



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:

***Hanover Property Management Ltd.
(represented by Altus Group), COMPLAINANT***

and

The City Of Calgary, RESPONDENT

before:

***Ms. V. Higham, PRESIDING OFFICER
Mr. P. Loh, BOARD MEMBER
Mr. J. Mathias, BOARD MEMBER***

This is a complaint to the Calgary Assessment Review Board (the Board) in respect of a property assessment prepared by the Assessor of The City of Calgary (the City) and entered in the 2014 Assessment Roll as follows:

ROLL NUMBER:	097003909
LOCATION ADDRESS:	5920 40 Street SE Calgary, Alberta
FILE NUMBER:	75613
ASSESSMENT:	\$5,570,000

This complaint was heard on the 2nd day of July, 2014 at the office of the Calgary Assessment Review Board located at Floor Number 4, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 4.

Appeared on behalf of the Complainant:

- **Mr. J. Weber** **Agent, Altus Group**

Appeared on behalf of the Respondent:

- **Mr. J. Ermube** **Assessor, City of Calgary**
- **Mr. T. Luchak** **Assessor, City of Calgary**

Procedural or Jurisdictional Matters:

- [1] Neither party objected to the composition of the Board as introduced at the hearing.
- [2] The Board notes an executed Agent Authorization Form present in the file.
- [3] All disclosure materials were received in a timely fashion.
- [4] No preliminary issues were raised by either party.
- [5] Upon request, the Board agreed to carry forward the Complainant's rebuttal evidence and arguments from "lead file" #73960 heard by this panel during the same week.

Property Description:

- [6] The subject is assessed as a single tenant industrial warehouse property (IWS), located at 5920 40 Street SE on 3.68 acres of land. With 29% site coverage, the parcel is improved by one building constructed in 1976, comprising 51,200 square feet (sf) of space, and assessed at \$109 per square foot (psf) based on a direct sales approach to value.

Issues:

- [7] The Complainant identified one matter on the Complaint Form as under complaint, being the assessment amount. During the hearing, the Complainant requested a different assessment amount (\$3,990,000) than originally noted on the Complaint Form (\$4,900,000), and raised the following issue for the Board's consideration:

- 1) What is the correct psf value to apply to the subject property: the assessed \$109 or the requested \$78?

Complainant's Requested Value: \$3,990,000

Board's Decision: The Board varies the subject assessment from \$5,570,000 down to **\$4,710,000.**

Legislative Authority, Requirements and Considerations:

[8] A Composite Assessment Review Board (CARB) derives its authority from the *Act*, section 460.1, which reads as follows:

- (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).

Section 293 of the *Act* requires that:

- (1) In preparing an assessment, the assessor must, in a fair and equitable manner,
 - (a) apply the valuation and other standards set out in the regulations, and
 - (b) follow the procedures set out in the regulations.

Section 2 of the *Matters Relating to Assessment and Taxation Regulations* (the *MRAT*) states:

- (2) An assessment of property based on market value
 - (a) must be prepared using mass appraisal,
 - (b) must be an estimate of the value of the fee simple estate in the property, and
 - (c) must reflect typical market conditions for properties similar to that property.
- 4(1) The valuation standard for a parcel of land is
 - (a) market value, or
 - (b) if the parcel is used for farming operations, agricultural use value.

Position of the Parties

Issue: What is the correct psf value to apply to the subject property: the assessed \$109 or the requested \$78?

Complainant's Position:

[9] The Complainant submitted a table of four sales, with median/mean rates of \$93 and \$91 per square foot (psf) respectively, acknowledging that his sale #3 (6565 40 Street SE) is non-arms-length, included in the study for trending purposes only.

[10] The Complainant highlighted his sale comparable (comp) #1 as "literally pound for pound" comparable to the subject in virtually every respect, and thus based his requested \$78 psf rate on the time adjusted sale price (TASP) of this one comp.

[11] In rebuttal, the Complainant defended his comp #4 (challenged by the Respondent), noting that the City validated this sale in its regression analysis model, and that the capital expenditure in question was made to raise rental rates in the property, and did not adversely affect the sale price.

