

**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:

378019 ALBERTA LTD., COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

R. Glenn, PRESIDING OFFICER

I. Fraser, MEMBER

J. Kerrison, 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: 091097907

LOCATION ADDRESS: 18 HIGHFIELD CIRCLE SE

HEARING NUMBER: 65087

ASSESSMENT: \$630,000 (pro-rated from \$1,080,000)

This complaint was heard on the 9th day of February, 2012 at the offices of the Assessment Review Board located on Floor Number 4, at 1212 – 31 Avenue NE, in Calgary, Alberta, in Boardroom 2.

Appeared on behalf of the Complainant: K.King (President) 378019 ALBERTA LTD..

Appeared on behalf of the Respondent: J T Greer (Assessor)
City of Calgary Assessment

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

No issues of procedure or jurisdiction were raised.

Property Description:

The subject property, located at 18 Highfield Circle SE is assessed as a 0.94 acre parcel of land, improved with two industrial buildings. The older building, built in 2001, is comprised of 6,200 SF. The newer building, completed in June 2011, is comprised of 5,625 SF. The subject property backs onto a 40 foot high escarpment, which limits the utility of the subject and so, the subject can only be accessed from the front. The subject is located in the Highfield Industrial Park area of south east Calgary.

Regarding Brevity:

In the interests of brevity, the Board will restrict its comments to those items the Board found relevant to the matters at hand. Furthermore, the Board's findings and decision reflect on the evidence presented and examined by the parties before the Board at the time of the hearing.

Issues:

The Complaint Form identified only one issue, that is, the amount of an assessment from a Supplementary Assessment. The Board believes that the issue could be succinctly stated as: whether the subject property is properly assessed, on a Supplementary Assessment in light of the following:

1. The original 2011 assessment for the subject land with the first building only, was \$1,640,000.
2. Subsequently, the second (subject) building was completed and was assessed on a supplementary basis at \$ 1,080,000, or, \$630,000 for land and improvements on a pro-rated basis, based on the occupancy date, after the construction on the subject property in June of 2011, for a total assessment of \$2,720,000.
3. The Complainant believes that the assessment is simply excessive and must be reduced.

Position of the Parties

The position of the parties is illustrated in the following table:

	Assessment	Proration Factor	Prorated Assessment 2011
Respondent Position			
Amended Annual Assessment	\$1,640,000	<u>12/12</u>	\$1,640,000
2011 Supplementary Assessment	\$1,080,000	7/12	\$630,000 [1]
Total Values	\$2,720,000		\$2,270,000
Complainant Position			
Amended Annual Assessment	\$1,640,000	12/12	\$1,640,000
2011 Supplementary Requested Value	\$648,000	7/12	\$378,000
Total Values	\$2,288,000		\$2,018,000

Note [1]: At the hearing, the Respondent advised the Board that an error existed in the assessed value and requested the 2011 Supplementary Assessment be reduced to \$1,040,000 providing for a 2011 prorated assessment of \$606,667

Complainant's Requested Value:

The subject supplemental assessment for the whole of 2011 would have been \$1,080,000. However, the subject warehouse was completed in June of 2011, prompting a pro-rated assessment of: $\$1,080,000 \times 7 / 12 = \$630,000$. The Complainant seeks to have the assessment reduced to \$648,000 for the 12 month period, or, \$378,000 for the 7 month period in 2011.

Complainant's Position:

The Complainant states at the beginning of their argument that the Cost Approach is the appropriate method of arriving at the assessed value. They state that the actual cost of the construction of the subject building is: \$647,810.00. Accordingly, their opinion of the increase in the assessment including the subject should only be: $\$1,640,000 + \$648,000 = \$2,288,000$

However, the actual total assessment on the subject property for 2011 is: $\$1,640,000 + \$1,080,000.00 = \$2,720,000$ or \$432,000 more than the Complainant says it should be. The Complainant goes on to state that the actual cost of the construction of the subject building is: \$115.20/SF, whereas the Respondent's assessment of the subject is: \$192.00/SF.

