

**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, Revised Statutes of Alberta 2000 (the Act).

between:

***72ND Avenue Industrial (GP) Limited (as represented by Altus Group Limited),
COMPLAINANT***

and

The City Of Calgary, RESPONDENT

before:

B. Horrocks, PRESIDING OFFICER

H. Ang, MEMBER

D. Morice, MEMBER

This is a complaint to the Calgary Assessment Review Board in respect of a property assessment prepared by the Assessor of The City of Calgary and entered in the 2012 Assessment Roll as follows:

ROLL NUMBER:	201179116
LOCATION ADDRESS:	5505 72 AV SE
HEARING NUMBER:	67713
ASSESSMENT:	\$29,090,000

This complaint was heard on the 25th day of July, 2012 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:

- Mr. D. Mewha (Altus Group Limited)

Appeared on behalf of the Respondent:

- Mr. J. Lepine (City of Calgary)

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

- [1] There were no concerns with the Board as constituted.
- [2] There were no preliminary matters. The merit hearing proceeded.
- [3] It was agreed by the parties that all evidence and argument with respect to the Income approach to value contained in C-2 and C-3 from Hearing #67722 would be carried forward to this hearing.

Property Description:

- [4] The subject property is a 15.81 acre parcel located in the Starfield Industrial community in SE Calgary. The site is improved with a 343,200 square foot (SF) multi bay warehouse (IWM) that was constructed in 2008, has 3% finish, 49.85% site coverage and an assessable building area of 343,200 SF. The subject is assessed at the rate of \$84.77/SF using the Sales comparison approach to value.

Issues:

- [5] The Assessment Review Board Complaint Form contained 12 Grounds for complaint. At the outset of the hearing the Complainant advised there were three outstanding issues, namely: "The assessment of the subject is in excess of its market value for assessment purposes", "The aggregate assessment per square foot applied to the subject is inequitable with assessments of other similar and competing properties and should be \$72 psf", and "There is a significant and long standing vacancy in the subject property that has not been acknowledged in the assessment".

Complainant's Requested Value: \$25,600,000 (Complaint Form)
\$26,357,760 (Hearing)
\$26,181,000 (Alternate @ Hearing)

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

Issue: What is the market value for assessment purposes?

- [6] The Complainant's Disclosure is labelled C-2. (Hearing # 67722)

[7] The Complainant submitted they have selected the Income approach to value because there is insufficient sales data to make direct sales comparisons. The Complainant, on page 5, noted there are only 12 sales in the period July 2008 to June 2011 in the 100,000 to 249,999 SF size range and of those 12 sales there were 8 that were invalid for various reasons, leaving only 4 for further analysis for its Cap Rate Study. The Respondent did not challenge the validity of those remaining 4 sales.

[8] The Complainant, at page 13, provided a table from third party sources titled Reported City Wide Vacancy Rates – Q2 2011, noting the city wide vacancy rates for Q2, 2011, ranged from 3.5% to 7.0% with an average of 4.6%. The Complainant selected a vacancy rate of 4.0% to be applied consistently in their Cap Rate Study.

[9] The Complainant, at page 14, provided a table titled Capitalization Rate Study (Over 100,000 sqft, New Construction) which contained the 4 remaining sales (validated by the City), noting the stabilized Cap Rate ranged from 6.18% to 7.86% with a median of 7.66%.

[10] The Complainant, at page 15, provided a table titled Cap Rate Leases/Rent Roll Verification and concluded the market rents within the 4 sales ranged from \$6.65 to \$9.75/SF, which yield market lease Cap Rates ranging from 6.92% to 7.95% and a median of 7.47%.

[11] The Complainant concludes the stabilized Cap Rate and market rent Cap Rate support a Cap Rate of 7.50% to be used in their Income approach to value. The Respondent noted the Cap Rates were derived using rental rates that ranged from \$6.65 to \$10.25/SF.

[12] The Complainant's Disclosure is labelled C-1.

[13] The Complainant, at page 12, provided a table titled Sales Comparison – Based on sales market rent conclusions, noting the market rent for the comparables ranges from \$6.50 to \$9.75/SF while the market rent for the subject is \$6.00/SF. The Complainant then calculated an adjustment factor for each of the comparables and applied it to the sale prices which resulted in adjusted sale prices ranging from \$66.55 to \$83.25/SF and a median of \$77.06/SF in support of the request for an assessment rate of \$77.00/SF.

[14] The Complainant, at page 14 applied the Income approach to value utilizing the Cap Rate of 7.5%, Vacancy of 4.00% and rent rates of \$5.50 and \$6.00/SF to arrive at an "indicated range of market values" from \$24,161,280 to \$26,357,760.

