

**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:

***1127326 Alberta Ltd. (as represented by Assessment Advisory Group Inc.),
COMPLAINANT***

and

The City Of Calgary, RESPONDENT

before:

***K. D. Kelly, PRESIDING OFFICER
R. Cochrane, MEMBER
A. Zindler, 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:	101044105
LOCATION ADDRESS:	120 – 58 AV SE
HEARING NUMBER:	63341
ASSESSMENT:	\$4,380,000

This complaint was heard on 5th day of October, 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. T. Howell - Assessment Advisory Group Inc.

Appeared on behalf of the Respondent:

- Mr. R. Farkas - Assessor, City of Calgary

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

None

Property Description:

The subject is a 1999 vintage "B-" quality stand-alone two-tenant 23,846 square foot (SF) retail warehouse building housing the "Memory Express" computer business, and an "End of the Roll" flooring business. It is located in the Manchester area of southeast Calgary. The entire 23,846 SF is assessed at a typical \$16 per SF. The property is assessed using the "Income Approach to Value" methodology for a total assessment of \$4,380,000.

Issue:

1. The rent rate of \$16 per SF is excessive and should be \$15 per SF, therefore the assessment for the subject is inequitable when compared to other similar properties.

Complainant's Requested Value: \$4,096,266

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

Issue #1: "The rent rate of \$16 per SF is excessive and should be \$15 per SF, therefore the assessment for the subject is inequitable when compared to other similar properties"

Complainant's Position:

The Complainant presented his 14 page Brief C-1 and identified the specific site characteristics of the subject. He clarified that he had not been inside the subject and therefore had no internal photos, but was familiar with its location and configuration.

The Complainant referenced the City's "Assessment Summary Report" and noted the subject is a 1999 era "B-" quality building of 23,846 SF on 61,380 SF (1.14 acres (AC)) of land. The Complainant provided a map locating the subject in Manchester, as well as an overhead orthophoto and front view photo of the subject.

The Complainant provided the City's "Assessment Summary Reports" for two properties he considered comparable to the subject. He noted that both were nearby and just south of the subject in Manchester across 58 AV SE, one at 105 – 58 AV SE and the other at 5938 Centre ST SE. The first building at 39,480 SF is "C+" quality and was constructed in 1973. The second at 12,986 SF is a "B" quality building and was constructed in 1971. The subject is "B-" quality.

The Complainant clarified that the subject was assessed at a rate which would equal \$184 per SF whereas his two comparables were assessed at values ranging from \$141 for the first comparable to \$162 per SF for the second. He calculated these per square foot values by dividing the assessed value of the property by the square footage of the assessed onsite improvement. Therefore, he considered the assessment to be inequitable.

On page 13 of C-1 the Complainant provided two matrices outlining the leasing details for the two tenants in the subject. He noted that as of June 30, 2010, "Memory Express" was paying \$15 per SF (net) for 13,917 SF, and "End of The Roll" was paying \$14 per SF (net) for 9,929 SF. Therefore he considered that \$15 per SF would be an appropriate rate for the subject.

On page 14 of C-1 the Complainant completed an alternate Income Approach to Value calculation using \$15 per SF for the total 23,846 SF of floor space in the subject, instead of the assessed \$16 per SF. He concluded on the basis of his calculations and analysis that a value of \$4,096,266 or \$172 per SF would be appropriate and equitable for the subject.

Respondent's Position:

The Respondent presented his Brief R-1 and clarified that the City uses "typical" and not "actual" values in developing assessments as is legislatively required in Mass Appraisal. Moreover, he argued that it is technically incorrect methodology to mix actual and typical values in an attempt to arrive at an assessment value as the Complainant has done. He clarified that \$16 per SF is the "typical" rate for warehouse space in the 6,001 – 14,000 SF category, all of which is based on analysis of several other similar properties in the area of the subject. The subject fits into that category by virtue of its two demised spaces of 13,917 SF and 9,929 SF. In addition, he argued that the Complainant provided no other independent market rents to support his requested \$15 per SF.

On page 22 of R-1 the Respondent provided the Alberta Data Search sale explanation sheet which outlines the particulars of the sale of the subject for \$5,900,000 on October 17, 2008. He clarified that the City has recognized, and the market has indicated, that the property is currently worth less than the 2008 sale price, hence the reason for the subject being assessed at its current \$4,380,000.

