

**CALGARY
ASSESSMENT REVIEW BOARD
DECISION WITH REASONS**

In the matter of the complaint against the Property/Business assessment as provided by the *Municipal Government Act*, Chapter M-26, Section 460(4).

between:

Altus Group Ltd., COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

M. Vercillo, PRESIDING OFFICER

I. Fraser, MEMBER

A. Zindler, 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:

ROLL NUMBER: 033044207

LOCATION ADDRESS: 1339 40 AV NE

HEARING NUMBER: 59401

ASSESSMENT: \$6,630,000

This complaint was heard on 21th day of July, 2010 at the office of the Assessment Review Board located at Floor Number 4, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom #3.

Appeared on behalf of the Complainant:

- Mr. G. Kerslake (Altus Group Ltd.)

Appeared on behalf of the Respondent:

- Mr. M. Berzins (The City Of Calgary)

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

NA

Property Description:

The subject property is an industrial property containing two multi tenanted buildings both constructed in 2001. The subject property is located in the "McCall Industrial Park" district of NE Calgary. The buildings have a net rentable area of approximately 33,920 and 14,000 square feet (SF) respectively. The buildings are situated on an assessable land area of approximately 121,968 SF resulting in a building to site coverage of approximately 34%.

Issues:

The Complainant listed 12 points in his grounds for appeal, but during the hearing spoke specifically to the following issues:

- 1) The assessment regression model method used by the Respondent, failed to properly stratify or group sales industrial property, included sales that have not been appropriately adjusted to reflect market conditions, and included sales that should not have been included and is therefore incorrect and does not accurately reflect the market value for assessment purposes of the subject property.
- 2) The aggregate assessment per square foot applied is inequitable with the assessments of other similar and competing properties.
- 3) The subject property recently sold and in the 2010 assessment does not reflect the time adjusted sale price for the subject property.

Complainant's Requested Value:

\$4,440,000

Board's Decision in Respect of Each Matter or Issue:

- 1) Issue 1 (as above).
 - a) The Complainant's evidence.
 - i) The Complainant provided a large document that was marked "Appendix A" and was entitled "Excerpts: Market Value And Mass Appraisal For Property Assessment In Alberta, Valuation Guide Introduction & Glossary". The Appendix is as stated in the title, a valuation guide for property assessment, describing the standard and

accepted approaches to valuing property in Alberta. The Appendix also includes a capitalization rate (cap rate) study of various other industrial properties, Altus investment trend surveys, legal submissions and other documentation. In addition, the Appendix includes a "2010 Improved Industrial Properties Sales Used" by the City of Calgary (City) in their Direct Sales Comparison approach to value the subject property.

- ii) The Complainant also provided new evidence not previously disclosed labelled by the Board as "Exhibit 1". The Exhibit contained recent Calgary Composite Assessment Review Board (CARB) decisions specifically related to industrial property valuation as well as excerpts from the Matters Relating to Assessment and Taxation Regulation (MRAT).
 - b) The Respondent's evidence.
 - i) The Respondent provided a brief summary of three generally accepted practices or approaches to the valuation of property. Within that summary the Respondent provided evidence that stated that due to the abundance of market sales, industrial warehouse properties have been valued based on the sales comparison approach. The Respondent quotes various assessors' manuals and guides that simply stated, justify his approach to value and the Multiple Regression Analysis methodology used to value comparable properties to the subject.
 - ii) The Respondent also provided new evidence not previously disclosed labelled by the Board as "Exhibit 2". The Exhibit also contained recent Calgary (CARB) decisions specifically related to industrial property valuation.
 - c) In reviewing the information provided by both parties the Board finds:
 - (1) That we agree with the decisions made in the previous Calgary CARB decisions concerning valuation methodology. Specifically, ARB 0522/2010-P – "In short, the Board does not intend to identify preference on the valuation approach used by either of the parties.....Composite Assessment Review Boards judge the fairness and equity of the assessments which result from the valuation process, not the valuation process itself". This finding was also supported in ARB 0638/2010-P.
- 2) Issue 2 (as above).
- a) The Complainant's evidence.
 - i) A chart of equity comparables for 6 multi tenanted industrial properties and their respective 2010 assessments. The size of the comparable properties ranged from 33,500 SF to 73,020 SF. The assessments per SF of the comparables ranged from \$95 to \$107 with a median of \$107. Using the median of \$107 per SF to a rentable area of 41,526 SF for both buildings, the Complainant derived a value of \$4,443,282 for the subject property.
 - ii) A chart of Direct Sales Approach to value was provided showing sales of 3 multi tenanted properties ranging in size from 43,102 SF to 47,800 SF built between 1979 and 1981. The chart indicates a range in price per SF of \$101 to \$133 with a median value of \$118. Using the median price per SF of \$118 the Complainant derived a value of \$4,900,068 for the subject property.
 - b) The Respondent's evidence.
 - i) Two charts of equity comparables were provided comparing the 2010 assessments of similar properties to the subject's smaller building and larger building respectively.

