 277 R-1] and the ARFI sent to The City on August 9, 2012 includes the comment: "Expires Aug. 2015" [p. 276 R-1].

[39] The Lakeview Plaza Sobeys lease used by the Complainant should be excluded because it is not a current lease. The Tenant Rent Roll provided by First Capital "As of- December 2012", shows that the lease commenced in March of 1994 and expires in February of 2014 [p. 281 R-1] and ARFIs dated April 8, 2011 [p. 282 R-1] and February 26, 2013 [p. 279 R-1] indicate a Lease Commencement Date of March 1, 1994.

[40] The Respondent stated that it was not The City's responsibility to go back over a number of years to determine if the information submitted to The City through the ARFI process is correct. The taxpayer knows the importance of the information requested through the ARFI process and the responsibility for accuracy lies with them.

#### **Board's Reasons for Decision:**

[41] The Board accepts the three sales common to the Respondent and the Complainant (Sunridge Basha Foods, Riverbend Sobeys and Beddington Safeway) and the Deer Valley Marketplace Co-op identified as a "B" category store by the ABU. The Board also accepts two of the three comparables offered by the Complainant: Lakeview Sobeys and Glenmore Landing Safeway. The resultant Median value of the six lease rates is \$14.00 sq.ft.

[42] The Board finds that there was sufficient evidence provide by the Complainant to suggest that the two additional sales comparables (rent rolls, leases and lease extensions) to establish that the Lakeview Plaza Sobeys lease rate of \$9.00 (5 year term ending February 28, 2014) is current and the Glenmore Landing Safeway lease rate of \$13.00 ("step-up" rent increase on September 1, 2010) is also current.

[43] The Board does not accept the Westbrook Mall Safeway comparable as it agrees with the Respondent that is not clear from the documentation that the rental rate is current.

[44] The Board agrees with the Complainant that the ARFI questionnaire may pose difficulty to taxpayers and that there is a lack of clarity on how "step-up" and lease extensions are treated by The City in its rental rate analysis.

#### **ISSUE 3: Should the upper level in the Liquor Store be assessed as Office or Mezzanine Space?**

##### **Position of the Parties**

##### **Complainant's Position:**

[45] The subject is a freestanding liquor store (Co-op Wines and Spirits) located on the Oakridge Centre site. There is a 966 sq. ft. of upper level space in the liquor store that the Complainant asserts is clearly mezzanine space and not office space as classified by the ABU.

The Mezzanine Rate of \$2.00 per sq. ft. should be applied rather than the assessed rate of \$24.00 per sq. ft.

[46] In support of their argument, the Complainant referenced exterior photographs of the building included in C-1, pp. 28, 29, 51-54 and also distributed other photographs showing that the upper level space shared a common roof line with the rest of the building.

[47] The Complainant also provided interior photographs of the subject's upper level space, and noted that the ceiling of the upper level was finished with the same materials as the rest of the interior of the store.

[48] The Complainant then drew comparisons to several other mezzanine spaces that were classified by the ABU as mezzanines, not office [pp.55-88 C-1] and argued that as in these comparators, the purpose of this upper level was to conduct business ancillary to the liquor store. The Complainant stated that he had visited the subject building and that the upper level space did not have exterior access as suggested by the Respondent.

#### **Respondent's Position**

[49] The Respondent argued that the finish of the upper level space was superior to that of other mezzanine spaces and that this space was clearly being used as office space as evidenced in the office equipment present and the boardroom set up [pp.309-323 R-1]

[50] The Respondent produced colour photographs which they alleged showed an exterior card access scanner that would allow separate access to the upper level office space, allowing the potential for rental to a separate tenant; however, the Respondent stated that they had never actually visited the building. The Respondent later acknowledged that through further examination of the photographs and testimony by the Complainant that the access door was in fact located in a foyer between the exterior and interior main entrance doors and did not provide external access to the upper level.

[51] The Respondent argued that mezzanine space for liquor stores was not comparable to the mezzanine spaces referenced by the applicant in C-1 as these were Canadian Tire, and grocery types businesses.

#### **Board's Reasons for Decision:**

[52] The Board accepts the Complainant's argument that the upper level space in Co-op Wines and Spirits is comparable to the mezzanine spaces identified by the Complainant and notes that it is satisfied that there is no external access to the upper level space.

**ISSUE 4: Should the assessed rental rate for Restaurant Fast Food be \$28.00 per sq.ft. or \$32.00 as per the assessment?**

#### **Position of the Parties**

##### **Complainant's Position:**

[53] The subject is a 2,260 sq.ft. A &W Fast Food pad restaurant with a Quality 'B' rating [p.14 C-1] located on the Oakridge Centre site.

