CALGARY
COMBINED 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 Limited, COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

L.R. Loven, PRESIDING OFFICER
K. Farn, MEMBER
R. Deschaine, 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:	**091098806**
LOCATION ADDRESS:	**4024 7 Street S.E.**
HEARING NUMBER:	**59377**
ASSESSMENT:	**3,240,000**

This complaint was heard on the 24th day of August, 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:

- R. Worthington, representing Altus Group Limited, on behalf of MNA Holdings Ltd.

Appeared on behalf of the Respondent:

- R. Luchak and J. Young, representing the City of Calgary

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

Both the Respondent and the Complainant confirmed to the Board that they had no procedural or jurisdictional matters to be raised.

Property Description:

The subject property consists of a two industrial warehouses of 11,860 and 3,000 square feet, constructed in 1961 and 1968, and 50% and 20 % office finish respectively, located in the Central region of Highfield, on a 0.92 acre site. The property is zoned I-G Industrial-General. The total assessment is $3,240,000.

Issues

1. Sales;
2. Equity; and
3. Income.

Complainant's Requested Value: $2,290,000

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

Issue 1. Sales

The Complainant submitted two industrial sales transaction summaries, the first dated September 5, 2007 for a four building, 88,121 square foot multi-bay warehouse, selling at $119.72 per square foot and the second, dated September 5, 2007 for a 86,735 square foot multi-tenant warehouse selling at $112 per square foot or $10,500,000, and noting the property was assessed at $10,380,000.

The Respondent firstly submitted a table of containing two sets of eight and three industrial sales comparables ranging in site coverage from 19.19 % to 27.81% and 12.40% to 20.76%, per cent finish from 10% to 43% and 0% to 25%, year of construction from 1967 to 1977 and 1986 to 1994, and time adjust sale price per square foot from $192 to $251 and $302 to $361. This is compared to the subject property at 22.37% site coverage, 50% and 20% finish, 1961 and 1988 years of construction, and per square foot assessment rate of $206.00 and $266.46, respectively.

The Respondent, secondly submitted an explanation supporting the Respondent's method of assessing multiple building properties for the 2010 roll year, and a table of nineteen properties assessed firstly as separate buildings and then as a single building noting a median assessment to sales ratio of 1.0150 and 0.92234 respectfully, suggesting that the method of assessing properties with multiple buildings, based on the comparison of the time adjusted sale price to the assessment amount, gives a more accurate assessment than if the properties are assessed as a single building.

Using a comparable presented by both the Complainant and the Respondent, located at 536 42 Avenue SE, a four building property selling for $10,500,000 on September 5, 2007 gives a time adjusted sale price of $114.53 per square foot (or approximately $115 per square foot), based on the time adjusted selling price of $9,934,121 for 86,735 square feet. This is confirmed by the RealNet Industrial Transaction Summary, at approximately $122 (or $121.06) per square foot for 86,735 square feet or $10,500,000 compared to an assessed value of $10,380,000, assessed as separate buildings. When according to the Respondent, the same property is assessed as a single building the assessment amount drops to $7,650,000 or $7,900,000 for 2007 according to the RealNet report. What is not given by the Respondent is neither the individual building rate that could be used to confirm their argument that the assessment value of a multiple building property, assessed as separate buildings better reflects market value, than if assessed as a single building; nor, how a 2010 assessment of $7,650,000 was determined if the building was assessed as a single building.

Based on its consideration of the foregoing evidence and argument the Board finds even though the subject property was assessed on the basis of multiple buildings rather than as a single building, that the resulting blended rate as given on the assessment summary sheet is useful, especially in the absence of individual rates for comparable properties, when attempting to compare similar properties. Furthermore, the Board finds that on the basis of the Complainant's sales comparables there is some consideration that can be given support to a reduction in the assessment.

Issue 2. Equity

Firstly, the Complainant submitted a table of eight equity comparables ranging in size from 12,938 to 2,941 square feet, year of construction from 1963 to 1997, per cent finish from 18% to 43%, site coverage from 25% to 30%, and per square foot assessment from $126.39 to $182.41; and highlighted medians for a footprint of 13,097 square feet, 28% site coverage and $170.70 per square foot assessment rate, compared to 9,000 square feet, 22.37% and $218 per square foot for the subject property. The Board notes that 11,860 square feet of the subject property was assessed at $208 per square feet and 3,000 square feet was assessed at $266.46 per square foot and totals to 14,860 square feet at $218 per square foot or $3,246,609.

Secondly, the Complainant submitted the following: that the subject property with a building foot print of 9,004 on a 40,075 square foot site gives a site coverage of 22.47% (versus 22.37% as given on the Assessment Explanation Sheet); the required site size for a 30% site coverage is 30,013 square feet, giving excess land of 10,062 square feet; and, assuming a land value of $300,000 per acre (noting the Respondents value I-G zoned industrial land in the SE quadrant at $1,050,000 for the first acre and $300,000 for each additional acre from one to ten acres) the required land adjustment is $69,297.

Thirdly, the Complainant submitted that the indicated assessed value, based on equity, should be 14,860 square feet at $170.70 per square foot plus a land adjustment of $69,297 for a total of $2,605,899 or $2,600,000 truncated. The Board notes that leased area of subject property according to the Assessment Request for Information is 15,480 square feet.

Fourthly, the Complainant submitted that the building should be considered as one net leasable area and referenced a sale at 536-42 Avenue SE.

