

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

**between:**

***Macro Realty and Management Ltd., COMPLAINANT,  
as represented by Colliers International Valuation & Advisory Services***

**and**

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

**before:**

***T. Helgeson, PRESIDING OFFICER  
D. Steele, MEMBER  
E. Reuther, 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: 757068101**

**LOCATION ADDRESS: 51 Sunmills Drive S.E.**

**HEARING NUMBER: 63171**

**ASSESSMENT: \$2,280,000**

This complaint was heard on Tuesday, the 2<sup>nd</sup> of August, 2011 at the office of the Assessment Review Board located at Floor Number 3, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 9.

Appeared on behalf of the Complainant:

- *C. Hartley, M. Uhryn*

Appeared on behalf of the Respondent:

- *R. Farkas, E. D'Altorio*

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

No procedural or jurisdictional matters were raised.

**Property Description:**

The subject property is a shopping centre known as Sunmills Plaza located at 51 Sunmills Drive SE. Assessed as a strip shopping centre, it has a site area of 40,689 sq. ft. and a building floor area of 10,965 sq. ft.

**Issues:**

1. Have the net operating income ("NOI") and the capitalization rate ("cap rate") used in the assessment of the subject property resulted in an incorrect assessment?
2. Is the assessed value of the subject property fair and equitable when compared to the assessed value of the adjacent property, 19 Sunmills Drive SE.

**Complainant's Requested Value:** \$2,040,000 using a cap rate of 8.0%,  
or \$2,000,000 based on land value alone.

**Summary of the Complainant's Submission**

Market rents at time of sale indicate a potential gross income (PGI) higher than that relied on by the Respondent. In all instances where there was accessible rental information of transactions in and around the time of sale, it was clear that estimates of PGI should be greater than those relied on by the assessor. The sale prices and NOI's of comparable properties, including 1725 32<sup>nd</sup> Avenue NE, 20 Douglas Woods Drive SE, 5303 68<sup>th</sup> Avenue NE, and 920 36<sup>th</sup> Street NE, indicate higher NOI's than those of the Respondent, and therefore justify a higher cap rate, in this case 8.40%. If the subject property was assessed using an 8.40% cap rate, the assessed value, as truncated, would be \$2,000,000. Furthermore, 19 Sunmills Drive, which adjoins the subject and is, essentially, part of the strip centre complex, is assessed as vacant land at a rate of \$49 per sq. ft. Were the subject assessed the same way, its value would be \$2,000,000.

The two lowest capitalization rates in the Respondent's analysis are those for the two smallest

properties, both less than 10,000 sq. ft. The inclusion of these properties, which are physically and economically different from the subject, artificially lowers the capitalization rate. Similarly, properties over 50,000 sq. ft. are not retail strip centres, but fit instead into the class of larger retail centres, i.e., neighbourhood and community centres. The median and average cap rates in our analysis have been calculated for all properties between 10,000 and 50,000 sq. ft.

### **Summary of the Respondent's Submission**

In providing evidence to indicate the assessed cap rate is too low, the Complainant has analyzed the Respondent's strip centre cap rate study, and removed two sales of property under 10,000 sq. ft. based on the notion that they are too small to be physically or economically comparable to the subject property. They have also removed all sales over 50,000 sq. ft. based on the view that shopping centres over that square footage are neighbourhood shopping centres. Of all the sales, the Complainant saw fit to adjust the rental rates of only four properties, including one over 50,000 sq. ft., in order to raise the cap rate to their requested 8.41%. Furthermore, the newly adjusted rents appear to be based on actual rents, i.e., rents currently in place. If the 14 properties in the aforementioned strip centre analysis were assessed with the Complainant's 8.41% cap rate, the median and average assessment-to-sales ratio ("ASR"), based on time-adjusted sales, would be 0.88, as opposed to 0.98 using a cap rate of 7.5%.

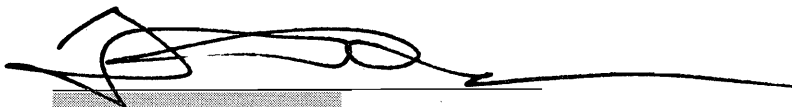
### **Board's Decision in Respect of Each Matter or Issue**

In arriving at its requested value for the subject property, the Complainant simply applied its cap rate of 8.40% to the NOI from the assessment. The Complainant failed to test the results of the use of its cap rate against sale values of the fourteen strip shopping centres, but the Respondent did, and the outcome was conclusive. That in itself obviates the need to deal with the issue of actual values versus typical values.

With respect to the Complainant's assessment equity comparable, i.e., 19 Sunmills Drive SE, the Board notes that its land area is significantly smaller than that of the subject property, and that it enjoys a corner lot influence of +5%. Unlike the subject property, which was assessed using the income approach, 19 Sunmills Drive SE was assessed at land value only based on the Respondent's C-N land rates. Whether 19 Sunmills Drive SE should have been assessed in this way was not an issue before the Board, nor was the appropriateness of the assessment itself. In the Board's view, for the assessed values of two properties to be said to be comparable for equity purposes, their assessed values must have arisen from application of the same parameters. In this case, they did not.

**Board's Decision:** The assessment is confirmed at \$2,280,000.

DATED AT THE CITY OF CALGARY THIS 17<sup>th</sup> DAY OF OCTOBER 2011.



Presiding Officer

**Exhibits**

**C-1, Complainant's submission**

**R-1, Respondent's Assessment Brief**

**CARB 1491/2011-P, submitted by Respondent**

*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.*