

**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, Section 460(4).

between:

***Altus Group Ltd., COMPLAINANT***

and

***The City Of Calgary, RESPONDENT***

before:

***L. Lundgren, PRESIDING OFFICER***

***J. Rankin, MEMBER***

***S. Rourke, MEMBER***

These are complaints to the Calgary Assessment Review Board in respect of Property assessments prepared by the Assessor of The City of Calgary and entered in the 2010 Assessment Roll as follows:

ROLL NO.	LOCATION ADDRESS	HEARING NO.	ASSESSMENT	REQUESTED ASSESSMENT
902001700	165 George Craig BV NE	55957	\$ 756,500	\$ 650,000
902504000	8051 22 ST NE	59900	\$ 1,310,000	\$ 1,290,000
902005503	1312 Aviation PA NE	59226	\$11,260,000	\$ 9,840,000
902006303	230 Aviation PL NE	59089	\$ 6,050,000	\$ 4,770,000
902000801	2120 78 AV NE	59882	\$ 2,460,000	\$ 2,140,000
201354636	45 Aero DR NE	59258	\$12,960,000	\$11,220,000
200273464	1440 Aviation PA NE	59790	\$ 3,650,000	\$ 3,180,000
902005701	1224 Aviation PA NE	59219	\$10,170,000	\$ 8,110,000

These complaints were heard on the 15<sup>th</sup> day of Nov, 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:

- *D. Chabot*                      *Agent, Altus Group Ltd*

Appeared on behalf of the Respondent:

- *K. Buckry*                      *Assessor, City of Calgary*

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

There were no procedural or jurisdictional matters.

**Background**

This decision is for eight industrial properties located on airport land. All of the airport land properties are assessed on the income approach to value using a vacancy rate of 5.25%. This complaint is filed on the basis that the vacancy rate should be increased to 14%.

In 1992 the Calgary Airport Authority (CAA) assumed responsibilities for the operation and expansion of the Calgary Airport (YYC) from the Federal Government. The CAA, by authority of a lease, allows tenants to operate on these lands. Leases are typically long term 25 to 40 years with some recent ones up to 55 years.

**Issues:**

1. What is the correct vacancy rate to value the subject properties for assessment purposes?
2. Should the property assessment for Roll Number 201354636 be increased to \$15,610,000 as requested by the Respondent?
3. Should the property assessment for Roll Number 200273464 be increased to \$4,390,000 as requested by the Respondent?

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

1. What is the correct vacancy rate to value the subject property for assessment purposes?

The Complainant argued that the industrial properties located on the Calgary Airport Authority (CAA) land are different than the industrial properties located in the balance of the industrial areas of the city. All of the CAA land is leased to tenants and the tenant improvements are vested to the CAA on the termination of the lease, whereas, in the other industrial areas the property

owner owns both the land and improvements. Airport properties are seldom sold and if a sale does occur, it is for the improvements only, therefore, the primary method of valuation for airport properties is the income approach. Historically, the airport properties were assessed using a higher capitalization rate than other industrial area properties. The higher capitalization was applied in recognition of the increased business risk to the land tenants on airport leased land. This year, the Respondent valued the airport properties on the income approach while valuing the other industrial properties on the direct sales approach. For these reasons, the Complainant asserts that the airport properties are different than properties located in the other industrial areas of the city.

The Complainant argued that the 5.25% vacancy rate used by the Respondent to prepare the subject assessment does not reflect the high vacancy rates of the industrial properties on airport land. The Complainant submitted that the airport lands have experienced high vacancy rates as opposed to the other industrial areas, and the average vacancy rates for industrial properties in the northeast, central, and southeast areas of the city should not be used to value the subject property. The Complainant demonstrated the difference in vacancy rates by providing third party reports for vacancy rates in industrial areas. The industrial market vacancy rates reported by CB Richard Ellis (CBRE) for the second quarter of 2009 are: northeast 4.1%, central 1.2%, southeast 5.6%, and the Airport district 12.4%. For the third quarter of 2009 CBRE reports: northeast 4.3%, central 2.5%, southeast 5.0% and the Airport district 11.3%. The Complainant also provided the Avison Young industrial market report for year end 2009/2010 which reported the northeast vacancy rate at 1.7%. None of the vacancy rates for industrial areas reported by third parties approach the actual vacancy experienced by the airport land tenants. Of note, are the higher vacancy rates of 12.4% and 11.3% for the Airport district.

The Complainant argued that the average vacancy rate for the airport properties should be used to value the subject property. In support of this argument, the Complainant presented an Airport Vacancy study using nineteen airport properties with a total area of 2,347,071 square feet having an average vacancy rate of 14.34% as of July 1, 2009. Based on this evidence, the Complainant requested a vacancy rate of 14% be applied to the subject property.

