

**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:**

***20 Vic Management Inc., (as represented by Altus Group), COMPLAINANT***

**and**

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

**before:**

***Board Chair, T.B. Hudson  
Board Member D. Steele  
Board Member J. Lam***

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 2012 Assessment Roll as follows:

**ROLL NUMBER: 068241900**

**LOCATION ADDRESS: +15 750 4 ST SW**

**HEARING NUMBER: 68185**

**ASSESSMENT: \$11,130,000**

This complaint was heard on 4th day of July, 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:

- *D. Hamilton*
- *K. Lily*

Appeared on behalf of the Respondent:

- *E. Borisenko*
- *A. Czechowskyj*

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

[1] The Parties requested, and the Board agreed, to consider all relevant evidence and testimony admitted with respect to complaint number 67836, applicable to complaint number 68185. In this regard, the parties should also expect that the findings and decision of the Board with respect to complaint file number 68185 will be consistent with the relevant Board findings and decision in respect of complaint file number 67836.

**Property Description:**

[2] The subject property is a +15 shopping corridor connection between the Eaton Centre and the Holt Renfrew store, located in the commercial core of downtown Calgary. The property is part of the extensive retail/office redevelopment known as "The Core". The subject property has 13,045 square feet (sf.) of commercial retail unit (CRU) space. The current assessment based on the capitalized income approach is \$11,130,000.

**Issues:**

[3] The Complainant identified **the Assessment Class**, and **the Assessment Amount**, as the issues of concern in Section 4 of the complaint form. The sub-issues included the vacancy rate, the rate for non-recoverable expenses, and the capitalization rate applied in the income approach to assessment value calculation.

**Complainant's Requested Value:** \$8,800,000

**Board's Finding in Respect of Each Matter or Issue:****Assessment Class**

[4] **The Board finds that "The Core" which includes the subject property, is superior in both location and quality to the regional shopping centre properties identified by the Complainant as comparables.**

[5] The Complainant argued that "The Core" should be reclassified and considered a Regional Shopping Centre, and assessed in the same manner as regional shopping centre properties located outside of the downtown commercial area. These centres included the Sunridge Mall, the Marlborough Mall, the South Centre, the Market Mall, and the Chinook Centre. Similar features included tenant mix, and comparable retail sales per square foot.

[6] The Respondent argued that due to superior location and quality, "The Core" is not comparable to the regional shopping centres identified by the Complainant. The best comparables are retail shopping/office centres located in the downtown such as the AA quality Bankers Hall and the A quality Scotia Centre. In fact, "The Core" incorporates two of these retail shopping/office centres; the AA quality Eaton Centre, and the A quality TD Square.

**Assessment Amount****Sub-Issues:****(a) Vacancy Rate**

[7] **The Board finds that the vacancy rate for the subject property should be based on typical assessed rates for AA and A quality retail/office space downtown (i.e. 2%).**

[8] The Complainant submitted the rent rolls for the Eaton Centre, the TD Square, and the Shopping Corridor, as well as the Assessment Request for Information (ARFI) for the subject property. The summary of the information (page 96 of Exhibit C1), supported an overall 7.2% vacancy rate for "The Core". The Complainant argued that this rate should be applied to retail space in the assessment of the subject property.

[9] The Respondent pointed out that both the ARFI, and the evidence of the Complainant, show no actual vacancy in the subject property. However, based on mass appraisal, the typical vacancy rate of 2% has been applied in the assessment of downtown AA and A quality retail/office space, including the subject property, (page 54 of Exhibit R1).

(b) Non-Recoverable Expense Allowance Rate

**[10] The Board finds that the assessed rate of 2% is appropriate.**

[11] The Complainant argued that the assessed rate of 4% for non-recoverable expenses applied to regional shopping centres such as the Sunridge Mall, should be applied to the subject property in order to establish equity in the assessment.

[12] The Respondent argued that the subject property is superior in both location and quality when compared to regional shopping centres, and therefore the rate of 2%, applied to typical downtown retail areas is equitable.

(c) Capitalization Rate

**[13] The Board finds that the capitalization rate for the subject property should be based on the rate (i.e. 6%) for AA quality office/ retail space downtown.**

[14] The Complainant submitted the assessed capitalization (cap) rates for the regional shopping centres located outside the downtown core, which are all either 6.5% or 6.75%, as compared to the cap rate (i.e. 6%) for the subject property. The Complainant suggested that a cap rate of 6.75% should be applied in order for the assessment of the subject property to be equitable with other regional shopping centres, specifically, the Sunridge Mall and the Marlborough Mall.

[15] The Respondent reiterated that "The Core", which includes the subject property, is superior with respect to location and quality to the regional shopping centres located outside the downtown. However, the current assessed cap rate does maintain equity with other retail shopping areas in the downtown. The 2012 assessed cap rates for AA and A quality downtown office buildings are 6.25% and 6.75% respectively.

[16] Historically, downtown office buildings such as the Eaton Centre, and the TD Square, with retail shopping areas ranging from 10 to 30% of rentable space, have assessed cap rates 0.25% lower than office buildings of the same quality, but with retail areas of 1 to 3% of rentable space. This relationship is as a result of the lower investment risk associated with retail versus office space.

[17] The subject property, which has 100% AA quality retail space, therefore has a 6% cap rate applied to net operating income, reflecting both relatively low investment risk, and equity with AA quality office/retail properties in the downtown such as Bankers Hall.

[18] The Respondent submitted sales data and third party reports in support of the cap rates applied in the assessment of office/ retail properties in the downtown commercial core.

[19] The Complainant pointed out that most of the Respondent sales data was post facto, and that the cap rates published in third party reports should not be relied upon for assessment purposes. The Complainant did not submit any market sales data or cap rate evidence.

**Board's Decision:** The assessment is confirmed at \$11,130,000.

DATED AT THE CITY OF CALGARY THIS 9 DAY OF August 2012.



**T. B. Hudson**  
Presiding Officer

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

<b>NO.</b>	<b>ITEM</b>
1. C1	Complainant Disclosure
2. C2	Complainant Rebuttal
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 MGB Administrative Use Only**

<i>Decision No. 0925/2012-P</i>		<i>Roll No 068241900.</i>		
<u>Subject</u>	<u>Type</u>	<u>Sub-Type</u>	<u>Issue</u>	<u>Sub-Issue</u>
CARB	Retail	Downtown	Classification	Market Value/Equity