The Respondent submitted a table of two groupings seven equity comparables, all zoned I-G with site coverage ranging from 18% to 23% and 21% to 24%, year of construction from 1963 to 1964 and 1955 to 1984, building size from 10,096 to 10,793 and 2,100 to 5,396 square feet, per cent finish from 13% to 27% and 8% to 35% and assessed rate per square foot form $201 to $219 ad $238 to $261 per square foot; compared the subject property at 1961 and 1988, 11,800 and 3,000, 50% and 30%, and $207 and $266, respectfully.

Firstly, the Board, for the purposes of comparison of both the Complainant's and Respondents' equity comparables, relied upon the assessment rate of $218 per square foot, as given on the Respondent's Assessment Explanation Supplement.

Secondly, based on its consideration of the above evidence and argument, the Board finds that the Complainant's indicated per square foot assessment rate at $175.40, including land adjustment and not addressing the discrepancy in assessed building size and leased area, is substantiated by the Assessment Request for Information.

Thirdly, the Board notes that if the value of excess land at $300,000 per acre is replaced with $1,050,000 in the above calculations, then the indicated assessed rate increases to $191.60 per square foot; however, if the value of the first acre of land is captured in the model, then assessing the first acre of excess land at $1,050,000 would result assessing the first two acres at $1,050,000. In the absence of any further clarification in this matter, the Board accepts the argument of the Complainant regarding the calculation of the value of excess land.

Issue 3. Income

The Complainants submitted an argument supporting the use of the Income Approach to value on income producing industrial property and put forward capitalization rates of 8% for industrial properties 1994 and older and 7.5% for industrial properties 1985 and newer. Applying a capitalization rate of 8% and a vacancy rate of 5% the assessment of $3,248,609 yields a rent rate of $18.41 per square foot.

The Assessment Request for Information, submitted by the Complainants showed two leases one for a two year term commencing January 1, 2008 on a two year term for 4,780 square feet at $12.50 square feet and a new lease commencing February 1, 2010 on five year term for 10,700 square feet replacing a lease for the same space ending December 31, 2009 at $15.00 per square foot. Applying a lease rate of $12.50 per square foot on 15,480 square feet of area and the same capitalization and vacancy rates yields an indicated total requested value of $2,290,000 or $148.44 per square foot.

The Respondent did not argue the vacancy, non-recoverable or capitalization rates used by the Complainant, nor was any objection to the rental rate indicated by the Complainant.

The Board finds that, in this case, the indicated requested value as determined by the Income

Approach was lower than the requested value as determined by the Sales Approach. The rent rate used to determine the lower requested value was verified by the Assessment Request for Information for the subject property.

Based on its consideration of the above evidence and argument, the indicated request value as determined by the Income Approach was substantiated by the Assessment Request for Information for the subject property.

Summary:

In rebuttal, the Complainant referred to six Calgary Assessment Review Board decisions: ARB 1052-2010-P referring to ARB 0638-20110-P regarding the validity of the model, the possibility that wrong assessment information was used in the model, allowance of questions information used in a standard of valuation , and hearing of evidence as to the application of valuation methods; ARB 1030 -2010-P with regards to vacancy rate, non-recoveable rate and capitalization rate; ARB 0756-2010-P with regards to multiple building properties and capitalization rates and vacancy rates; ARB 0758/200-P regarding income approach and multiple building properties as a single building; ARB 0757/2010-P regarding the use of the income approach; ARB 0523/2010-P regarding equity; and Matters Relating to Assessment and Taxation Regulation regarding mass appraisal, regulated property, standards of assessment and quality standards.

Firstly, part of the evidence submitted in rebuttal questioned whether multiple building properties were included in the model. The Respondent confirmed that even though they were used in the development of the model that did not necessarily imply that they were actually used in the model used to determine the realty tax rates. Given a potential incorrectness exists in the values, then a possible argument could be raised that assessment rates may be affected, resulting in an inequity. The argument that an error occurred in the development of the model is not an argument that is before this Board.

Secondly, the Complainant requested the following evidence be submitted as rebuttal: *Appendix A: 2010 Improved Industrial Properties Sales Used; Appendix B: Communication between the City of Calgary and Altus; Appendix C: 2010 Assessed Improved Industrial Properties; Appendix D: 2010 Assessment Explanation Supplement; and Appendix F: Introduction – Market Value and Mass Appraisal for Property Assessment in Alberta, Appendix G: Introduction – Valuation Guide; Appendix H: Valuation Guide – Warehouses Appendix I; 3rd Party Industrial Market Reports, Appendix J; Supporting Documents – Altus Capitalization Study, Appendix K: Industrial Buildings – On the income Approach; Appendix L: Other Property Classes On the Income Approach; Appendix M Ration Studies- IAAO; and, Altus Group 2010 Legal Submission.*

The valuation method applied in this instance was the Sales Comparison Approach. The use of this approach to value is contextually allowed in the legislation. The Complainant advanced an argument that supports the use of the Income Approach. In this case, the Complainant's requested assessment as determined by the Income Approach was supported, in part to a lesser degree by the Complainant's equity comparables and to a greater degree by the Complainant's sales comparables and was confirmed by the Assessment Request for Information for the subject property.

Board's Decision:

For the reasons set forth above, the assessment of the subject property is hereby adjusted as follows: $2,290,000.

DATED AT THE CITY OF CALGARY THIS 7 DAY OF October 2010.

L.R. LOVEN
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.