The Respondent presented on page 23 and 24 of R-1, the City's "Non-Residential Properties – Income Approach Valuation" sheet and exterior photos for two property comparables he considered similar to the subject. One is close to the subject at 7133 – 11 ST SE and the other is at 7700 – 110 AV NW. He noted that each is within the 6,001 – 14,000 SF space range and each has been assessed using the typical \$16 per SF like the subject. On page 25 he also provided four lease comparables which he clarified had been taken from his two property comparables. He noted that the City had experienced some difficulty in getting "Assessment

Request For Information" (ARFI) documents returned to the City from the owners of the subject and would not therefore have had the actual values for the subject at the time the assessment was prepared.

The Respondent argued that the Complainant's calculations of per square foot comparative value are flawed because he simply divided the assessed value of each comparable property by the square footage of the improvements thereon. He clarified that because each of the Complainant's comparable properties are quite different from each other in form, fit, and use, and from the subject, the Complainant's per square foot calculations of comparative value are invalid and unreliable.

The Respondent provided exterior photos of the Complainant's two equity comparables and suggested that one of the properties at 118 – 58 AV SE is a Strip Mall unlike the subject. The Complainant's second property comparable is about half the size of the subject and some 28 years older. Therefore, he argued, the Complainant's comparables have been assessed using different valuation parameters than those applied to the subject and are not comparable to the subject.

The Respondent argued that he had concluded from the Complainant's presentation that he had not provided any independent market evidence (leases) to support his valuation request of \$15 per SF other than the site-specific data he referenced previously. He reiterated that the City uses typical lease values and does not use site-specific data in Mass Appraisal. Therefore, he suggested, the Complainant's position should fail on this basis alone.

The Respondent requested that the Board confirm the assessment at \$4,380,000.

Board's Analysis and Conclusions - Reasons

The Board considers the Complainant's position in this appeal fails for the following reasons;

1. The Board notes that the Complainant provided and relied upon two property comparables which, when compared to the subject, are not comparable to it in many respects. The subject is described by the Respondent as a moderately finished, stand-alone, retail/warehouse space, whereas the Complainant's comparables contain spaces of alternate size and use which have been assessed using quite different valuation parameters than the subject. One has been described as a "Strip mall" which the subject is not.
2. The Complainant acknowledged that he had not been inside either the subject or his comparable properties and was therefore unable to provide any photographs of, or describe their interiors to refute the position of the Respondent. Nor was he able to address the City's argument that they have been assessed using different valuation parameters.
3. The Complainant's comparables are of a different quality than the subject which is a "B-" quality building, largely reflected by its level of interior and exterior finish. Therefore the subject is assessed using different parameters than the Complainant's "B" and lesser "C+" quality comparables which are assessed using lesser valuation parameters. The Complainant's comparables are not comparable to the subject or in large part to each other.

4. The subject is assessed using the "Income Approach to Value" methodology and the Complainant offered no independent market lease evidence from other similar nearby properties – only site-specific evidence, to argue that the valuation inputs, including the \$16 per SF "typical" rent rate for the subject, was incorrect. Indeed, the Complainant offered no argument whatsoever that the assessment calculation was incorrect, but merely that it was inequitable when compared to other nearby properties. The Board disagrees that this is so.

5. The Board concurs with the Respondent that the Complainant's per square foot comparative value analysis that he prepared for his comparables is flawed and unreliable because the two properties he compares are not substantially identical one to the other or to the subject. Simply dividing the assessment by the square footage of the improvement is not an industry-accepted method of comparative valuation.

6. The Respondent provided two property comparables which displayed characteristics of size, use, fit and finish similar to the subject - all of which had been assessed using the several "typical" input values as applied to the subject. This included a \$16 per SF rent rate for the subject's two demised spaces of 13,917 SF and 9,929 SF pursuant to the City's 6,001 – 14000 SF size category. The Board accepts that these two property comparables support the assessment.

7. The sale of the subject in 2008, while somewhat dated, provides the Board with a "benchmark", an indication of relative value that appears to also support the current assessment, given the state of the current market as described by the parties.

Consequently, the Board concludes on the basis of the evidence provided, and on balance, that the Complainant has provided insufficient information and argument to convince the Board that the assessment is either incorrect or inequitable. Indeed, on the basis of the evidence and argument supplied by the Respondent, the Board concludes that the assessment is correct and equitable.

Board's Decision:

The Board Confirms the assessment at \$4,380,000.

DATED AT THE CITY OF CALGARY THIS 16th DAY OF November 2011.


K. D. Kelly
Presiding Officer

**DOCUMENTS PRESENTED AT THE HEARING
AND CONSIDERED BY THE BOARD:**

Appeal Type	Property Type	Property Sub-type	Issue	Sub-Issue
CARB	Retail	Stand-alone	Equity only	Market zone Comparisons