

**CALGARY
ASSESSMENT REVIEW BOARD
DECISION WITH REASONS**

In the matter of the complaint against the Property/Business assessment as provided by the *Municipal Government Act*, Chapter M-26.1, Section 460(4).

between:

Assessment Advisory Group, COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

H. Kim, PRESIDING OFFICER

D. Pollard, MEMBER

T. Usselman, 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 2010 Assessment Roll as follows:

ROLL NUMBER:	201153053
LOCATION ADDRESS:	9915 52 St SE
HEARING NUMBER:	58544
ASSESSMENT:	7,560,000

This complaint was heard on the 18th day of June, 2010 at the office of the Assessment Review Board located at Floor Number Four, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 6.

Appeared on behalf of the Complainant:

- *Yuan Tao*
- *Troy Howell*

Appeared on behalf of the Respondent:

- *Ian McDermott*

Property Description:

The subject is a single tenant industrial property consisting of two buildings:

- 1) 10,536 square feet constructed in 1985 and
- 2) 28,740 square feet including 6624 sq. ft. of below-grade space constructed in 1996.

The two buildings are located on a 9.05 acre parcel in the South Foothills Industrial area. The parcel has 8.28% site coverage and is zoned Industrial General (I-G). The assessment is based on sales comparables.

Issues:

The Complainant identified two issues on the Complaint form:

1. The assessed value is not reflective of the property's market value.
2. The assessed value is inequitable with comparable property assessments.

Complainant's Requested Value: \$5,500,000 (revised to \$5,350,000 at the hearing)

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

At the hearing, Issue 2 was not argued so the hearing focussed on Issue 1. Issue 1 had two sub-issues: whether an adjustment for shape and utility of the parcel should be considered in evaluating comparable sales and whether the below-grade area of Building 2 should be included in the rentable area.

Issue 1: Adjustment for Parcel Shape

Complainant's position:

The assessment was prepared using sales of similar sized buildings, with Building 1 assessed at \$222.91/sq. ft. and Building 2 at \$181.58/sq. ft. There is no adjustment for shape as there would be on a vacant parcel, but the shape adjustment for vacant parcels is 25%. The Complainant presented an aerial photograph showing the parcel as a very elongated triangle with development restrictions at 52 St SE and a Utility Right of Way running through the centre of the site at the end of 48 St SE. Both the shape of the parcel and the UROW severely limit the utility of the land. It would be reasonable to reduce the nominal land area by 25% and view the site coverage as 11% instead of 8.28%.

He presented three comparables for Building 2, industrial properties in Foothills and South Foothills ranging in size from 27,260 sq. ft. to 32,210 sq. ft. that sold between July 2008 and August 2009 for \$110 to \$182 per sq. ft. He applied adjustments for location, sale date, building size, site coverage and year of construction totalling -5% to -15% to arrive at an average value per square foot of \$143.

Only one comparable for Building 1 was presented. It was a 10,835 sq. ft. property in Foothills that sold in September 2008 for \$198/sq. ft. This sale was adjusted -10% for location. In the Complainant's opinion, Foothills is a better location because it is fully serviced whereas South Foothills is only partially serviced, and subject to a local improvement levy to pay for services as they are installed. This sale was also adjusted -10% for sale date, +5% for site coverage and +10% for year of construction for a total adjustment of +5% for an adjusted value per square foot of \$208.

The Complainant requested the assessment be reduced to apply \$143 per square foot to the larger building and \$208 per square foot to the smaller building.

Respondent's position:

The Respondent stated that the sharp point of the triangle was being used to park vehicles, as could be seen on the aerial photograph. As the entire site is being used, there should be no reduction applied for shape.

The Respondent presented six comparable sales for Building 1 and six comparables for Building 2, in various areas of the South East Industrial zone. The Building 1 comparables sold between October 2006 and September 2008 for buildings ranging from 9,943 to 16,939 sq. ft. with time adjusted sale prices per square foot from \$184 to \$246. The Building 2 comparables sold between June 2007 and June 2009 for buildings ranging from 17,550 to 32,338 sq. ft. with time adjusted sale prices per square foot from \$140 to \$226.

The method of assessment for multi-building industrial properties has changed for 2010. They are now being assessed using sales of similar sized single-building properties of similar site coverage, and the values added together. The Respondent disputed the validity of the Complainant's sales evidence, stating that the adjustments were unsupported. For example, the Complainant's time adjustment of -10% for September 2008 to June 2009 is substantially more than the -4.5% from the City's analysis. The Respondent also believes the adjustment for location is not warranted, and that Foothills and South Foothills are equivalent locations. He stated that the sales support the assessed rates.

Decision and Reasons:

The sharp point of the triangle is used for parking, but is clearly of lesser utility both in terms of developable area for buildings and convenience of parking for the buildings that do exist on the site. The Board agrees that a reduction of 25% of the site area is reasonable in analyzing the value of the site. Therefore, in determining value per square foot of the property, viewing the site as having 11% site coverage as opposed to 8.28% is appropriate. The Board considered the best comparable for Building 2, submitted by both the Respondent and the Complainant, at 9415 48 St SE. It is in South Foothills, the same area as the subject and sold in June 2009, the valuation date. It has 12% site coverage compared to the imputed 11% for the subject. The

\$141/sq.ft. selling price of this comparable is a reasonable estimate of the value per square foot of Building 2. With respect to Building 1, the single comparable presented by the Complainant is too dissimilar to the subject to support a change in the rate used in arriving at the assessment.

The Board notes that the configuration of the subject property allows it to be readily used by two independent tenants. The Board is of the opinion that assessing the subject as the sum of the value of its individual buildings without adjustment for the single title allows a reasonable approximation of market value. Accordingly, the Board's decision on this issue is Building 1 remain at its current rate and Building 2 be reduced to \$141 per square foot of rentable area.

Issue 2: Rentable Area

Complainant's position:

Building 2 consists of 28,740 square feet of which 6,624 sq. ft. is below grade. The Complainant stated that typically below-grade space is not included in rentable area calculations and therefore the area of Building 2 should be 22,116 sq. ft. not 28,740.

Respondent's position:

The below-grade space is not fully below grade. It is a bi-level space with windows, used as offices, not storage as is typical for below-grade space. The Respondent presented the Assessment Request for Information form for the subject, demonstrating that the area in question was not deducted from the leasable area and the same rate was paid on the full space.

Decision and Reasons:

The below-grade space should be included in the rentable area. The Board agrees with the Respondent that since it is partially above grade, being used as office space and leased at the same rate as the balance of the space it is not comparable to fully below-grade space that can only be used for storage. Accordingly, the rentable area of Building 2 should be 28,740 sq. ft.

Board's Decision:

The complaint is allowed, in part, and the assessment is reduced to \$6,400,000.

DATED AT THE CITY OF CALGARY THIS 6th DAY OF July 2010.



Presiding Officer

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.*