



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:

Metrus Western Properties Inc.,(as represented by AEC Property Tax Solutions),

COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

**T. B. Hudson, PRESIDING OFFICER
A. Blake, BOARD MEMBER
J. Rankin, BOARD 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 2013 Assessment Roll as follows:

ROLL NUMBER: 031021108

LOCATION ADDRESS: 3400 39 AV NE

FILE NUMBER: 71214

ASSESSMENT: \$129,650,000

This complaint was heard on 16th day of July, 2013 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:

- J. Smiley

Appeared on behalf of the Respondent:

- M. Hartmann
- K. Cody

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

There were no procedural or jurisdictional matters raised by the parties.

Property Description:

[1] The subject is the WalMart distribution centre, an IWS type industrial property zoned I-G, and located at 3400 39 AV NE in Calgary. The site area is 128.79 acres, and the improvement was constructed in 2000 and includes a net rentable area of 1,187,853 square feet(sf.) in one building, with no office finish. Site coverage is 21.17%. The assessment was calculated based on the direct sales comparison approach to a total of \$129,650,000(rounded), or \$109.15 per square foot(psf.).

Issues:

Is the current assessment equitable?

Complainant's Requested Value: \$120,350,000(rounded) or \$101.32psf.

Board Decision on the Assessment: The assessment is confirmed at \$129,650,000(rounded), or \$109.15psf.

Legislative Authority, Requirements and Considerations:

[2] The Composite Assessment Review Board(CARB), derives its authority from Part 11 of the Municipal Government Act (MGA) RSA 2000:

Section 460.1(2): Subject to section 460(11), a composite assessment review board has jurisdiction to hear complaints about any matter referred to in section 460(5) that is shown on an assessment notice for property other than property described in subsection (1)(a).

[3] For purposes of the hearing, the CARB will consider MGA Section 293(1):

In preparing the assessment, the assessor must, in a fair and equitable, manner, apply the valuation and other standards set out in the regulations, and follow the procedures set out in the regulations.

[4] The Matters Relating to Assessment and Taxation Regulation(MRAT) is the regulation referred to in MGA section 293(1)(b). The CARB consideration will be guided by MRAT Part 1 Standards of Assessment, Mass appraisal section 2:

*An assessment of property based on market value:
must be prepared using mass appraisal,
must be an estimate of the value of the fee simple estate in the property, and
must reflect typical market conditions for properties similar to that property.*

Position of the Parties on the Assessment Equity Issue:

Complainant's Position

[5] The Complainant argued that the subject property carries "extra" land of some 37.89 acres, due to less than typical site coverage. Typical site coverage is 30% while the subject site coverage is 21.17%. In order to arrive at a suitable estimate of equitable market value for the subject property, it is necessary to establish a market value estimate for the "extra" 37.89 acres on the parcel and then add that to the estimated value of the improvement.

[6] The Complainant explained that their method for estimating the value of vacant industrial land is based on observing market sales of industrial parcels, 10 acres or larger during the period 2010-2012 and calculating a variance based on parcel size. A chart listing the sales is included in Exhibit C1 page 8.

[7] The Complainant further explained that use of a binomial curve allowed a formula to be developed from the sales analysis, which in their view produces a predictable estimate of market value based on parcel size. An estimated land value rate of \$290,225 per acre for the 37.89 acres of "extra" land on the subject parcel is proposed. The extra land value is therefore estimated to be \$11,367,000(rounded).

[8] The Complainant identified the property at 6336 114 AV SE., as the best comparable property for estimating the equitable improvement value for the subject. The property is included in a chart of seven equity comparable properties submitted by the Complainant(Exhibit C1 page 8), and has been assessed at \$91.75psf. Applying this unit value to the subject yields an improvement value estimate for the subject property of \$108,985,513.

[9] Adding the estimated value of the "extra" land(i.e \$11,367,000), and the estimated improvement value(i.e. \$108,985,513), results in a total estimated assessment value for the subject property of \$120,352,513. The Complainant is therefore requesting a revised assessment of \$120,350,000(rounded).

Respondent's Position

[10] The Respondent argued that the methodology used by the Complainant to propose a land value estimate of \$290,225 per acre for the "extra" land on the subject property is not correct. The Respondent noted that the assessment rates for non-residential industrial land applied by the City of Calgary(Exhibit C1 page A-14&15), make allowance for the diminishing returns on large parcels.

[11] For example applying the allowances for diminishing returns using City rates for the 37.89 acres of "extra" land would produce a land value estimate of \$16,576,000. Adding the improvement value of \$108,985,313 estimated by the Complainant, produces a total assessment value estimate of \$125,552,513; which is within 3% of current assessment.

[12] The Respondent analyzed the land sales used by the Complainant, adjusting the sale prices of comparable property for time. City assessed land rates were applied to the parcels, producing an assessment value estimate. The value estimates were divided by the time adjusted sale prices to produce an assessment to sale ratio(ASR) for each comparable. The process is documented in Exhibit R1 pages 77-79.

[13] The Respondent noted that an ASR of 1.00 is the objective of the direct sale comparison approach to producing market value assessment estimates. The Respondent submitted a chart(Exhibit R1 page 76), showing their analysis of the Complainant's land sale comparables produced ASR results ranging from a low of 0.94 to a high of 1.20 with an average of 1.01 and a median of 1.00.

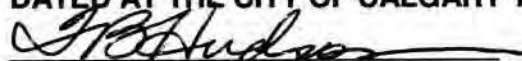
[14] The subject property has much lower site coverage and a larger parcel size than any of the Complainant's equity comparable properties, which makes the subject property more valuable. The Respondent submitted a chart(Exhibit R1 page 80), demonstrating that when the value estimates are adjusted based on the site coverage of each comparable property, the adjusted assessed values per square foot for the comparables support the equity of the subject property assessment.

Board Reasons for Decision:

[15] The Complainant's methodology was successful in producing a reduced estimate of value for the subject property. However, the evidence of the Respondent with respect to the adjustment of value estimates based on the variance in site coverage, was more compelling in demonstrating the equity of the assessment.

[16] The Respondent produced evidence to show that the land rates used to prepare assessments for industrial land, produced value estimates that compare favourably with market sale prices. The Complainant did not submit any evidence in this regard.

DATED AT THE CITY OF CALGARY THIS 16 DAY OF August 2013.



T. B. Hudson

Presiding Officer

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

NO.	ITEM
1. C1	Complainant Disclosure
2. 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

<i>Decision No. 71214P-2013</i>		<i>Roll No.031021108</i>		
<u>Subject</u>	<u>Type</u>	<u>Sub-Type</u>	<u>Issue</u>	<u>Sub-Issue</u>
CARB	Warehouse I-G	IWS	Equity	Site Coverage vs Extra Land