[54] The City has chosen to combine Quality 'A' and 'B' Fast Food restaurants into a single category for the purpose of its 2013 rental rate analysis [p. 277 R-1]. The Complainant argued that this approach is flawed as it inflates the rental rates for Quality 'B' fast food restaurants and is inconsistent with the approach used in other property type rental rate analyses.

[55] The Complainant noted that 11 of The City's 16 lease comparables are 'A's and that the Jugo Juice (7556 Falconridge BLVD.) comparable with a lease rate of \$53.53 per sq.ft. [p. 276 R-1] is located in the Genesis Centre of Community Wellness, a tax exempt property, and should be excluded for this reason. The Complainant acknowledged that this comparable had been excluded from The City's revised analysis.

[56] In support of their argument for a \$28.00 per sq.ft. assessment rate, the Complainant provided a list of suggested comparables for "B' Quality Fast Food Restaurants with lease rates ranging from \$24.40 to \$37.88 per sq.ft and a median value of \$28.16 [p. 38 C-1]

**Respondent's Position:**

[57] The Respondent referred to the 2013 Fast Food Restaurant analysis on p. 277 of R-1, noting that this analysis showed no real difference between rental rates for 'A' and 'B' quality fast food restaurants and for this reason, they had been combined into one analysis.

[58] The Respondent noted that when the Jugo Juice comparable is excluded the Median Assessed value changes from \$32.00 to \$31.50 and the assessed value of \$32.00 is still appropriate.

**Board's Reasons for Decision:**

[59] The Board did not find sufficient evidence to challenge The City's grouping of Quality 'A' and Quality 'B' fast food restaurants into a single category and confirmed the assessed rate of \$32.00 per sq.ft.

**ISSUE 5: Should the assessed rental rate for CRU space of 1,001-2,500 sq.ft. be \$18.00 per sq.ft. or \$20.00 per sq.ft. as per the assessment?**

**Position of the Parties**

**Complainant's Position:**

[60] The subject is a total of 14,973 sq.ft. of interior mall CRU space (1,001-2,500 sq.ft.) in the Oakridge Centre.

[61] In support of their argument the Respondent provided a list of four comparables with a claimed Quality Rating of C+, all located in the subject property, Oakridge Centre, and with lease dates ranging from July 2010 to June 2012. The Complainant corrected an error in the lease rates for the first two properties in the table on p.34 of C-1, noting that they should be \$19.00 and \$21.00 per sq.ft. respectively, changing the Median Lease Rate Value from \$18.00 to \$18.59 per sq.ft.

**Respondent's Position:**

[62] The Respondent argued that typical, not actual rents in the subject property should be used to determine market rents for assessment purposes.

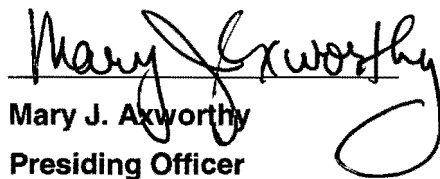
**Board's Reasons for Decision:**

[63] The Board agrees with the Respondent that typical, third party lease rates as opposed to actual rents in the subject property should be used for assessment purposes. As the Complainant did not provide any evidence of third party rents, the assessment is confirmed at \$20.00 per sq.ft. for CRUs of 1,001- 2,500 sq.ft.

**Board's Reason for Revision:**

[64] This revision results from an error in calculating the taxable portion of the assessment. .

DATED AT THE CITY OF CALGARY THIS 5<sup>th</sup> DAY OF September, 2013.

  
Mary J. Axworthy  
Presiding Officer

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

<b>NO.</b>	<b>ITEM</b>
1. C-1	Oakridge Centre Evidence Submission
2. C-2	Community-Neighbourhood Shopping Centre Capitalization Rate Analysis
3. C-3 A & B	Community-Neighbourhood Shopping Centre Capitalization Rate Historical Data
4. C-4	Grocery Leasing "B= Average Stores"
5. C-5	Rebuttal Submission- Neighbourhood-Community Cap Rate Analysis
6. C-6	Rebuttal Submission- Supermarket "B" Group
7. R-1	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 Administrative Use Only**

<b>Municipal Government Board use only: Decision Identifier Codes</b>				
<b>Appeal Type</b>	<b>Property Type</b>	<b>Property Sub-Type</b>	<b>Issue</b>	<b>Sub-Issue</b>
ARB	Neighbourhood/Community Shopping Centres	Grocery "B Average"	Cap rate Rental rate	CRU rental rate Fast food rental rate Office vs. Mezzanine space