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:

M. Vercillo, PRESIDING OFFICER
Y. Nesry, MEMBER
D. Cochrane, MEMBER

This is a complaint to the Calgary Composite Assessment Review Board (CARB) 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:	**049017304**
LOCATION ADDRESS:	**2980 SUNRIDGE WY NE**
HEARING NUMBER:	**59304**
ASSESSMENT:	**$ 8,060,000**

This complaint was heard on 5th day of October, 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:

- Ms. D. Chabot (Altus Group Ltd.)

Appeared on behalf of the Respondent:

- Ms. M. Lau (The City Of Calgary)

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

The CARB derives its authority to make this decision under Part 11 of the Act. No specific jurisdictional or procedural issues were raised during the course of the hearing, and the CARB proceeded to hear the merits of the complaint, as outlined below.

Property Description:

The subject property is an industrial property containing a single tenanted warehouse building with internal office space and constructed in 2000. The subject property is located in the "Sunridge" district of NE Calgary. The building has a net rentable area of approximately 75,408 square feet (SF). The building is situated on an assessable land area of approximately 145,856 SF and has a building to site coverage of approximately 44%.

According to the "Assessment Explanation Supplement" provided by the Respondent, the property is assessed at a rate of $106 per SF of rentable building area.

Issues:

The CARB considered the complaint form together with the representations and materials presented by the parties. The matters or issues raised on the complaint form are as follows:

1. The subject property is assessed in contravention of Section 293 of the *Municipal Government Act and Alberta Regulation 220/2004.*
2. The use, quality, and physical condition attributed by the municipality to the subject property is incorrect, inequitable and does not satisfy the requirement of Section 289 (2) of the *Municipal Government Act.*
3. The assessed value should be reduced to the lower of market value or equitable value based on numerous decisions of Canadian Courts.
4. The information requested from the municipality pursuant to Section 299 or 300 of the *Municipal Government Act* was not provided.
5. The aggregate assessment per SF applied is inequitable with the assessments of other similar and competing properties and should be $90 per SF.
6. The aggregate assessment per SF applied to the subject property does not reflect market value for assessment purposes when using the direct sales comparison approach and should be $90 per SF.
7. 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 capitalization (cap) rates, indicating an

assessment market value of $95 per SF.
8. The valuation method used for the subject property is fundamentally flawed in both derivation and application.
9. The assessed area is incorrect.

However, as of the date of this hearing, the Complainant addressed the following issues:
1. The aggregate assessment per SF applied is inequitable with the assessments of other similar and competing properties and should be $100 per SF.
2. The aggregate assessment per SF applied to the subject property does not reflect market value for assessment purposes when using the direct sales comparison approach and should be $97 per SF.
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 capitalization (cap) rates, indicating an assessment market value of $95 per SF.

Complainant's Requested Value:

$6,700,000 on the complaint form revised to $7,540,000 at this hearing.

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

ISSUE 1: The aggregate assessment per SF applied is inequitable with the assessments of other similar and competing properties and should be $100 per SF.

The Complainant provided the following evidence with respect to this issue:
- A table of equity comparables to the subject property. The table provided a listing of 3 industrial, single tenanted equity comparables in the northeast quadrant of the city. The Complainant highlighted the following information on these properties:
  - Net rentable area range (SF): 83,107 to 99,000.
  - Average year of construction range: 1997 to 2000.
  - Site coverage range: 35% to 51%.
  - Assessment rate per SF range: $97.83 to $103.14, with a median of $100.40.

  The Complainant concluded his analysis by indicating that the assessment of the subject property should have an equitable assessment rate per net rentable area of $100 per SF. The total assessment requested would therefore be $7,540,800.

The Respondent provided the following evidence with respect to this issue:
- A table entitled "2010 Industrial Equity Comparables". The table provided a listing of 5 industrial single-tenanted and multi-tenanted equity comparables, in the northeast quadrant of the city. The Respondent highlighted the following information on these properties:
  - Site coverage range: 39% to 47%.
  - Average year of construction range: 1998 to 2008.
  - Net rentable area range (SF): 64,113 to 84,164.
  - Assessment rate per SF range: $107 to $113.

  The Respondent concluded his analysis by indicating that the subject's assessment rate of $107 per net rentable area is equitably assessed.
- A table of the Complainant's equity comparables highlighted the inferior attributes of the

properties as compared to the subject. The Respondent suggested that the Complainant's equity comparables are significantly inferior to the subject mainly due to their larger net rentable areas which would account for the smaller assessment rates.