The smaller building was compared to buildings ranging in size from 10,752 SF to 12,000 SF. The assessments per SF of the smaller comparables ranged from \$158 to \$171. The larger building was compared to building ranging in size from 29,145 SF to 40,125 SF. The assessments per SF of the larger comparables ranged from \$117 to \$134. The subject property has an assessment rate per SF of \$173 and \$124 for the smaller and larger building respectively.


- ii) A chart of Industrial Sales Comparables was provided showing sales of both smaller and larger industrial buildings and their respective time-adjusted sale price per SF compared to the subject's smaller and larger buildings assessment rate per SF. The chart indicates a range in sale price per SF of \$173 to \$230 for the 3 smaller buildings, and \$114 to \$156 for the 5 larger buildings. Again, the subject property has an assessment rate per SF of \$173 and \$124 for the smaller and larger building respectively.
 - c) In reviewing the information provided by both parties the Board finds:
 - i) That both the Complainant's and Respondents evidence of sales and equity comparables contained significant discrepancies of comparability to the subject property. The Board notes that there were significant differences in age, size and tenancy of the comparables to the subject. Accordingly, the Board relied on Issue # 3 described below.
- 3) Issue 3 (as above).
- a) The Complainant's evidence.
 - i) Evidence was provided that suggests that the subject property was combined and sold with an adjacent industrial property at 1435 40 AV NE. The sale took place on March 27, 2007 for \$11,950,000. Evidence was also provided that suggests the City used this sale in their data of 2010 Improved Industrial Properties in order to apply their Direct Sales Approach and Multiple Regression Analysis in valuing other industrial property. It suggests that the City's time-adjusted sales price for this transaction was \$12,206,478. The Complainant showed that the 2010 combined assessments for both properties is \$14,590,000 (\$6,630,000 for the subject, and \$7,960,000 for 1435 40 AV NE). In addition, the Complainant suggests that the sale should be apportioned between the 2 adjacent properties on the basis of net rentable area. Accordingly 45% of the time adjusted sale should be applied to the subject while 55% should be applied to 1435 40 AV NE. In doing so, the Complainant suggests an assessed value of \$5,471,983 be applied to the subject based on the time adjusted sale price.
 - b) The Respondent's evidence.
 - i) The Respondent acknowledges the sale of the subject property, combined with the sale of the adjacent property, was used by the City in their data of 2010 Improved Industrial Properties in order to apply their Direct Sales Approach and Multiple Regression Analysis in valuing other industrial property.
 - c) In reviewing the information provided by both parties the Board finds:
 - i) That the sale of the subject property is the best indicator of value for the subject property.
 - ii) That the sale of the subject property combined with the sale of the adjacent property is a legitimate sale and undisputed by the City.
 - iii) The Board agrees with the Complainant on the apportionment of the time-adjusted

sale price to the subject.

Board's Decision:

The Board revises the assessment at \$5,470,000.

DATED AT THE CITY OF CALGARY THIS 23 DAY OF July 2010.



Michael A. Vercillo

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.*