



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:

Dancole Investments Ltd. (as represented by Altus Group Limited), COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

***M. Axworthy, PRESIDING OFFICER
H. Ang, BOARD MEMBER
A. Wong, 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 2014 Assessment Roll as follows:

ROLL NUMBER: 031002892
LOCATION ADDRESS: 2828 32 AV NE
FILE NUMBER: 74431
ASSESSMENT: \$8,100,000

This complaint was heard on 25 day of July, 2014 at the office of the Assessment Review Board located at Floor Number 4, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 2.

Appeared on behalf of the Complainant:

- *K. Fong, Agent*
- *A. Izard, Agent*

Appeared on behalf of the Respondent:

- *B. Thompson, Assessor*

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

- [1] No procedural or jurisdictional matters were raised.
- [2] Both the Complainant and the Respondent requested that all evidence, argument and rebuttal be cross-referenced to the chronic vacancy issue addressed in File 73964.

Property Description:

[3] The subject property is a 50,400 square foot (SF) Retail-Freestanding Big Box centre located in the Horizon business area and originally developed as a warehouse. It has a Subproperty use code of CM020 and contains a 6,728 SF bank, 25,000 SF of Big Box retail 14,001 to 40,000 SF and 18,672 SF of "retail poor location" space which is vacant. The subject was constructed in 1980 and is classified as "C" quality; however, the bank space is classified as "B" quality. It is assessed using the Income Approach to value with rental rates of \$7.00 to \$35.00 per SF, vacancy rates of 1.00 to 8.25% and a cap rate of 6.50%.

Issues:

- [4] While a number of issues were identified on the Complaint Form, the following issues were argued at the hearing:
 - a) The property suffers from chronic vacancy and the "retail poor location" portion of the space (18,672 SF) should receive a -25.00% vacancy allowance as compared to the assessed vacancy allowance of -8.25%.
 - b) The bank space should be changed from a quality rating "B" to a quality rating "C" with a corresponding reduction in the assessed rental rate from \$35.00 per SF to \$27.00 per SF.

Complainant's Requested Value: \$6,450,000

Board's Decision:

- [5] The Board reduced the assessment to \$7,350,000.

Legislative Authority, Requirements and Considerations:

[6] Under the Act Section 460.1(2) and 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 (1)(a).

[7] The Board reviewed the evidence provided and will limit its comments to the relevant facts pertaining to this case and materials which led to the decision.

Issue #1: Does the subject suffer from chronic vacancy and if so, is a -25.00% vacancy allowance for the "retail poor location" space (18,672 SF) appropriate?

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

[8] The Complainant stated that the subject is an older warehouse property that had been converted to a bank and Big Box retail space. A portion of the Big Box space with exposure to 32 AV NE had been successfully leased, but the portion with rear access only had been vacant since 2008 as it was essentially warehouse space as illustrated in the photos on pp. [19-22 of C1]. The Complainant stated that The City of Calgary (The City) had recognized the challenges with this space and had assigned it a "retail poor location" assessed rental rate of \$7.00 per SF.

[9] The Complainant stated that while The City no longer recognizes chronic vacancy Calgary CARBs continue to recognize chronic vacancy in some cases. In support of its argument, the Complainant provided the Board with a copy of a number of CARB decisions on chronic vacancy for a number of properties [C1, pp. 43-116], attesting that 3 years of vacancy, among other factors, was the usual standard to determine when vacancy could be considered "chronic".

[10] The Complainant stated that as the property had been actively marketed since 2008 but had not been leased it should receive a chronic vacancy allowance of -25%.

Respondent's Position:

[11] The Respondent stated that as per Section 2 of Matters Relating to Assessment and Taxation (MRAT), The City used mass appraisal to determine a typical vacancy rate, and other typical parameters such as CRU rental rates, cap rate, and operating costs for various Subproperty types.

