

**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:

L. Wood, PRESIDING OFFICER

C. McEwen, MEMBER

A. Wong, 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: 200537371

LOCATION ADDRESS: 6336 114 AVENUE SE

HEARING NUMBER: 56360

ASSESSMENT: \$108,900,000

This complaint was heard on 28th day of July, 2010 at the office of the Assessment Review Board located at Floor Number 3, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 11.

Appeared on behalf of the Complainant:

- *Mr. J. Weber*

Appeared on behalf of the Respondent:

- *Mr. I. McDermott*

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

The Respondent objected to a portion of the Complainant's rebuttal document on the basis that it contained new evidence, specifically additional leases in support of the median lease rates, pursuant to section 8(1)(c) of *Matters Relating to Assessment Complaints Regulation AR 310/2009*. The Complainant agreed to remove excerpts containing that leasing information from his rebuttal package before providing it to the Board as it pertained to another case scheduled for the same day.

Property Description:

The subject property is comprised of a large single tenant warehouse known as the Canadian Tire Corporation Ltd. Distribution Centre. It is 972,242 square feet located on a 79.74 acre site in East Shepard Industrial. The building was constructed in 2000. There is also an industrial outbuilding on site comprised of 1,522 square feet constructed in 2001. The site coverage ratio is 27.52. The land is zoned as I-G, Industrial General.

Issues: (as indicated on the complaint form)

1. The characteristics & physical condition of the subject property support the use of the income approach utilizing typical market factors for rent, vacancy, management, non-recoverables and cap rates, indicating an assessment market value of \$70 psf.
2. The aggregate assessment per square foot applied is inequitable with the assessments of other similar and competing properties and should be \$78 psf.

Complainant's Requested Value: \$73,650,000

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

The Board notes that an appendix to the complaint form contains several statements as to why the subject property's assessment is incorrect; however, the Board will only address those issues raised at the hearing.

The characteristics & physical condition of the subject property support the use of

the income approach utilizing typical market factors for rent, vacancy, management, non-recoverables and cap rates, indicating an assessment market value of \$70 psf.

The Complainant submitted that the income approach is the preferred method of valuation for large industrial warehouses in excess of 100,000 sq ft, as opposed to the direct sales comparison approach that was utilized by the Respondent, due to the limited number of sales of similar properties. He submitted a recent Assessment Review Board decision 0756/2010P in support of his position. In that case, the Board had several large warehouses in excess of 100,000 sq ft that were also assessed based on the direct sales comparison approach and that Board made the following finding:

The Board finds that the income approach to value is an acceptable valuation method for industrial properties and may provide a more reliable value estimate for large industrial properties such as the subject where there is a lack of sales of similar large properties within the relevant analysis period. As with any valuation method, however, its overall accuracy relates directly to the input factors (rent rate, vacancy allowance, and capitalization rate (Exhibit C2 page 8).

This panel concurs with that Board's findings.

That Board also continued to state the following:

While the Board finds that the vacancy rate and capitalization rate used by the Complainant are reasonable well founded, the rent rate is not. The Complainant's rental rate of \$5.50 per square foot was selected on the basis of an analysis of industrial bay sizes, an acceptable approach, however much of the rent rate evidence was shown by the Respondent to be incorrect or questionable (Exhibit C2 page 8).

The Complainant submitted that sales of buildings of a million square feet such as the subject property are virtually non-existent. He indicated that the income approach is the best indicator of value in this instance due to the size of the subject property. He submitted several lease examples of large area warehouse spaces and they ranged from 102,183 sq ft to 266,785 sq ft with a median indicated lease rate of \$5.75 psf (Exhibit C1 page 108). He submitted a summary of the lease in the subject property which shows a \$6.85 psf rent rate applied to a net rentable area of 954,813 sq ft. The lease is for a 21 year term, effective January of 2006 (Exhibit C1 page 118).

The Respondent indicated that the 2009 assessment for the subject property at \$109,000,000 was confirmed by both the Assessment Review Board and Municipal Government Board (Exhibit R1 pages 10- 15). The Respondent indicated that the subject property sold in January 2006 for \$101,750,000 with a 5.6% capitalization rate (Exhibit C1 pages 53-56). The Respondent submitted several equity and sales comparables in support of the assessment (Exhibit R1 pages 51 & 57). The Respondent also presented the cost approach summary for the (Wal-mart) property located at 3400 39 Avenue NE (Exhibit R1 page 59).

The Board finds that the subject property is unique based on its size (close to one million square feet), and sales of similar sized warehouses are non-existent in the market place as reflected in the

evidence from both parties, therefore, the income approach would provide the best indication of market value in this instance. The Board finds the actual lease in place is the best indicator of market evidence at \$6.85 psf.

Using the actual lease rate of \$6.85 psf, with a 5% vacancy rate and 7.5% capitalization rate which the Board notes were uncontested by the Respondent, the assessed value is \$84,490,256 or \$87 psf.

The aggregate assessment per square foot applied is inequitable with the assessments of other similar and competing properties and should be \$78 psf.

The Board finds the reduction of the subject property's assessment from \$110 psf to \$87 psf is supported by the other large (Wal-mart) property. It has a building area of 1,201,411 sq ft on a 128.79 acre site and is also assessed at \$87 per sq ft. The Board further finds the reduction of the subject property's assessment to \$87 psf also falls within the range of equity comparables as presented by the Complainant (Exhibit C1 page 99).

Board's Decision:

The decision of the Board is to revise the 2010 assessment for the subject property from \$108,900,000 to \$84,490,000 (truncated).

DATED AT THE CITY OF CALGARY THIS 8th DAY OF SEPTEMBER 2010.



Lana J. Wood
Presiding Officer

APPENDIX A

DOCUMENTS RECEIVED AND CONSIDERED BY THE ASSESSMENT REVIEW BOARD:

NO.	ITEM
Exhibit C1	Evidence Submission of the Complainant
Exhibit C2	CARB Decisions as submitted by the Complainant
Exhibit C3	Rebuttal Evidence of the Complainant
Exhibit C4	Rebuttal Evidence of the Complainant
Exhibit R1	City of Calgary's Assessment Brief

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.*