

**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(4).

**between:**

***Altus Group, COMPLAINANT***

**and**

***The City Of Calgary, RESPONDENT***

**before:**

***W. Kipp, Presiding Officer***

***Y. Nesry, Member***

***J. Massey, Member***

This is a complaint to the Calgary Assessment Review Board in respect of Property assessment prepared by the Assessor of The City of Calgary and entered in the 2010 Assessment Roll as follows:

<b>ROLL NUMBER:</b>	<b>115060303</b>
<b>LOCATION ADDRESS:</b>	<b>3503 – 62 Avenue SE, Calgary AB</b>
<b>HEARING NUMBER:</b>	<b>59945</b>
<b>ASSESSMENT:</b>	<b>\$2,200,000</b>

This complaint was heard on the 22<sup>nd</sup> day of June, 2010 at the office of the Assessment Review Board located at Floor Number 3, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 9.

Appeared on behalf of the Complainant:

- John Smiley

Appeared on behalf of the Respondent:

- Ian Baigent, Irene Pau

**Property Description:**

The property which is the subject of this complaint is a 13,440 square foot industrial building in Foothills Industrial. About 32 percent of this area is developed as offices. Assessment records show the year of construction as 1974. The area of the subject lot is 1.15 acres indicating a site coverage ratio of 26.9 percent.

**Issues:**

The Complainant raised the following matters in section 4 of the complaint form: Assessment amount and Assessment class.

The Complainant also raised the following specific issues in section 5 of the Complaint form:

1. The subject property is assessed in contravention of Section 293 of the Municipal Government Act and Regulation 220/2004.
2. The use, quality and physical condition attributed by the municipality to the subject property is incorrect, inequitable and does not satisfy the requirement of Section 289(2) of the Municipal Government Act.
3. The assessed value should be reduced to the lower of market value or equitable value based on numerous decisions of Canadian Courts.
4. The information requested from the municipality pursuant to Section 299 or 300 of the Municipal Government Act was not provided.
5. The characteristics and physical condition of the subject property support the use of the income approach utilizing typical market factors for rent, vacancy, management, non-recoverables and cap rates; indicating an assessment market value of \$125 per square foot.
6. The assessment regression model method is incorrect and does not accurately reflect the market value for assessment purposes of the subject property.
7. The aggregate assessment per square foot applied is inequitable with the assessments of similar and competing properties and should be \$132 per square foot.
8. The aggregate assessment per square foot applied to the subject property does not reflect market value for assessment purposes when using the direct sales comparison approach and should be \$140 per square foot.

It was noted by the Board that the rates per square foot cited in issues 5, 7 and 8 had changed between the date the Assessment Review Board Complaint form was filed and the date that the Complainant's evidence was submitted.

At the hearing, the Complainant stated that only issues 5, 7 and 8 from the above list remained in dispute.

**Complainant's Requested Value:**

\$1,680,000

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

For consistency, the issues will be numbered 5, 7 and 8 as set out above.

**Issue 5:**

The income approach was based on a vacancy allowance of 5.0% and a capitalization rate of 8.0% based on industry reports (Altus In-site and Colliers International). The Complainant stated that Altus Group conducted a capitalization rate study for Calgary industrial properties but that study had not been completed by the date of filing evidence, thus the reliance was put on capitalization rates as reported in the industry periodicals.

The first step in the income analysis undertaken by the Complainant was to determine what the lease rate (rent rate) would have to be in order to support the assessment of \$2,200,000. Using what was sometimes referred to as a "reverse income approach" during the hearing, it was determined that the lease rate would have to be \$13.78 per square foot. Based on a market rent analysis, the Complainant found that the market rent that would be applicable to the subject building would be \$10.50 per square foot. When that rent was input into the income approach formula, the indicated property value was \$1,675,800 or \$124.69 per square foot of building area.

