

**CALGARY
ASSESSMENT REVIEW BOARD
DECISION WITH REASONS**

In the matter of the complaints against the Property assessments as provided by the *Municipal Government Act*, Chapter M-26.1, Section 460(4).

between:

Altus Group, COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

W. Kipp, Presiding Officer

J. Massey, Board Member

D. Steele, Board Member

This is a complaint to the Calgary Assessment Review Board in respect of two Property assessments prepared by the Assessor of The City of Calgary and entered in the 2010 Assessment Roll as follows:

ROLL NUMBERS:	096022801	117005405
LOCATION ADDRESSES:	5415 – 53 Avenue SE Calgary AB	7824 – 56 Street SE Calgary AB
HEARING NUMBERS:	56324	56434
ASSESSMENTS:	\$3,240,000	\$2,870,000

This complaint was heard on the 1st day of September, 2010 at the office of the Assessment Review Board located at Floor Number 4, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 3. The two properties are under the same ownership, are in the same general industrial area and are represented by the same agent. Due to the similarities in properties and parties, both files were heard as a single complaint and this decision addresses both files.

Appeared on behalf of the Complainant:

- J. Smiley

Appeared on behalf of the Respondent:

- J. Greer

Property Description:

File 56324 – 5415-53 Avenue SE: A 19,380 square foot single tenant industrial building, built in 1996, situated on a 1.95 acre lot in Starfield Industrial. Site coverage ratio is 22.83%. 15% of the floor area is finished.

File 56434 - 7824-56 Street SE: A 16,620 square foot single tenant industrial building, built in 1998, situated on a 1.33 acre lot in Great Plains Industrial. Site coverage ratio is 28.61%. There is a second level in this building which brings the total rentable area to 18,120 square feet. In all, 17% of the floor area is finished.

For assessment purposes, the City of Calgary considers 30% to be the typical site coverage ratio for industrial properties. Where the actual ratio of a property is less than 30%, an adjustment is made to the assessment for "Extra Land." Both of these properties have had an adjustment made: 5415-53 Avenue SE was adjusted for 0.56 acre of Extra Land and 7824-56 Street SE was adjusted for 0.14 acre of Extra Land.

Issues:

The Complainant raised the following matters in section 4 of the complaint forms: *Assessment amount (No. 3 on the form)* and *Assessment class (No. 4 on the form)*.

The Complainant also raised several specific issues in section 5 of the Complaint forms, however, as of the date of this hearing, only the following issues remained in dispute:

- Issue 1: Market Value – Income Approach and Direct Sales Comparison Approach
- Issue 2: Valuation of Extra Land

Complainant's Requested Value:

- File 56324 – 5415-53 Avenue SE: \$2,800,000
- File 56434 – 7824-56 Street SE: \$2,480,000

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

Issue 1: Market Value

The Complainant developed input factors for the application of an income approach valuation of each of the subject properties. A vacancy allowance of 5.0% was coupled with a capitalization rate of 7.5%. The first analysis was of the property assessments. Using a "reverse" application with the input factors, it was determined that the properties would have to be rented at rates of \$13.21 and \$12.51 per square foot in order to arrive at the respective assessed values. A study of rents from comparable properties indicated that the market rental rate for each of the buildings should be \$11.00 per square foot. The Complainant argued that this was proof that the assessments were too high.

When the market rent of \$11.00 per square foot was applied to each of the properties along with the 5.0% vacancy allowance and 7.5% capitalization rate, the property values were \$2,700,280 and \$2,524,720, respectively. After adjusting for the Extra Land on each property, the values increased to \$2,900,000 and \$2,570,000, respectively.

For support of the income approach values, the Complainant detailed three industrial property sales. The properties all had site coverage ratios greater than 30%. Two of the three involved significantly larger buildings. Based on the most comparable property sale which indicated a price of \$134 per square foot of building area, the Complainant argued that the income approach values were supported.

The Respondent provided details of six property sales in support of the assessments. These sales generated unit rates from \$129 to \$246 per square foot of building with a median of \$173. One of the sales was the same as the one given most weight by the Complainant (\$134 per square foot).

Issue 2: Valuation of Extra Land

The assessments for each of the subject properties included adjustments for Extra Land (0.56 and 0.14 acre respectively). These adjustments were applied within the assessment model so the amounts are not known.

The Complainant studied the local market for sales of industrial land and determined that the base rate for land was \$620,000 per acre. Since the Extra Land could not be subdivided from the lots, the Complainant reduced the base rate by 40%, based on a formula that Calgary assessors had used in past years. This determined that the 0.56 acre of Extra Land would add \$208,320 to that property's assessment and that the 0.14 acre of Extra Land would add \$52,080 to that property's assessment. These were the amounts added to each property value indicator in the application of the income approach.

The Respondent argued that the base land rate used by the Complainant was too low and a number of land sales were provided to support that argument. The sizes of the land parcels ranged from 0.558 acre to 29.75 acres and the time adjusted prices per acre ranged from \$244,444 to \$1,406,250 per acre.

Findings

In view of the above considerations, the Composite Assessment Review Board (CARB) finds as follows with respect to the Issues:

The sizes of the subject properties are within a range where there is ample market sales evidence to determine value by a direct comparison approach. The Board does not accept the argument that the income approach is a superior valuation method for all improved industrial properties. In Calgary, industrial properties are assessed using a direct sales comparison approach and if there is reliable evidence available, the Board finds that, in order to maintain consistency, that approach should be used.

Notwithstanding the above finding, the Board finds that the sales data presented by the parties is somewhat lacking, however, the single sale that was common to the evidence of both parties was of a property with many similarities to the subjects. The sale price of that property was \$134 per square foot of building area. Other property sales in evidence were either much larger or smaller than the subjects or they were much newer. With consideration to those differences and with particular attention to site coverage ratios, the Board finds that the \$134 per square foot rate can be supported by other sales. When that unit rate is applied to the subject properties, the indicated values are close to the assessment amounts being requested by the Complainant.

Board's Decision:

The 2010 assessments are reduced as follows:

File 56324 – 5415 – 53 Avenue SE: \$2,800,000
File 56434 – 7824 – 56 Street SE: \$2,480,000

It is so ordered.

DATED AT THE CITY OF CALGARY THIS 5 DAY OF October 2010.



W. Kipp
Presiding Officer

SUMMARY OF EXHIBITS

Exhibit

C1, Parts 1 and 2	Assessment Review Board Complaint Form
C2	Submission of the Complainant (Both Files)
R1, Part 1	Respondent's Assessment Brief – File 56324
R1, Part 2	Respondent's Assessment Brief – File 56434

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.*