[15] The Complainant, at page 15, provided a table titled Leasing Comparables noting that "as the subject property has an average bay size of approximately 85,000 SF we have looked to similar leasing comparables in this bay size range and encompassed the range contained in the subject property". The Complainant identified the table at the bottom of the page (Great Plains Only) as meeting those criteria, noting the base rent ranged from \$4.95 to \$7.00 with a median of \$6.00/SF in support of the requested rent rate of \$6.00/SF.

[16] The Complainant then applied the Income parameters from the Cap Rate Study and a rent rate of \$6.00/SF to arrive at a requested market value of \$26,357,760 for the subject.

[17] The Respondent's Disclosure is labelled R-1.

[18] The Respondent, at page 11, provided a table titled 2012 Industrial Sales Chart which contained 5 sales with time adjusted sales price/SF (TASP/SF) ranging from \$82.33 to \$123.46, noting the subject is assessed at the rate of \$84.77/SF, near the bottom of the range. The sales were all in SE Calgary, with the exception of the sale of 4100 Westwinds DR NE.

[19] The Board finds the use of adjustment factors ranging from 0.615 to 0.923 (C-1 page 12) to be excessive and indicative of purported comparables not being comparable. Further, if the sales comparables utilized in the Cap Rate Study are not indeed comparable, the resultant Cap Rate should not be relied upon.

[20] The Board finds the Industrial Sales Chart provided by the Respondent to be more compelling evidence of the range of market values and notes the subject falls within that range.

Issue: Is the subject assessed equitably?

[21] The Complainant, at page 13, provided a table titled Equity Information which contained 7 purported comparables with assessment per square foot (Assmt/SF) ranging from \$60 to \$75 noting the subject is assessed at \$85/SF, in support of the request for an assessed rate of \$77/SF.

[22] The Respondent, at page 13, provided a table titled 2012 Industrial Equity Chart which contained 3 comparables with Assmt/SF ranging from \$75.45 to \$90.81, noting the subject is assessed at the rate of \$84.77/SF, within that range.

[23] The Respondent, at page 28, provided a response to the Complainant's Equity Chart. The Respondent noted the property at 5664 69 AV SE has smaller land area, is older, and has higher site coverage and should therefore be assessed lower than the subject, and it is. Similarly, the property located at 4770 68 AV SE is located in Foothills, is 12 years older, has a higher site coverage than the subject and should be assessed lower, and it is. Similarly, the property located at 5350 86 AV SE is close in finish percentage and site coverage but it is located in Foothills and receives a negative adjustment. It should be assessed lower than the subject and it is. Finally, the property located at 4901 64 AV SE is older, and has higher site coverage. It should therefore be assessed lower than the subject and it is. The Respondent concluded that the Complainant had not demonstrated the assessment is not equitable.

[24] The Board finds that the subject assessment is within the range of the equity comparables provided by the Respondent.

Issue: Does the subject suffer from abnormal or chronic vacancy?

[25] The Complainant, at page 27, provided the Assessment Request for Information (ARFI) for the subject dated March 24, 2009 noting the vacancy was 45%.

[26] The Complainant, at page 23 provided the rent roll for the subject dated December 1, 2011 noting the vacancy was 34%.

[27] The Complainant, at page 37 provided CARB 2212/2011-P. It was noted on page 40 that "the Board learned the City will recognize "chronic" vacancy provided it has prevailed for 36 months." The Complainant requested the assessment be reduced by 10% to recognize the chronic vacancy.

[28] The Respondent did not refute the vacancy evidence from the Complainant.

[29] The Board finds that the subject has suffered from abnormal vacancy for the past three plus years and further that an allowance of 10% is reasonable recognizing the actual vacancy is 34%.

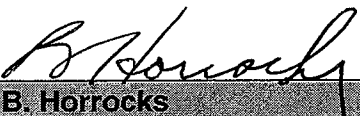
Board's Decision:

[30] The 2012 assessment is reduced to \$26,180,000.

Reasons:

[31] The Respondent's market evidence suggests the assessment is fair and equitable, however a 10% reduction is warranted in light of the abnormal vacancy.

DATED AT THE CITY OF CALGARY THIS 28 DAY OF August 2012.


B. Horrocks
Presiding Officer

APPENDIX "A"**DOCUMENTS PRESENTED AT THE HEARING
AND CONSIDERED BY THE BOARD:**

NO.	ITEM
1. C1	Complainant Disclosure
2. R1	Respondent Disclosure

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.*

For Administrative Use

Subject	Property type	Property Sub-type	Issue	Sub-issue
CARB	Warehouse	Multi-bay	Sales Approach	Chronic vacancy