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: 033043605

LOCATION ADDRESS: 1338 36 AV NE

HEARING NUMBER: 59396

ASSESSMENT: $8,260,000

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 constructed in 1978. The subject property is located in the "McCall Industrial Park" district of NE Calgary. The buildings have a net rentable area of approximately 30,400 and 61,623 square feet (SF) respectively. The buildings are situated on an assessable land area of approximately 190,793 SF resulting in a building to site coverage of approximately 38%.

Issues:

The Complainant listed 9 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 and sales of other similar and competing properties.

Complainant's Requested Value:

$6,800,000 amended to $6,880,000 (at hearing)

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) An Income Approach to value calculation was provided for the subject property using a net rentable area of 92,023 SF. The Complainant used a rental rate of $6.30 per SF (derived from a chart of comparable properties), a vacancy rate of 3%, a management fee of 2%, a cap rate of 8%, and arrived at an estimate of value of $6,888,819 for the subject property. This same approach is applied to the Respondent's assessed value and determines that in order to achieve the assessed value the subject property; one must apply a rental rate of $7.45 per SF.

ii) A chart of equity comparables was provided for single tenanted industrial properties and their respective 2010 assessments. The size of the comparable properties ranged from 63,069 SF to 118,384 SF. The assessments per SF of the comparables ranged from $63 to $85 with a median of $79. Using the median of $79 per SF to a combined net rentable area of 92,023 SF, the Complainant derived a value of $7,269,817 for the subject property. The subject is currently assessed at rate of $90 per SF for the combined net rentable area.

b) The Respondent's evidence.

i) Two charts of equity comparables were provided comparing the 2010 assessments

of similar properties to the subject's property. The size of the comparable properties ranged from 28,648 SF to 32,000 SF for the first chart and 51,200 SF to 61,623 SF for the second chart. The assessments per SF of the comparables ranged from $94 to $107 for the first chart and $84 to $88 for the second chart. The subject property has an assessment rate per SF of $95 for the smaller building and $87 for the larger building.

ii) Two charts of Industrial Sales Comparables were provided showing sales comparable industrial buildings and their respective time-adjusted sale price per SF compared to the subject's assessment rate per SF. The chart indicates a range in sale price per SF of $95 to $180 for the first chart of larger buildings and $96 to $127 for the second chart of smaller buildings. Again, the subject property has an assessment rate per SF of $95 for the smaller building and $87 for the larger building. The sales comparables included the subject which sold on July 21, 2006 for $8,235,000. The time-adjusted sales price of the subject was $10,450,588 or $114 per SF.

c) In reviewing the information provided by both parties the Board finds:
   i) The assessed value submitted by the Respondent is a reasonable estimate of value for the subject property.
   ii) The assessed value is supported by the sale of the subject property.

Board's Decision:

The Board confirms the assessment at $8,260,000.

DATED AT THE CITY OF CALGARY THIS 29 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.