

**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:

***FH South Equities Inc.,
(as represented by AEC International Inc.), COMPLAINANT***

and

The City Of Calgary, RESPONDENT

before:

***L. Wood, PRESIDING OFFICER
M. Peters, 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:	118008101
LOCATION ADDRESS:	9104 52 ST SE
HEARING NUMBER:	63635
ASSESSMENT:	\$13,760,000

This complaint was heard on 23 day of August, 2011 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. A. Payn* *Agent, AEC International Inc.*

Appeared on behalf of the Respondent:

- *Mr. I. McDermott* *Assessor, City of Calgary*

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

The parties requested that their evidence and argument pertaining to file #63395 be carried forward to this complaint as well as it was similar. The Board agreed with the parties' request.

Property Description:

The subject property is a multi - tenant industrial warehouse (with office area) located in Foothills. The building is comprised of 129,584 sq. ft.; built in 2005; and has 23% finish. The building is situated on 8.89 acres of land. The site coverage ratio is 32.22%. The land designation is I-G, Industrial General.

The property was assessed based on the Direct Sales Comparison approach and has an assessed value of \$106.00 psf.

Issues:

1. The subject property should have been assessed based on the Income Approach to value.
2. The subject property is not equitably assessed with similar properties.

Complainant's Requested Values: \$8,614,000 or \$10,492,500

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

1. The subject property should have been assessed based on the Income Approach to value.

The Complainant submitted the Income Approach to value is the preferred method of valuation for large warehouse properties. He argued there are not enough sales in the market to support the Direct Sales Comparison approach as applied by the Respondent in assessing warehouse properties. He submitted that there were 4 sales of warehouse buildings in excess of 100,000 sq. ft., only two of which used in the Respondent's analysis, which had an ASR (assessment to sale ratio) between 0.928 – 1.156 (Exhibit C1 page 23).

The Complainant submitted that it is difficult to obtain actual leasing information and presented

a chart based on discussions with local brokers (Exhibit C1 page 15). The chart was comprised of 4 large warehouses of 79,500 – 108,173 sq. ft., which leases had commenced in February – September 2010, at \$4.90 psf - \$5.50 psf which the Complainant derived an average rent of \$5.29 psf. He indicated that third party market reports in the 2010 Q2 also support that data (Exhibit C1 page 14).

The Complainant derived the remaining income parameters based on the market reports: vacancy rate (4.6%), vacancy shortfall (\$1.75 psf), unrecoverable expenses (1%) and capitalization rate (7.25%) (Exhibit C1 pages 17 - 21). The Complainant applied these valuation parameters to the subject property and derived a value of \$8,614,000 (or \$66.47 psf) (Exhibit C1 page 21).

The Respondent submitted that many of these warehouses are owner occupied and are not necessarily purchased for income. This is the reason why it does not use the Income Approach to value these types of properties. The Respondent presented four sales comparables in support of the assessed rates applied to the subject building (Exhibit R1 page 18). The sales occurred in August 2008 to April 2010. The buildings were 119,551 – 167,560 sq. ft.; situated on parcels 7.56 – 14.01 acres; site coverage 26.41% - 43.31%; built in 1990 - 2008; finish 0% - 47%; and had sold for a time adjusted sale price of \$114.00 - \$135.00 psf and a median of \$121.00 psf.

The Respondent presented the Assessment Request for Information (ARFI) for the subject property which showed 9 tenants in the premises (and no vacancy) which had leases that commenced in 2005 – 2009 at \$6.75 psf - \$10.13 psf (Exhibit R1 pages 13 – 17). Applying an overall lease rate of \$8.34 psf to the subject property and using the Complainant's income parameters, the Respondent derived a value of \$13,730,000 based on the Income Approach (Exhibit R1 page 21).

The Board placed little weight on the Complainant's Income Approach to value because the income parameters, which were based on third party market reports, were unsupported. The Board finds the sales comparables presented by the Respondent supported the current assessment of the subject property. The Respondent's Income Approach calculation which used the actual lease rates in the subject property which produced a value almost identical to the current assessment based on the Direct Sales Comparison approach. The Board recognizes the Respondent should use rental rates that are typical; however, the Board finds the illustration did provide further support for the subject property's current assessment.

2. The subject property is not equitably assessed with similar properties.

The Complainant submitted 23 equity comparables in support of a reduced assessed rate (Exhibit C1 page 25). The buildings were 146,780 sq. ft. – 767,000 sq. ft.; parcels of 5.98 – 45.02 acres; site coverage 31.3% - 60.6%; built in 1990 - 2005; and assessed \$51.00- \$99.00 psf. However, the Complainant relied solely on three of those comparables in his submission; specifically, the properties located at 11 Dufferin Place SE, 5555 69 Avenue SE and 5664 69 Avenue SE. These three properties have building sizes of 201,415 - 309,557 sq. ft.; parcels 8.01- 11.72 acres; site coverage of 50.5% - 60.6%; built in 2002 - 2005; and were assessed between \$75.00 - \$87.00 psf. The Complainant suggested a mid - range rate of \$81.00 psf to be applied to the subject property for an assessed value of \$10,492,500.

The Respondent reviewed the Complainant's three equity comparables in which he placed the

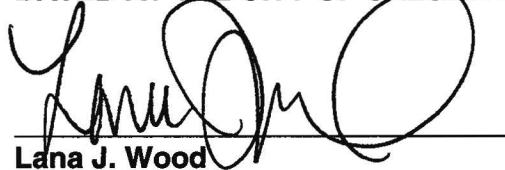
most weight (Exhibit R1 page 20). The Respondent argued that these comparables are not similar because the building areas are significantly larger than the subject property (which would suggest a lower rate psf), the site coverage for the comparables is significantly greater than the subject property (which would suggest a lower rate psf) and the finish is significantly less than the subject property (which would suggest a lower rate psf).

The Board finds the Complainant's equity argument fails because his equity comparables are not similar to the subject property in terms of building size, site coverage and finish.

Board's Decision:

The decision of the Board is to confirm the 2011 assessment for the subject property at \$13,760,000.

DATED AT THE CITY OF CALGARY THIS 7 DAY OF OCTOBER 2011.



Lana J. Wood
Presiding Officer

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

EXHIBIT NO.	ITEM
1. C1	Complainant's Submission
2. C2	Complainant's Rebuttal
3. R1	Respondent's Submission

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.*