

**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, A. Zindler
Board Member 2, I. Zacharopoulos***

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: 200482321

LOCATION ADDRESS: 10121 – Barlow Trail N.E., Calgary, Alberta

HEARING NUMBER: 59173

ASSESSMENT: \$46,250,000

This complaint was heard on 8 day of September, 2010 at the office of the Assessment Review Board located at Floor Number 4, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 4.

Appeared on behalf of the Complainant:

- *R. Worthington*

Appeared on behalf of the Respondent:

- *K. Buckry*

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

Not Applicable

Property Description:

The property is a single tenant industrial facility, built in 2003, that acts as the Toromount Industries Ltd. main fabrication plant and Canadian Head office. The building is 146,477 sq. ft. including an attached two story office, set on a 36.87 acre site. The building has a footprint of 127,261 sq. ft. The site coverage is 7.92 per cent. The community is Airport 3.

Following are some of the design features of the property:

- 50 ft. clear wall height;
- 30 ft. oversized dock doors;
- Built in ten ton overhead cranes and crane ways;
- Upgraded wall construction, with two hour Fire Resistance Rating ("F.R.R.") in all areas except the mezzanine, which has one hour F.R.R.;
- Two hour spray applied fireproofing;
- Upgraded steel column construction; M/D rating of 70.17 in the warehouse, 57.72 in the office, and typical 35.69 elsewhere. (M= Mass of steel column in kg per metre/ D = Perimeter of column in metres);
- Office elevator, and partial basement of 5,713 sq. ft.;
- Structural design has made provision for future addition of as 3rd story on the office portion;
- Reinforced concrete apron dolly pads constructed to carry loads up to 25,000 kg;
- Heavy duty asphalt to carry a loaded collection vehicle up to 25,000 kg; and
- North concrete contains an Oxygen Argon pad and a MAPP Gas Manifold (Methylacetylene – propadiene) - flammable gas (stored and shipped as a liquid).

Issues:

Of the various issues listed, the Complainant confined its argument to the following.

1. The aggregate assessment applied is inequitable with the assessments of other similar and competing properties and should be \$148.20 per sq. ft.
2. The aggregate assessment per square foot applied to the subject property does not reflect market value for assessment purposes when using the direct sales comparison approach and should be \$143.60 per sq. ft.
3. The characteristics and 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 value of \$142.53 per sq. ft.

4. The City's method of assessment for the subject property is inappropriate given the characteristics and physical condition of the subject property.

Complainant's Requested Value: \$29,290,000 on the Schedule of Issues submitted by the Complainant, later amended to \$21,000,000.

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

Of the four primary issues listed, the pivotal issue is Number 4..." *The City's method of assessment is inappropriate.*" The answer to the other issues will depend largely on the answer to that question. And, the answer to that question boils down to the following questions; is the subject a special purpose premises, and , if so , what is the most appropriate method of valuation? Is the difference between the cost summation result and the direct comparison result simply extra depreciation, or obsolescence?

The Complainant submitted that the subject is not a special purpose building. In direct evidence, however, the Complainant agreed that the subject has many special purpose features. Uncontroverted evidence during the hearing revealed that the subject building is essentially "one of a kind" in Alberta, with one similar, but smaller building in Red Deer that is owned and operated by the same owners as the subject property.

Based on both the written and verbal evidence presented by both parties, the Board is of the opinion that the subject is a special purpose property that is unique in almost every respect.

The Complainant put forward the position that income capitalization and direct comparison were the most appropriate methods of valuation.

In support of his position, the Complainant presented four sales comparables, two of which the Complainant chose not to use in his presentation. If, however, the parties agree that the subject building is "one of a kind" in Alberta, it follows that the subject is not similar to any other industrial building without some adjustment being made for physical differences. However, no adjustments were applied by the Complainant. As such, the Board places little weight on the Complainant's comparables.

As far as the capitalization method is concerned, all of the data adopted in the capitalization process was derived from conventional properties which have little in common with the subject. Little weight is given to the Complainant's income capitalization result.

The Complainant's equity comparisons on page 29 of his submission reflect assessments of \$78.44 to \$95.92 per s.f. However, for all of the reasons outlined earlier, none of the comparisons are considered comparable to the subject, and therefore cannot be relied upon to reflect an accurate assessment for the subject.

The Respondent valued the property by cost summation to arrive at his assessment. The Respondent's evidence was confined to the cost calculations, in the form of a Marshall & Swift summary cost report. That report produced a depreciated building cost for the subject of \$35,984,289. This total was then adjusted for GST, and the net result was added to the estimated land value of \$11,982,750, for the total assessment of \$46,250,000, truncated.

The Respondent presented no comparable sales evidence or equity comparables. That, in the Board's opinion, simply follows the theme that the subject is unique, and has no comparables or equals in the marketplace.

Board's Decision:

Based on the evidence presented, the Board finds the subject to be a unique property that is best value by cost summation for assessment purposes.

The income approach used by the Complainant is based on a capitalization rate derived from conventional properties that have little in common with the subject.

The income used in the Complainant's income approach calculations was derived from properties that are dissimilar to the subject, and therefore cannot be considered to be indicative of the subject.

The sales comparables submitted by the Complainant were not adjusted adequately to reflect the difference between the subject and the comparables, and therefore the indicated result is not reliable for valuation purposes.

The difference between the cost summation result and the direct comparison result is not simply extra depreciation, or obsolescence, as put forward by the Complainant. Rather, in the Board's opinion, the difference is indeed the opposite. It is the premium that a user similar to the existing occupant would pay for the property rather than endure the cost and time delay of constructing a premise of similar utility.

The assessment is confirmed at \$46,250,000.

DATED AT THE CITY OF CALGARY THIS 27 DAY OF SEPTEMBER 2010.


J. Zezulka
Presiding Officer

List of Exhibits

C-1; Evidence submission of the Complainant
C-2; Altus Group 2010 Industrial Argument
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.*