

**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:

Resman Holdings Ltd. (as represented by Altus Group Limited), COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

I. Weleschuk, PRESIDING OFFICER

P. Pask, MEMBER

J. Pratt, 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:	201356037
LOCATION ADDRESS:	1401 Hastings Cres. S.E.
HEARING NUMBER:	68403
ASSESSMENT:	\$10,160,000

- [1] This complaint was heard on 30th day of October, 2012 at the office of the Assessment Review Board located at Floor Number Four, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 5.

Appeared on behalf of the Complainant:

- R. Worthington

Appeared on behalf of the Respondent:

- J. Greer
- M. Hartmann

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

- [2] There were no procedural or jurisdictional matters raised by either party. Neither party objected to the panel before them.

Property Description:

- [3] The subject is located in the Highfield Industrial District in southeast Calgary, and in the central assessment region. It is two industrial warehouses on a site area of 8.93 acres of land, and zoned Industrial General (I-G). The larger building, with a 83,557 square foot (SF) footprint and 85,861 SF of assessable area was built in 1972. The smaller building has a 23,930 SF footprint and assessable area and was built in 1973. The site is an odd shape, with a narrow panhandle along the back side of the subject and neighboring properties. The panhandle area is a sloped plateau below the main portion of the lot that includes the two buildings, but is above a steep slope just east of the lot. The site coverage is 27.63% resulting in 0.71 acres of extra land, according to the 2012 Industrial Assessment Explanation Supplement. There is office space in the building, resulting in 5% finish in the larger building and 47% finish in the smaller building. The assessment is based on \$88.08/SF for the large building and \$108.58/SF for the smaller building using a sales comparison approach. The combined assessment for this property is \$92.54/SF.

Complainant's Requested Value:

\$9,000,000 (based on \$82/SF)

Issues:

The issue relates to determining the correct 2012 assessment for the subject property, and specifically:

1. What is the value of the panhandle area for assessment purposes?
2. Is the assessment equitable based on sales and equity comparisons?

Issue 1: What is the value of the panhandle area for assessment purposes?**Complainant's Evidence**

- [4] The Complainant presented aerial photographs in C1 and also relied on aerial and ground level photographs presented in R1 to demonstrate that the back portion of the property and panhandle that extended towards the north was not improved and was too steep to have any value. No area was stated representing this area which the Complainant said was undevelopable.

Respondent's Evidence

- [5] The Respondent presented a number of aerial and surface photographs including aerial photographs showing contour lines to demonstrate that the panhandle area could be developed, so no adjustment for unusable land is required. The Respondent had completed an investigation showing that the owner of the subject property also owned property at the north end of the panhandle, and had consolidated the subject and the property at the north end, with the panhandle connecting the two larger portions at either end. The Respondent argued that, notwithstanding that this was completed after the condition date (December 31, 2011), this demonstrated that the owner had a use for the panhandle and therefore it had value.

Conclusions of the Board in this Matter

- [6] The Board notes that the evidence presented by the Respondent and specifically the consolidation of the subject property with another property to the north via the panhandle is post facto. As of the valuation date (July 1, 2011) and condition date (December 31, 2011), this information was not known. Furthermore, the Respondent did not convince the Board that the panhandle area can be developed or to what degree. This position of the Respondent is considered speculative. The area is still in its native state.
- [7] The Board is not clear on what, if any, adjustment needs to be made to the assessment. (The Board understands that some or all of the panhandle portion is considered as excess land, and so attracts some discounted value, compared to the market value of bare land in the subject area.) Neither the Complainant nor Respondent addressed this matter, suggesting that the sales and comparable evidence presented indicates the correct assessment for this property.

Issue 2: Is the assessment equitable based on sales and equity comparables?**Complainant's Evidence**

- [8] The Complainant disagreed with the approach used by the City to assess the subject property, specifically using sales comparisons of single buildings on a parcel to derive the value of each of the two buildings on the subject parcel, and then making some adjustment via the assessment model to derive rates that reflect the value of two buildings on one parcel. The Complainant argued that the better approach was to use sales and equity comparables that reflected the total building area, as a purchaser is buying the total building area, not two individual buildings.
- [9] The Complainant presented a summary table of two sales comparables (page 6, Exhibit C1) with total building area on single buildings similar to the 109,791 SF of assessable area in the subject two buildings. However, the Complainant stated that these sales were not similar for other factors, so were not a good indication of value.
- [10] The Complainant presented seven equity comparables (page 7, Exhibit C1) which resulted in a median of \$82/SF. These assessments included the City's adjustment for site coverage, including excess land for properties with less than 30% site coverage. This is the basis of the requested assessment of \$9,000,000.
- [11] The Complainant presented an approach and calculation to consider the value of the excess land and the calculation resulted in a value of \$84/SF. However, the Complainant did not consider this a better value than the \$82/SF indicated directly by the equity comparables.

Respondent's Evidence

- [12] The Respondent presented sales comparables on page 40, Exhibit R1 which resulted in a median of \$82.52/SF, based on a median assessable building area of 80,170 SF. The Respondent stated that using this base rate, if one made qualitative adjustments between the comparables and subject buildings, that the rates used for each respective building in the assessment were supported.
- [13] The Respondent also presented the Complainant's equity comparables, showing the assessment for each of the buildings for those comparables with multiple buildings. The median assessment was \$81.60/SF.

Conclusion of the Board in this Matter

- [14] The Board has reservations regarding using sales data for single buildings on a parcel as the basis for assessing multiple building properties. Clearly there is some discount in the value per square foot, related either to the larger building area represented by multiple buildings or the fact that you do not have stand-alone, subdividable properties. The use of multiple building comparables would provide a more direct sales comparison.

- [15] The sales and equity comparisons presented by the Respondent, albeit using the equity comparables presented by the Complainant and presenting them in a different format, indicate a mean rate of about \$82/SF. The Respondent presented the Board with some discussion as to how one would have to adjust these rates to reflect the value of the subject buildings, but this was a very qualitative discussion.
- [16] After reviewing the sales and equity comparisons presented by both parties, the Board concludes that the subject property should be assessed at a rate of \$82/SF for the entire assessable area, resulting in an assessment of \$9,000,000.
- [17] The Board notes the frustration of the Complainant with regard to understanding how the model works and how the model calculates the assessed value. That said, the Board notes that Section 27 of Matters Related to Assessment and Taxation Regulation (MRAT) does not require the coefficients used in an assessment model to be made available to the assessed person. The objective of an assessment is to determine the market value of the subject property (Section 2, MRAT) and that is the evidence that the Board is interested in hearing.

Board's Decision

- [18] For the reasons discussed above, the Board reduces the assessment to \$9,000,000.

DATED AT THE CITY OF CALGARY THIS 16th DAY OF November 2012.


Ivan Weleschuk
Presiding Officer

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

NO.	ITEM
C1	Complainant's Disclosure
R1	Respondent's Disclosure
C2	Complainant's Rebuttal

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.*