

**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).

**between:**

***Altus Group, COMPLAINANT***

**and**

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

**before:**

***W. Kipp, Presiding Officer  
Y. Nesry, Board Member  
J. Massey, Board Member***

This is a complaint to the Calgary Assessment Review Board in respect of Property assessment prepared by the Assessor of The City of Calgary and entered in the 2010 Assessment Roll as follows:

<b>ROLL NUMBER:</b>	<b>097011407</b>
<b>LOCATION ADDRESS:</b>	<b>4661 – 54 Avenue SE, Calgary AB</b>
<b>HEARING NUMBER:</b>	<b>59720</b>
<b>ASSESSMENT:</b>	<b>\$6,640,000</b>

This complaint was heard on the 25<sup>th</sup> day of June, 2010 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:

- John Smiley

Appeared on behalf of the Respondent:

- Ian Baigent, Irene Pau

**Property Description:**

A multi-bay, multi-tenant industrial warehouse property located in the Foothills Industrial area of southeast Calgary. The 1980 building contains a rentable area of 92,205 square feet, 8% of which is developed as office space. The building occupies a 3.90 acre industrial lot, indicating a site coverage ratio of 49.87%.

**Issues:**

The Complainant raised the following matters in section 4 of the complaint form: Assessment Amount; Assessment Class

The Complainant also raised the following specific issues in section 5 of the Complaint form:

1. The subject property is assessed in contravention of Section 293 of the Municipal Government Act and Alberta Regulation 220/2004
2. The use, quality and physical condition attributed by the municipality to the subject property is incorrect, inequitable and does not satisfy the requirement of Section 289(2) of the Municipal Government Act
3. The assessed value should be reduced to the lower of market value or equitable value based on numerous decisions of Canadian Courts
4. The information requested from the municipality pursuant to Section 299 or 300 of the Municipal Government Act was not provided
5. The characteristics and physical condition of the subject property support the use of the income approach utilizing typical market factors for rent, vacancy, management, non-recoverables and capitalization rates; indicating an assessment market value of \$53 per square foot
6. The assessment regression model method used is incorrect and does not accurately reflect the market value for assessment purposes of the subject property
7. The aggregate assessment per square foot applied is inequitable with the assessments of other similar and competing properties and should be \$60 per square foot

In the evidence brief put before the CARB, the wording of some of the above issues was somewhat different. However, at the hearing, only the Income Approach valuation issue was pursued (Issue 5).

**Complainant's Requested Value:**

\$5,740,000

**Board's Decision in Respect of Each Matter or Issue:****Issue 1: Value by Income Approach**

The assessment model used by the City of Calgary for industrial properties relies upon application of a mass appraisal model of the direct sales comparison approach. The City does not value typical industrial properties using an income approach and no income approach was applied by the Respondent in the evidence before the Board in this hearing.

The Complainant began with a "reverse" application of the income approach valuation formula. Using an 8.0% capitalization rate and a 5.0% annual vacancy allowance, the Complainant worked backwards from the \$6,640,000 assessment to determine that, given those parameters, the building would have to be leased at an average rate of \$6.06 per square foot in order to arrive at the \$6,640,000 value. The Respondent did not present any disagreement with the input coefficients regarding vacancy or capitalization rate.

Secondly, the Complainant provided a table of Lease Comparables. Details of nine leases were set out in the table. Two of the leases were for the two rental units in the subject. Starting dates for two of the leases were beyond the valuation date of July 1, 2009. The remainder all had starting dates between July 2007 and February 2009. Rental rates ranged from \$4.00 to \$5.98 per square foot with a median of \$5.30. The two leases with the "post-facto" starting dates had the lowest rental rates. 2009 and 2010 rent rolls for the subject property showed that one of the leases would expire in January 2010. The renewal, for a 10 year term would provide for periodically escalating rents from \$4.10 for the first year to \$5.55 for the tenth year. The other lease commenced in September 2008 for a three year term at a rental rate of \$5.25 per square foot. Based on the lease comparables and the subject property rent rolls, the Complainant selected a typical rental rate for the subject at \$5.25 per square foot. When this rate was put into the income approach formula, the indicated value was \$5,748,405 (\$62.34 per square foot of building rentable area).

While the Complainant did not pursue an equity argument, he did present one equity comparable to show that the assessment rate of \$62.34 per square foot was realistic. The comparable was a 138,729 square foot multi-tenant industrial property built in 1976 with an assessment rate of \$64 per square foot.

The Respondent's evidence brief provided industrial sales comparables and equity comparables that supported the assessment. With respect to the income approach undertaken by the Complainant, the Respondent provided a table of lease comparables with lease starts from January 2000 to August 2009 where rental rates ranged from \$4.75 to \$9.00 per square foot for bays of 25,808 to 28,897 square feet and from \$5.50 to \$8.00 per square foot for bays of 48,220 to 75,512 square feet. The Respondent did not undertake an income approach valuation but provided the lease rate evidence to show that the Complainant's lease rate evidence was not necessarily indicative of the market.

**Findings**


The Board does not accept the Complainant's income approach valuation as a reliable indicator of value. The input coefficients for vacancy and capitalization rate were supported with market evidence that was not contested by the Respondent. The rent rate, however, was not supported by the lease comparables from either party when commencement dates were taken into account. The rent roll for the subject property did not provide assistance because the leases were either somewhat dated or outside of the current valuation period. If the Complainant's lease data for the relevant time period is considered, the median rent rate increases from \$5.30 to \$5.75 per square foot. Details of comparability of all lease comparables were lacking however, the preponderance of lease transactions generally indicated that the Complainant's finding of \$6.06 per square foot for the subject was not significantly out of line.

The equity comparable put forward by the Complainant as support for the assessment rate generated by the income approach was not considered to be sufficiently similar to the subject.

**Board's Decision:**

The assessment is confirmed at \$6,640,000.

DATED AT THE CITY OF CALGARY THIS 15<sup>th</sup> DAY OF July 2010.

  
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W. Kipp  
Presiding Officer

*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.*