The Respondent confirmed that a vacancy rate of 5.25% was used to calculate the assessment, and that it was drawn from all of the industrial areas in the city. The Respondent explained that the average vacancy rate of airport properties was not used to assess the airport properties because the airport forms a small part of the northeast industrial area and is too small to develop a typical vacancy rate. Although it was not used in the preparation of the assessment, the Respondent provided the 2010 Airport Vacancy Chart based on all of the land leased by the CAA. The chart shows a total space of 4,344,269 square feet with a vacancy rate of 13%. The Respondent was critical of the Complainant's Airport Vacancy study because it considered only 2,347,071 square feet of the airport space which sample is too small to be reliable.

Rather than relying on its own vacancy rate study, the Respondent relied on a third party report published by Colliers International. The 5.25% vacancy rate used to prepare the assessment was based on the Colliers International second quarter 2009 report which stated the city wide industrial vacancy rate as 5.21%. The Respondent requested the Board to confirm the use of the 5.25% vacancy rate.

The Board accepts the Complainant's argument that the industrial properties located on CAA land are not similar to industrial properties located elsewhere in the city, and that the vacancy rates from other industrial areas should not be used to assess the properties located on the CAA land.

The Board considered the vacancy studies performed by each of the parties and finds the Respondent's 2010 AIRPORT VACANCY study to be the most accurate because it includes all of the vacant space on the airport land. The Complainant's sample of 2,347,071 square feet represents approximately 54% of the total space of 4,344,269. The Board observes that the results of the two vacancy studies are almost identical, with the Respondent's average vacancy rate of 13% and the Complainant's average vacancy rate of 14.34%. The Board also considered the CBRE reports for the Airport district and finds that the vacancy rates support the results of the vacancy rate studies performed by the two parties. CBRE reported a vacancy rate of 12.4% in the second quarter of 2009, and a vacancy rate of 11.3% in the third quarter of 2009. The Board is placing the most weight on the Respondent's 2010 AIRPORT VACANCY study and will apply a vacancy rate of 13% in the valuation of the subject property for assessment purposes.

2. Should the property assessment for Roll Number 201354636 be increased to \$15,610,000 as requested by the Respondent?
3. Should the property assessment for Roll Number 200273464 be increased to \$4,390,000 as requested by the Respondent?

The Respondent requested the Board to increase the above property assessments based on an income approach using Altus' parameters of a 7.5% capitalization rate and a 5.0% vacancy rate. The Respondent is not acknowledging that these parameters are correct but chose to use them because Altus Group used them in a previous complaint. Valuation Summaries showing its intention to seek the increase in the assessments was included in the disclosure of its evidence in accordance with section 8(2)(b) of MATTERS RELATING TO ASSESSMENT COMPLAINTS REGULATION (MRAC).

The Complainant asserted that the parameters used by the Altus Group in a previous property complaint are not relevant because the properties are not similar. In particular, the capitalization rate requested in the previous complaint was for an industrial property located in an industrial area where the capitalization rates are lower. The subject properties located on leased land should have a higher capitalization rate than properties located in an industrial area as argued earlier on the vacancy rate issue.

The Complainant raised an objection to the Respondent's request to increase the assessment on the basis that this is a new issue and section 9(1) of MRAC states that a composite assessment review board must not hear any complaint in support of an issue that is not identified on the complaint form.

The Board finds that the Respondent's request to increase the assessment is not a new issue and the intention to seek an increase in the assessment was properly disclosed. The Assessment Review Board Complaint form identifies the assessed value as one of the issues and the Respondent's evidence addresses, among other things, the request to increase the assessment.

With respect to the Respondent's request to increase the assessments, the Respondent failed to produce any evidence to show that a capitalization rate of 7.5% and a vacancy rate of 5.0% would result in a correct estimate of market value. To the contrary, the Respondent stated that it is not acknowledging that the parameters used are correct. Based on the lack of evidence, the Board denied the request.

**Board's Decision:**

The complaints are allowed and the property assessments are reduced as follows:

ROLL NO.	LOCATION ADDRESS	ASSESSMENT	REQUESTED ASSESSMENT	CARB DECISION
902001700	165 George Craig BV NE	\$ 756,500	\$ 650,000	\$ 673,000
902504000	8051 22 ST NE	\$ 1,310,000	\$ 1,290,000	\$ 1,170,000
902005503	1312 Aviation PA NE	\$11,260,000	\$ 9,840,000	\$10,060,000
902006303	230 Aviation PL NE	\$ 6,050,000	\$ 4,770,000	\$ 5,410,000
902000801	2120 78 AV NE	\$ 2,460,000	\$ 2,140,000	\$ 2,190,000
201354636	45 Aero DR NE	\$12,960,000	\$11,220,000	\$11,500,000
200273464	1440 Aviation PA NE	\$ 3,650,000	\$ 3,180,000	\$ 3,250,000
902005701	1224 Aviation PA NE	\$10,170,000	\$ 8,110,000	\$ 8,300,000

DATED AT THE CITY OF CALGARY THIS 8 DAY OF December 2010.

  
**L. Lundgren**  
 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.*