

**NOTICE OF DECISION****NO. DL 028/06**

Altus Derbyshire  
Division of Altus Group Limited  
800, 1333 8 Street SW  
Calgary, Alberta  
T2R 1M8

City Assessor (8002)  
City of Calgary  
PO Box 2100 Stn M  
Calgary, Alberta  
T2P 2M5

This is the decision of the Municipal Government Board (MGB) from a hearing held December 15, 2005, respecting appeals from the decisions of the 2005 Assessment Review Board (ARB) of the City of Calgary.

**Before:** N.A. Dennis, Presiding Officer  
S. Cook, Member  
G. Leadbeater, Member

**K.E.G. Investments Ltd., represented by Altus Derbyshire - Appellant -  
vs. City of Calgary – Respondent**

<b>Roll No.</b>	<b>Civic Address</b>	<b>Assessment</b>
<b>116022302</b>	<b>5110 - 76 Avenue SE</b>	<b>\$1,600,000</b>
<b>116024605</b>	<b>7580 - 48 Street SE</b>	<b>\$2,180,000</b>
<b>116507369</b>	<b>5010 - 76 Avenue SE</b>	<b>\$934,000</b>
<b>116507385</b>	<b>5050 - 76 Avenue SE</b>	<b>\$798,000</b>
<b>116024308</b>	<b>5151 - 74 Avenue SE</b>	<b>\$1,830,000</b>
<b>116507328</b>	<b>7555 - 41 Street SE</b>	<b>\$1,610,000</b>

**Background**

The six properties under appeal are industrial warehouses located in the Foothills Industrial Park in southeast Calgary. The Appellant contends that the current assessment is incorrect for the following reasons.

1. The rental rate has been inconsistently applied, and
2. The capitalization rate used by the City is incorrect.

The City assessor counters with the evidence that existing lease rates taken from the subject properties, as well as assessment comparable properties supports the current lease rental rate of \$7.00 per square foot as being the market rent.

The issue before the MGB was to determine appropriate rental rates, as a preliminary matter to the assessment hearing. Both parties had agreed to limit the hearing to evidence and argument on rental rate only, a decision on which would ultimately be mathematically combined with the capitalization rate. Subsequent to the December 15, 2006 hearing, the City of Calgary and Altus Derbyshire provided a joint recommendation on a capitalization rate for industrial warehouse properties. For these particular properties, being 1994 and older, a capitalization rate of 9.25% was established and agreed to by both parties. As stated above, the MGB finds that the capitalization rate is no longer an issue that is before the MGB.

### **Rental Rates**

#### **Equity Comparables**

Both parties put forth a number of comparables. The Appellant's list of "similar buildings" 13 in total, contained buildings that were 10 to 12 years older and were achieving rental rates of \$5.50 to \$6.00 per square foot. Only one building was constructed in the early 90's, similar to the subject properties and it was achieving \$5.75 per square foot rent, but with an 18 foot height compared to the subject properties with wall heights ranging from 20 to 28 feet. The assessor provided four equity comparables that were built in the early 90's that were being assessed at \$7.00 per square foot. The MGB placed little weight on the Appellant's comparables because of the significant age difference of 10 to 12 years. The greatest weight was given to the Respondent's comparables, which supported an equitable assessment for the subject.

#### **Lease Rental Rates**

Perhaps the most compelling evidence put forth on rental rates was provided by the Respondent assessor, who provided the lease rates for the subject properties and comparables. A total of 13 leases were provided for 1990 and newer buildings, three of which were for the subject properties. The medium lease value was established at \$7.36 per square foot and the three in the subject properties were as follows.

\$8.50 per square foot (August 2002 for 5 years)  
\$7.35 per square foot (February 2002 for 3 years)  
\$7.00 per square foot (January 2004 for 5 years).

The Appellant also provided a list (13) of leasing activity; but once again on late 70's early 80's properties that yielded a lower value (range \$5.00 to \$6.50 per square foot). Again the MGB places greater weight on the Respondent's comparables because of the greater similarity of age.

In conclusion, the MGB accepts the \$7.00 per square foot as being the market rent for the six subject properties.

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Using the accepted capitalization rate of 9.25% and the established rental rate of \$7.00 per square foot, the assessments are set as follows.

<b>Roll No.</b>	<b>Civic Address</b>	<b>Assessment</b>
<b>116022302</b>	<b>5110 - 76 Avenue SE</b>	<b>\$1,550,000</b>
<b>116024605</b>	<b>7580 - 48 Street SE</b>	<b>\$2,120,000</b>
<b>116507369</b>	<b>5010 - 76 Avenue SE</b>	<b>\$905,000</b>
<b>116507385</b>	<b>5050 - 76 Avenue SE</b>	<b>\$775,000</b>
<b>116024308</b>	<b>5151 - 74 Avenue SE</b>	<b>\$1,780,000</b>
<b>116507328</b>	<b>7555 - 41 Street SE</b>	<b>\$1,566,000</b>

No costs to either party.

Dated at the City of Edmonton, in the Province of Alberta, this 5<sup>th</sup> day of April 2006.

MUNICIPAL GOVERNMENT BOARD

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(SGD.) N. Dennis, Presiding Officer

cc: - Bernice Lee, Assessment Review Board, City of Calgary,  
4<sup>th</sup> Floor, 1212 31 Avenue NE, Calgary, AB T2E 7S8  
- K.E.G. Investments Ltd., 7555 51 Street SE, Calgary, AB T2C 4A6