The Respondent questioned the comparability of the Complainant's rent comparables, asking whether such factors as site coverage and the extent of office finish were taken into account in making comparisons.

**Findings:**

The Board finds that the income approach is an acceptable valuation method for multi-tenant industrial properties that are leased to a number of tenants. In this instance, the Complainant provided only industry survey reports to support the vacancy rate and capitalization rate used in the valuation. The Board will accept those reports as support for an independently completed analysis but is reluctant to place full weight on them in the absence of independent analyses. The Complainant's rent analysis included lease data from many properties but there was only a limited amount of detail. It was therefore not possible to make accurate comparisons between the subject and the comparables. Three of the lease transactions were from the subject building. These showed rents of \$12.50 per square foot (November 2008 lease), \$10.50 per square foot (June 2009 lease) and \$8.50 per square foot (August 2009 lease). While these three leases indicate that rents may have been dropping between late 2008 and mid-2009, other lease data for that period did not show the same trend as clearly. In conclusion, while the income approach might be relied upon to value multi-tenant industrial properties, there was insufficient evidence before the Board in this instance to sway the Board to rely on the Complainant's valuation.

**Issue 7:**

In the equity analysis, the Complainant compared the subject property to three other Foothills Industrial properties. All three were of similar age to the subject and had a similar ratio of office finish. All three contained larger buildings and higher site coverage ratios (33% to 37.6%). The

assessment rates ranged from \$119 to \$132 per square foot of building area. From these comparables, the Complainant concluded that an appropriate rate for the subject was \$132 per square foot of building area.

The Respondent provided assessment details on five properties that it considered comparable to the subject. The buildings were all smaller than the subject. Years of construction ranged from 1968 to 1981 compared to 1974 for the subject. Office finish ratios ranged from 16% to 58%. Site coverage ratios ranged from 26% to 33%. The assessment rates for these properties ranged from \$150 to \$177 per square foot.

**Findings:**

In all, the evidence included data on eight equity comparables, all with a satisfactory degree of comparability to the subject, yet there was not enough evidence to explain how seemingly similar properties could have assessment rates that were so dissimilar. It was the conclusion of the Board that no adjustment could be made to the subject assessment on the ground of equity.

**Issue 8:**

In applying the direct sales comparison valuation, the Complainant detailed six sales of industrial properties that occurred between November 2007 and January 2009. Building sizes ranged from 9,943 to 19,920 square feet, bracketing the subject's area of 13,440. Ages ranged as did site coverages and ratio of office finish. The sales prices, time adjusted in similar fashion to the way the Respondent does time adjustments, indicated value rates from \$115 to \$205 per square foot of building area. From the data, the Complainant concluded that the appropriate rate for application to the subject was \$140 per square foot for a value of \$1,880,000.

Six sales were analysed by the Respondent. These sales occurred between July 2006 and June 2009 at unit prices from \$155 to \$245 per square foot of building area. All but one of the buildings were substantially smaller than the subject. Ages varied but not too significantly. Office finish ratios were from 13% to 68%. Site coverage ratios ranged from 16% to over 36%.

**Findings:**

The Board finds that most of the Respondent's sales had buildings that were much too small to compare to the subject without making substantial adjustments and that there was no evidence before the Board upon which to base adjustments. Three of the Complainant's sales were found to be particularly useful. These indicated a value rate of the order of \$135 per square foot of building area.

**Board's Decision:**

The best supported evidence in this hearing was considered to be the market sales evidence. For typical industrial properties, the Board considers the comparison approach to be valid because the majority of the sales evidence pertains to typical properties. The extension of the \$135 per square foot rate found in the sales evidence indicates a value of \$1,814,400 for the subject. This indicator is supported to some extent by the income approach conducted by the Complainant.

The 2010 assessment for the subject property is therefore set at \$1,814,000.

DATED AT THE CITY OF CALGARY THIS 15<sup>th</sup> DAY OF July 2010.

  
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W. Kipp  
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.*