

**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 Ltd., COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

***Board Chair, J. Zezulka
Board Member 1, E. Reuther
Board Member 2, B. Jerchel***

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: 200104867

**LOCATION ADDRESS: 2845 – 107 Ave. S.E.
Calgary, Alberta**

HEARING NUMBER: 59424

ASSESSMENT: \$3,200,000

This complaint was heard on 9 day of August, 2010 at the office of the Assessment Review Board located at Floor Number 3, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 8.

Appeared on behalf of the Complainant:

- *D. Mewha*

Appeared on behalf of the Respondent:

- *J. Young / T. Woo*

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

Not Applicable

Property Description:

A single tenant industrial premises, comprised of 1.98 acres of land, improved with an industrial warehouse of 15,416 square feet ("s.f.") built in 2004. The location is the Foothills Industrial Park.

Issues:

1. The assessed value is in excess of its market value as indicated by the income approach.
2. The assessed value is inequitable with similar and competing property assessments.
3. The value attributed to the land is in excess of market value.

Complainant's Requested Value: \$2,470,000 (\$160.22 per s.f.)

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

The Board notes that the overall assessment calculates to \$207.58 per s.f. of gross building area, including land. Within the assessment, the City categorizes 0.87 acres as extra land.

Issue 1

In support of his argument, the Complainant presented eight lease comparables on page 22 of his submission. All are single tenant warehouse leases. Lease rates ranged from \$8.50 to \$12.50 per s.f. Building sizes varied from 14,000 s.f. to 25,993 s.f., compared to the subject at 15,416 s.f. The Complainant adopted a lease rate of \$11.00 per s.f. for the income calculations. Other inputs adopted included a 5.0 per cent vacancy rate, and a 7.5 per cent capitalization rate. To the calculated result of \$2,147,963 was added the excess land calculation of \$325,000, for a total of \$2,472,963. Other than generic publications, the Complainant offered no specific evidence in support of the vacancy and capitalization rates.

The Respondent offered no evidence relative to the income approach to value as it relates to the subject. Rather, the Respondent presented five sales comparables on page 15 of their submission. These reflected selling prices ranging from \$190 to \$246 per s.f. Three of the comparables are

suspect in the minds of the Board. One, at \$246 per s.f., is a property developed for a specific tenant, with a higher-than-normal rent structure. A second, at 4550 – 35 Street S.E., is a sale lease-back to a related tenant. A third property, at 4115 – 116 Avenue, is an agreement for sale negotiated in 2007. The remaining two reflect per s.f. prices of \$190, and \$191.

Issue 2

The Complainant offered four equity comparables that reflect comparable assessments of \$128 to \$160 per s.f., for an average of \$144. However, all four have site coverage ratios ranging from 30.2 to 33.3 per cent, compared to 17.9 per cent for the subject. With the appropriate land adjustment, the average relative indicator calculates to \$190.65 per s.f. This total appears more in line with the actual assessment rather than the requested amount.

The Respondent presented four equity comparables that reflect assessments of \$192 to \$203 per s.f.. The average is \$198.60. All reflect assessments lower than the subject's. The three highest relative indicators had site coverages similar to the subject. However, two had interior finishing percentages of 44 and 66 per cent, compared to the subject at 19 per cent. The comparables with similar interior finishing components to the subject reflected prices of \$201, \$192, and \$195 per s.f. These were not disputed by the Complainant.

Issue 3

The Complainant argued that the land should be valued at the same \$620,000 per acre rate as Dufferin Industrial Park, a nearby industrial subdivision. In support of his argument, the Complainant presented five land comparables from the Dufferin area. Although these sales were helpful in establishing a land value for the Dufferin area, the fact is that the subject land is not in Dufferin, and no evidence to support the contention that the two areas are similar was presented.

In support of the City's assessment, the City presented a number of land sales to demonstrate that land parcels under one acre sell for higher rates than larger parcels. They also offered four South East Calgary land sales, and 17 Dufferin land sales that add support to the City's position.

Board's Decision:

Insofar as the premise that income capitalization is the preferred method of valuation, this Board, in keeping with CARB Order #0522/2010-P, *"will not identify a preference as to which valuation approach should be used to determine the assessed value of any property. It is the assessed value that this Board is authorized to adjudicate. If any party can satisfy the Board, to the extent required by law, that in application of any applied approach to value errors have been made that have resulted in an incorrect assessed value, then it is those errors, supported by market based evidence, that should be given consideration"*. That is not to say that an alternative method of valuation cannot be applied. However, any alternative method must be as equally well founded in market evidence as the method already being employed. That is not the case in this instance.

The Complainant did not, to the satisfaction of the Board, demonstrate sufficient similarity between the Dufferin area and the South Foothills area to prompt any change in the land assessment, nor did they demonstrate that the City's land sales evidence was in error.

Having said that, the Board has carefully reviewed the sales evidence submitted by both parties. The equity comparables, and the sales evidence from both parties, after appropriate adjustments have been applied, leads this Board to the conclusion that an assessment between \$190 and \$195 per s.f. would properly reflect market value, and maintain equity with similar properties.

The assessment is reduced to \$2,990,000, or \$193.95 per s.f. overall.

DATED AT THE CITY OF CALGARY THIS 15 DAY OF SEPTEMBER 2010.


J. Zezulka
Presiding Officer

CC: Owner

List of Exhibits

C-1; Evidence submission of the Complainant
C-2; Altus Group Industrial Argument
C-3; Altus Group 2010 Rebuttal Evidence
R-1; City of Calgary 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.*