

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

**and**

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

**before:**

***T. Helgeson, PRESIDING OFFICER  
E. Reuther, MEMBER  
D. Steele, 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: 064031404**

**LOCATION ADDRESS: 5308 17<sup>th</sup> Avenue S.W.**

**HEARING NUMBER: 63172**

**ASSESSMENT: \$3,600,000**

This complaint was heard on Friday, the 5<sup>th</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:

- *D. Porteous, M. Uhryn*

Appeared on behalf of the Respondent:

- *H. Yau*

**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 5308 17<sup>th</sup> Avenue SW with a floor area of 13,612 sq. ft. Site area is 40,474 sq. ft., or 0.93 acres.

**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:** \$3,400,000

**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 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. The sale prices and net operating incomes ("NOI's") of four comparable properties, i.e., 1725 32<sup>nd</sup> Avenue NE, 20 Douglas Woods Drive NE, 5308 68<sup>th</sup> Avenue NE, and 920 36<sup>th</sup> Street NE indicate higher NOI's than those of the Respondent, and justify a higher cap rate, in this case 8.4%. Applying this cap rate to the income parameters used in the assessment results in \$3,230,000. Nevertheless, the requested cap rate is 8.0%, for a requested assessed value of \$3,400,000.

**Summary of the Respondent's Submission**

The Complainant has suggested that four sales used in deriving this year's cap rate relied on

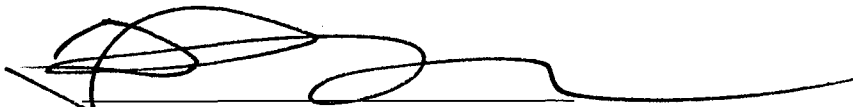
incorrect PGI's, but the Complainant has submitted no market evidence to support his argument that incorrect PGI's were used. Furthermore, the position taken by the Complainant's agent in this case is inconsistent with its position in other strip centre complaints, and the method of calculating the requested cap rate is in error. To increase PGI's to support a higher cap rate, the Complainant has ignored location factors, failed to recognize 2<sup>nd</sup> floor office space, and in one instance, moved a gas bar into CRU space. A strip centre capitalization rate study of 14 strip malls demonstrates the result of the Complainant's manipulations: a median assessment-to-sales ratio ("ASR") of 0.85 using a cap rate 8.4%, as opposed to an median ASR of 0.98 using the assessed cap rate of 7.5%. Use of the Complainant's amended cap rate of 8.0% improves things somewhat; it results an median ASR of .92.

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

The Respondent's evidence is persuasive. The Complainant relied on the same NOI used in the assessment, i.e., \$270,121, in arriving at the requested value of \$3,400,000 by application of a cap rate of 8.0%. If the Complainant is going to rely on the Respondent's NOI's, the Respondent's evidence that the use of an 8.0% cap rate fails to pass the ASR test is conclusive.

**Board's Decision:** The assessment is confirmed at \$3,600,000.

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



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

Exhibits

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

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

**R-2, 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.*