Respondent's Position:

[12] The Respondent submitted the City's table analysing five sales (two of which are common to the Complainant's study), reflecting median/mean rates of \$116 and \$117 psf respectively. The Respondent noted that his most comparable sale was #1 (6213 29 Street SE), reflecting a TASP of \$142 psf.

[13] The Respondent asked the Board to exclude the Complainant's comp #3, being a non-arms-length transaction.

[14] The Respondent challenged the reliability of the Complainant's comp #4 (4420 75 Avenue SE), arguing that the sale of this property was not typical, owing to the high interest rate attached to the sale, and the role financing played in concluding the transaction.

[15] The Respondent submitted an email correspondence he received from the broker of the property in question, Mr. Daniel Goldstrom, who confirmed that the parcel was in a state of "disrepair" and required a capital expenditure of approximately \$800,000 in order to "bring the building and grounds to market standard for a lease up [value] at \$8-9 sf stepped over a 3-5 year period."

[16] The Respondent noted that adding the \$800,000 into the value of the sale price yields a rate of \$120 psf for the property, which represents a truer reflection of market value for this property.

[17] The Respondent further argued that the City's study better reflects typical market value for the subject, since it included a larger sample size of comparable sales than does the Complainant's.

Board's Reasons for Decision:

[18] The Board finds that the correct value to apply to the subject is \$92 psf, based on the average of the three most comparable sales submitted by both parties.

[19] In analysing these respective sales, the Board acknowledges that all property characteristics influence the City's regression analysis in some manner, but some influence value more than others.

[20] Since no evidence was submitted by either party relative to how the Board might quantify the various factor adjustments needed to make the sales more reliably comparable to the subject, the Board focused on three key factors: *building size*, *year of construction*, and *site coverage* as most relevant to its analysis.

[21] The Board considered the Complainant's request to value the subject based solely on the TASP rate of his best comp (3131 57th Avenue SE), being nearly identical to the subject in every characteristic. The Board questioned the cause of the \$20 psf difference in value between that sale and the Complainant's comp #2, notwithstanding the two properties are so closely similar to each other and to the subject, and finds that a broader sample size would better reflect market value in this case.

[22] The Board excluded the Complainant's comp #3 (6565 40 Street SE), being non-arms-length.

[23] With respect to the Complainant's comp #4 (4420 75th Avenue SE), the Board carefully reviewed Mr. Goldstrom's email response, and the sales assessment request for information (ARFI) in R1, and finds the issue of when this expenditure was actually made (before or after the sale) is subject to interpretation, being inconclusive of either the Respondent's or the Complainant's arguments.

[24] Since the City validated and used this sale in its regression analysis model, and since the Board finds no conclusive evidence discrediting the sale, the Board accepted the sale at face value for the purpose of this analysis.

[25] The Board excluded the Respondent's comps #2 and #5 as being too new to be reliably comparable, as well its comp #1 due to the significantly smaller building size and substantially lower site coverage than the subject.

[26] The Board thus determines that the remaining three properties (Complainant's comps #1, #2, and #4, the first two being common to both parties) are the most comparable sales relative to the subject.

[27] The average of these yields a rate of \$92 psf, which the Board finds is the best indicator of value for the subject based on the evidence submitted.

Board's Decision:

[28] For reasons outlined herein, the Board varies the subject assessment from \$5,570,000 down to **\$4,710,000**.

DATED AT THE CITY OF CALGARY THIS 30th DAY OF July 2014.



V. Higham, Presiding Officer

APPENDIX "A"

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

NO.	ITEM
1. C1	Complainant's Disclosure
2. R1	Respondent's Disclosure
3. R2	Respondent's Disclosure
4. 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.*

For Administrative Use Only – Roll Number 097003909

Municipal Government Board Use Only: Decision Identifier Codes				
Municipality/Appeal Type	Property Type	Property Sub-Type	Issue	Sub-Issue
Calgary CARB	Warehouse	Warehouse-Single	Sales Approach Equity	Land & Improvement Comparables