[12] The Respondent stated that it no longer recognized "chronic vacancy" and in response to questioning, stated that the SF vacancy of all properties within an applicable Subproperty type were included in The City's quadrant based vacancy analysis. Through this method, the 2014 vacancy rate for Freestanding Retail was determined to be 8.25%, although a complete list of all the properties included in the vacancy analysis was not provided to the Board [R1, p. 28].

[13] As noted in R1, p. 11, the current vacant space is assessed as a "retail poor location".

Board's Reasons for Decision:

[14] The Board finds that while the subject has suffered from a longstanding vacancy (since 2008), this issue has been addressed in assigning the vacant space a "retail poor location rate" assessed rate of \$7.00 per SF.

[15] For this reason, the Board confirms the assessed vacancy rate for the subject to be 8.25%.

Issue #2: Should the quality rating for the bank space be reduced from a "B" to a "C" and the assessed rental rate reduced accordingly from \$35.00 per SF to \$27.00 per SF?

Position of the Parties

Complainant's Position:

[16] The Complainant stated that the centre has an overall quality rating of "C", but that the bank was classified as "B" quality and should be adjusted to "C", noting that the bank was housed in a former warehouse space, was of poor quality finishing and had not been renovated. In support of its argument, the Complainant provided photos of the subject [C1, p.p. 17, 18].

[17] The Complainant stated that while the bank space was currently leased at \$32.00 per SF that lease had been signed in 2008 at the height of the market [C1, p.29].

[18] The Complainant reviewed the City of Calgary's 2014 Citywide Bank Lease Analysis: B Quality [C1, p. 27, 28] and stated that the banks included in the analysis were of a higher quality in terms of location and finishing materials. It stated that the bank space was better suited to a "C" quality, the same as the subject shopping centre, and was most comparable to the "C" quality bank at 6520 Falconridge BV NE.

Respondent's Position:

[19] The Respondent stated that the Complainant indicated that it supported the rates applied in The City's 2014 bank analysis. The Complainant noted that the Respondent had not done its own bank study but wanted to move some banks into different quality ratings without a clear rationale for doing so.

[20] The Respondent stated that while the bank was located in a former warehouse space, it had excellent exposure and frontage onto 32 AV NE.

[21] The Respondent provided a list of 2014 Bank Equity Comparables (B Quality Property) that demonstrated that all the banks along 32 AV NE were equitably assigned a "B" quality.

[22] The Respondent stated that it was common for buildings within shopping centres to have different quality ratings [R1, p.21] and that banks specifically often had a different rating than the shopping centre in which they were located because bank lease rates were based on a city wide analysis.

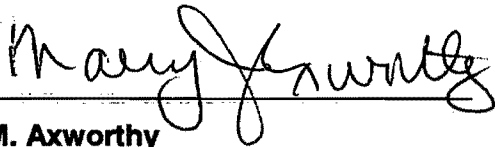
Board's Reasons for Decision:

[23] The Board finds that the subject property is more correctly classified as "C" quality. It is located in a former warehouse space and the photographs of the subject indicate that it is of very basic construction and finishes as compared to other banks with a "B" quality rating.

[24] While location is an important criterion, the Board finds that banks along the same street can warrant a different quality rating and accepts the Complainant's argument and evidence that the bank is most comparable to the "C" quality bank at 6520 Falconridge BV NE.

[25] The quality rating for the subject is reduced from a "B" to a "C" quality and the assessed rental rate reduced to \$27.00 per SF.

DATED AT THE CITY OF CALGARY THIS 13 DAY OF August 2014.



M. Axworthy

Presiding Officer

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

NO.	ITEM
1. C1	Complainant Disclosure
2. C2	Complainant Rebuttal (Cross-referenced to File 73964 re chronic vacancy)
3. R1	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

Municipal Government Board use only: Decision Identifier Codes				
Appeal Type	Property Type	Property Sub-Type	Issue	Sub-Issue
CARB	Retail	Big Box	Bank rental rate Vacancy	