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:

Lance Construction Co. Ltd , COMPLAINANT (as represented by Altus Group Ltd)

and

The City Of Calgary, RESPONDENT

before:

F.W. Wesseling, PRESIDING OFFICER
A. Blake, MEMBER
E. Reuther 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 2011 Assessment Roll as follows:

ROLL NUMBER: 033041708

LOCATION ADDRESS: 3650 12 Street NE

HEARING NUMBER: 62975

ASSESSMENT: $4,270,000.00

This complaint was heard on 11th day of July, 2011 at the office of the Assessment Review Board located at Floor Number 4, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 2.

Appeared on behalf of the Complainant:

- *C. Van Staden – Altus Group Ltd*
- *J. Weber – Altus Group Ltd*

Appeared on behalf of the Respondent:

- *M. Berzins -- City of Calgary*

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

No specific jurisdictional or procedural matters were raised during the course of the hearing, and the CARB proceeded to hear the merits of the complaint.

Property Description: Subject property is located in the McCall area in NE Calgary. The site contains a 51,200 square feet warehouse building which was constructed in 1974. The property contains 2.6 acres of land. Site coverage is 45.28 %, the assessed rate is $83.00 per square foot. The site is classified "Industrial-General" in the City of Calgary land use Bylaw.

Issues: The Complainant raised the following matter in Section 4 of the Assessment Complaint form: Assessment amount
Presentation of the Complainant and Respondent were limited to:

- Assessment value is overstated in relation to comparable properties.
- Income Approach vs Sales Approach

Complainant's Requested Value: $3,990,000.00

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

Prior to presenting the Board with the information as to the merits of the assessment of this particular property, the Complainant made a presentation with regard to the Industrial Capitization Rate Analysis, 2011 Assessment Year as prepared by the Altus Group. The City of Calgary presented a response to the study. The parties requested, and the Board accepted, that certain evidence be carried forward to subsequent Hearings and Decisions. These included: 1341-2011-P; 1350 2011-P; 1353 2011-P; 1355 2011-P; 1364 2011-P; 1369 2011-P; 1376 2011-P; 1381 2011-P; 1385 2011-P; 13862011-P; 1387 2011-P and 1388 2011-P.

In support of their use of the income approach, the Complainant outlined the cap rate study which is intended to substantiate the requested assessments. As the Board's decision on the utility of the cap rate analysis is applicable to a number of referenced decisions, the analysis will be reviewed by the Board and carried forward in subsequent decisions.

The Board's review and conclusion of the cap rate analysis and the City's response to it is that the Complainant's data (sample size of sales) supporting the analysis was too limited, and mixed typical and actual inputs. As such it did not generate the degree of confidence the Board would need in order to accept the cap rate analysis. In addition, the Board noted that rent roll information could not be provided in disclosure due to confidentiality concerns but that the City could examine the data at the the Complainant's office. The Board found this to be problematic. The Board will have regard for the 2011 cap rate analysis as prepared by the Altus Group however it will determine its decision on each individual complaint based on the merits of the evidence submitted.

Complainant's position: The Complainant's requested assessment is based on the income approach. The data outlined to support this approach included a typical net annual rents. Lease comparables were provided which indicated that the rates determined using City' assessment data of $7.25 per square foot are unreasonable. It was indicated that typical leases in NE Calgary of similar size range have a median base rate rent of $6.50 to $6.75 per square foot. In addition a median business assessment rate per square foot calculation of $6.50 per square foot was outlined. The income approach presented concluded that the property value should be $ 78.00 per square foot instead of $83.00 per square foot as determined by the City. In addition, supporting information was provided through 3 sales comparables and 4 equity comparables, all located in the NE.

Respondent's Position: The City's presentation focused on showing that the sales approach to value is the most appropriate and acceptable method to derive market value. Five (5) sales were provided in support of the 2011 assessment which resulted in a median of $97.00 per square foot. In addition, seven equity comparables in the McCall area were outlined to support the assessment. With regard to the income approach, the City indicated that it could not recreate the data analysis as completed by the Altus Group. The City did an assessment to sales ratio (ASR) test of the Complainant's data which produced an unacceptable ratio of 0.78, total median value.

Board's Decision: Upon reviewing the verbal and written evidence provided by the parties, the Board found that the Respondent's evidence most relevant and that the Complainant's requested assessment was not supported by the income approach.

Reasons: The Board determined that the sales approach as presented by the Respondent was based on a good sample size and included the appropriate time adjustments and market value was achieved. The Complainant's position is largely based on the cap rate analysis which as stated above, the Board considers flawed. Site specific evidence does not support a reduction in assessment. Having regard to Section 467 (3) of the Municipal Government Act, the Board found no alteration to the assessment was warranted.

The Board confirms the assessment at $4,270,000.00.

DATED AT THE CITY OF CALGARY THIS 4 DAY OF August 2011.

F.W. Wesseling
Presiding Officer

APPENDIX "A"

DOCUMENTS PRESENTED AT THE HEARING AND CONSIDERED BY THE BOARD:

Complainant: C1 Evidence Submission of the Complainant to the 2011 ARB
C2 Industrial Capitalization Rate Analysis 2011 Assessment Year
Respondent: R1 Assessment Brief prepared by City of Calgary Assessment

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.*