The Complainant goes on to state that a direct comparison of the subject with others is difficult

because in some ways the building has no comparables because it is new, has shared utilities, and has restricted access (only through the front of the site).

The Complainant carries on, presenting four comparables from the same immediate vicinity as the subject, although the comparables are at least 10-12 years older than the subject, and are all much larger than the subject. From this, the Complainant takes an average of the assessments of their comparables, which works out to be: \$134.06/SF. They go on to argue that the comparables all have developed office space, whereas, the subject is simply undivided except for a bathroom, and based on that position they opine that the subject's proper value is: \$115.20/SF, or at least, less than \$134.06/SF.

Respondent's Position:

The Respondent proceeds on the premise that the Market Value of the subject is what is relevant, and that the Cost Approach used by the Complainant is simply not an accurate way to determine the appropriate assessment. They go on to suggest that the arithmetic used to arrive at their supplemental assessment is incorrect, and that the proper supplemental amount should in fact be: \$606,667.00, rather than the \$630,000 as stated on the assessment.

They carry on to provide a number of Industrial Sales Comparables. However, the age of the comparables presented in the Respondent's Brief at pages 21 and 22 ranges from 10 to 56 years old. The size range of their comparables is similar to the subject in some cases, but smaller in others. In addition, most of the comparables have a much higher degree of finish than the subject.

Some of the Respondent's comparables are multi-tenanted as opposed to the subject being a single-tenanted property. The Respondent's brief also contains comparables where a percentage reduction factor is stated for multi-tenanted properties in order to bring their assessments into line with the single tenanted property in issue here. In the mind of the Board, this is an unnecessary complicating factor.

On cross examination, the Respondent reiterated its sales approach to appraisal, confirming that it would seldom use the cost approach except in certain specialized circumstances. They also commented on the mass appraisal model being used, and their overall view of the market as a whole, rather than individual properties.

Board's Decision in respect of each issue:

The only matter in issue is the amount of the subject supplementary assessment.

The Board notes that the original assessment for the property without the new building was \$1,643,000, and, \$2,685,990 with the new development. Stated another way, the assessment on the new building at \$185.00/SF The Board in deliberation queried whether the stated construction cost of \$115.20/SF being elevated to \$185/SF in the first year of use is warranted.

The Board in deliberation queried how the Respondent got to \$2,685,990, because, based on the evidence presented and argument provided, there was no real evidence to support this. The Respondent's comparables were questionable. Their comparables included the land. Here, the

land has already been assessed. Yet in their Assessment Explanation Supplement at page 18 of their brief, they reduce their original assessment, and note that the Rate per SF for the new building is \$234.31/SF. This number is not supported, and not supportable based on the information in their brief.

The Board felt there was a real problem with the closeness of the Respondent's comparables. In addition, the Respondent provided no ARFI's, nor any rental information.

On balance, the Complainant raised a serious question regarding the basis for the Respondent's figures. The Board finds that the Complainant has met the requisite onus necessary to reduce the subject assessment.

Accordingly, the subject Supplementary Assessment in the amount of \$1,080,000 is reduced to \$648,000, which when viewed at a pro-rating of 7/12 months, is \$378,000 ($\$648,000 \times 7 / 12 = \$378,000$).

DATED AT THE CITY OF CALGARY THIS 16 DAY OF MARCH, 2012.



R. Glenn
Presiding Officer

APPENDIX "A"

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

NO.	ITEM
1. C1	Complainant Disclosure
2. C2	Complainant Disclosure
3. C3	Complainant Disclosure
4. C4	Complainant Disclosure
5. C5	Complainant Disclosure
6. C6	Complainant Disclosure
7. C7	Complainant Rebuttal
8. 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 MGB Administrative Use Only

Decision No. 2887-2011-P Roll No.091097907				
<u>Subject</u>	<u>Type</u>	<u>Issue</u>	<u>Detail</u>	<u>Issue</u>
CARB	Industrial	Warehouse	Cost Approach	Market Value