

**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:**

***334154 Alberta 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: 082118001**

**LOCATION ADDRESS: 3515 17<sup>th</sup> Avenue S.W.**

**HEARING NUMBER: 62280**

**ASSESSMENT: \$2,760,000**

This complaint was heard on Wednesday, the 3<sup>rd</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:

- *M. Uhryn*

Appeared on behalf of the Respondent:

- *Harry Yau, R. Ford*

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

No procedural or jurisdictional matters were raised.

**Property Description:**

The subject property is a strip shopping centre at 3515 17<sup>th</sup> Avenue SW with a floor area of 19,489 sq. ft.

**Issues:**

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?

**Complainant's Requested Value:** \$2,590,000

**Summary of the Complainant's Submission**

Sales of properties comparable to the subject property that support an appropriate cap rate have been analyzed and normalized to demonstrate that the Respondent has used an incorrect income parameter in calculating the assessment. These sales were relied upon in deriving a typical cap rate summary for comparable retail properties. The income used to arrive at the Potential Gross Income ("PGI") appears to be low, which has the effect of decreasing the cap rates. The rental information for properties that transacted in or around the time of sale clearly shows that the estimates of PGI should be greater than those used by the Respondent. Leaving out two properties whose areas are under 10,000 sq. ft., the sale prices and net operating incomes ("NOI's") of the remaining 12 properties from the Respondent's 2011 strip centre capitalization summary indicate a median cap rate of 8.41%, which amply supports the requested cap rate of 8.0%. Applying this cap rate to the income parameters used in the assessment results in a value of \$2,590,000 for the subject property.

**Summary of the Respondent's Submission**

To increase rents to support a higher cap rate, the Complainant moved office spaces into retail

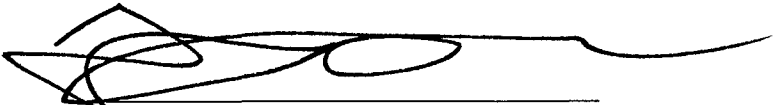
spaces. Banks should be classified as banks, fast-food joints as restaurants, not Commercial Rental Units ("CRU's"). You cannot change one component of an assessment analysis without making corresponding changes in other components. Rent for retail space in Calgary is increasing; hence if you use higher cap rates, property values decrease. Conversely, where rents are increasing, lower cap rates reflect the increase in the resulting value. A strip centre capitalization rate study of 14 strip malls, all but one of which was relied on by the Complainant to support its case, demonstrates the result of the Complainant's manipulations: an assessment-to-sales ratio ("ASR") of 0.92 using an 8.0% cap rate, as opposed to an ASR of 0.98 using the assessed cap rate of 7.50%.

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

The Complainant's analysis was based on the unadjusted sale values and actual rents of four properties from the Respondent's 2011 strip centre capitalization rate summary. From this, the Complainant derived a cap rate of 8.0%. The Complainant then applied that cap rate to the NOI from the Respondent's income approach valuation of the subject property to reach its requested assessment. The Respondent's evidence demonstrated that were an 8.0% cap rate applied to the NOI's of all fourteen strip malls in the strip centre capitalization rate summary, the median ASR would be .92 as opposed to the median ASR .98 for assessments using the present cap rate of 7.5%. The Board found the Respondent's evidence persuasive.

**Board's Decision:** The assessment is confirmed at \$2,760,000.

DATED AT THE CITY OF CALGARY THIS 9 DAY OF September 2011.



**T. Helgeson**  
**Presiding Officer**

Exhibits

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

**R-1, AMENDED 2011 Property Assessment Notice**

**R-2, Assessment Review Board Complaint (received Mar-4 2011)**

**R-3, Respondent's Assessment Brief**

**R-4, Colour photographs**

**R-5, More Colour photographs**

*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.*