Decision: Issue 1

In view of the above considerations, the CARB finds as follows with respect to Issue 1:

- The assessment rate applied by the Respondent is equitable with those of similar properties in the northeast quadrant of the city for the following reasons:
    - There was no significant evidence provided by the Complainant that would cause the CARB to revise the current assessment rate of approximately $107 per SF of net rentable area.
    - The CARB considered the equity comparables submitted by both parties and found that in doing so, the assessment rate applied to the net rentable area is equitably applied.
    - The CARB accepts the Respondent's assertion that the Complainant's comparables have larger net rentable areas than the subject and that this fact is reflected in their lower assessment rates.

ISSUE 2: The aggregate assessment per SF applied to the subject property does not reflect market value for assessment purposes when using the direct sales comparison approach and should be $97 per SF.

The Complainant provided the following evidence with respect to this issue:

- A table of direct sales comparables. The table compared sales of 2 single tenanted industrial properties in the northeast quadrant of the city. The Complainant highlighted the following information on these properties:
    - Sale date range: May 20, 2008 to September 30, 2008.
    - The time-adjusted sales price per SF range: $94.38 to $100.10, with a median of $97.24.
    - Site coverage range: 34.9% to 51.3%

The Respondent provided the following evidence with respect to this issue:

- A table of industrial sales comparables. The table compared sales of 6 industrial single and multi-tenanted properties, sold between 2006 and 2008, in the northeast region of the city. The Respondent highlighted the following information on these properties:
    - Site coverage range: 24.317% to 51.79%.
    - Average year of construction range: 1976 to 2006.
    - Net rentable area range: 54,905 SF to 98,558 SF.
    - Time-adjusted sales price per SF range: $95 to $170, with a median of $120. (It was pointed out by the Complainant, that the property with the time-adjusted sales price of $170 per SF contained excess land).

  The Respondent concluded his analysis by indicating that the subject's assessment rate of $106.94 per net rentable area is equitably assessed.
- A table of the Complainant's sales comparables highlighted the inferior attributes of the properties as compared to the subject. The Respondent suggests that the Complainant's sales comparables have significant number of inferior attributes when compared to the subject and these attributes have not been adequately adjusted for in his direct sales analysis. It is therefore inappropriate to use the median assessment of the Complainant's comparables and apply it to the subject without these adjustments.

Decision: Issue 2

In view of the above considerations, the CARB finds as follows with respect to Issue 2:

- The assessment rate applied by the Respondent is reflective of fair market value when compared to sales of similar properties for the following reasons:
    - There was no significant evidence provided by the Complainant that would cause the CARB to revise the current assessment rate of approximately $107 per SF of net rentable area.
    - The CARB considered the sales comparables submitted by both parties and found that in doing so, the assessment rate applied to the net rentable area is equitably applied.
    - The median assessment rate $120 per SF for the Respondent's comparables was not used by the Respondent to assess the subject. Likewise, it would not be justified for the CARB to assess the subject based on the Complainant's comparables median rate.
    - The CARB accepts the Respondent's assertion that the Complainant's failed to adjust his sales comparables for the negative attributes in his income approach to value.

ISSUE 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 capitalization (cap) rates, indicating an assessment market value of $95 per SF.

The Complainant provided the following evidence with respect to this issue:

- A table expressing the current assessment in terms of an Income Approach to value. The Complainant showed that given the current assessment of the subject property, the Income Approach would indicate the following:
    - Lease rate: $8.43.
    - Vacancy rate: 3.00%
    - Non-recoverable rate: 2%
    - Cap rate: 7.50%
- Another table of an Income Approach to value. In this table, the Complainant used the business tax lease rate.
    - Lease rate: $7.50
    - Vacancy rate: 3.00%
    - Non-recoverable rate: 2%
    - Cap rate: 8.00%

  The Complainant concluded her analysis by indicating that by applying the business tax lease rate of $7.50 per SF in her Income Approach to value, the subject would derive a value of $7,168,284.

The Respondent provided the following evidence with respect to this issue:

- A table provided a listing of the same 6 industrial sales comparables highlighted under the Respondent's evidence in Issue 2. This time the Respondent used the $7.50 lease rate the Complainant applied in her income approach to value to the 6 sales comparable properties. In this analysis the Respondent concluded that the values derived from this approach, would not adequately support the values derived from their time-adjusted sales. The Respondent therefore concludes that the $7.50 lease rate used by the Complainant is site specific and without merit.

Decision: Issue 3

In view of the above considerations, the CARB finds as follows with respect to Issue 3:

- The business tax lease rate of $7.50 per SF as calculated by the Complainant is not reasonable for the following reasons:
  - The value derived from the Complainant's income approach did not reasonably support her requested assessment rate of $100 per net building rentable area.
  - The lease rate used is site specific and is not supported by mass appraisal.

Board's Decision:

The Board confirms the assessment at $8,060,000.

DATED AT THE CITY OF CALGARY THIS 18th **DAY OF** October **2010.**

Michael A. Vercillo

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.