

**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-26.1, Section 460(4).

**between:**

***Altus Group, COMPLAINANT***

**and**

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

**before:**

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

***Y. Nesry, Board Member***

***J. Massey, Board 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:

**ROLL NUMBER: 115054405**

**LOCATION ADDRESS: 8203 – 31 Street SE, Calgary AB**

**HEARING NUMBER: 56048**

**ASSESSMENT: \$1,690,000**

This complaint was heard on the 25<sup>th</sup> day of June, 2010 at the office of the Assessment Review Board located at Floor Number 4, 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:**

A multi-bay, multi-tenant industrial warehouse property located in the Foothills Industrial area of southeast Calgary. The 1973 building contains a rentable area of 11,250 square feet, 22% of which is developed as office space. The building occupies a 0.74 acre serviced industrial lot. The site coverage ratio for the building on this property is 34.86%.

**Issues:**

The Complainant raised the following matters in section 4 of the complaint form: Assessment Amount; 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 Alberta 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 assessment of the subject property is in excess of its market value for assessment purposes
5. The assessment of the subject property is not fair and equitable considering the assessed value and assessment classification of comparable properties
6. The information requested from the municipality pursuant to Section 299 or 300 of the Municipal Government Act was not provided
7. Due to the characteristics and physical condition of the subject property, the income approach would yield a more reliable estimation of market value for assessment purposes
8. The indicated value returned by the income approach is \$107 per square foot
9. 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 \$125
10. The assessment regression model method used is incorrect and does not accurately reflect the market value for assessment purposes of the subject property
11. The aggregate assessment per square foot applied is inequitable with the assessments of other similar and competing properties and should be \$130

However, at the hearing, only the following issues were addressed by the Complainant: Equity (Issues 5 and 11) and Value by Income Approach (Issue 8)

**Complainant's Requested Value:**

\$1,200,000

**Board's Decision in Respect of Each Matter or Issue:****Issue 1: Equity**

Assessment comparables were provided by both the Complainant (4 comparables) and the Respondent (4 comparables). 3 of the 4 comparables provided by the Complainant were single occupancy properties whereas all other comparables were multi-tenant properties. All of the Complainant's comparables had larger buildings while those of the Respondent bracketed the subject's floor area. Ages of all comparables were relatively close to that of the subject. Site coverage ratios were all within an acceptable range (30% to 37.57%) which bracketed the subject's 34.86% coverage ratio. Notwithstanding the many similarities of all eight equity comparables, assessed values per square foot ranged from \$131.68 to \$163 per square foot. The subject assessment is at \$150.22 per square foot.

**Findings**

In view of the above evidence, the CARB finds as follows with respect to Issue 1:

All of the assessment comparables have similarities to the subject property. Overall, the assessed rates from \$132 to \$163 support the \$150 rate on the subject. The CARB finds that there is no evidence to warrant any adjustment to the subject assessment on the ground of equity.

**Issue 2: Value by Income Approach**

The assessment model used by the City of Calgary for industrial properties relies upon application of a mass appraisal model of the direct sales comparison approach. The City does not value typical industrial properties using an income approach and no income approach was applied by the Respondent in the evidence before the Board in this hearing.

The Complainant began with a "reverse" application of the income approach valuation formula. Using an 8.0% capitalization rate and a 3.0% annual vacancy allowance and 2.0% non-recoverable expense allowance, the Complainant worked backwards from the \$1,690,000 assessment to determine that, given those parameters, the building would have to be leased at an average rate of \$12.64 per square foot in order to arrive at the \$1,690,000 value. The Respondent did not present any disagreement with the input coefficients regarding vacancy, non-recoverables or capitalization rate.

Secondly, the Complainant provided a rent roll for the subject property. Five of the six leases for space in the building had commenced since January 2008. The most current commencement date was April 1, 2009. Three of the five leases showed a rental rate of \$9.00 per square foot. A March 2009 lease was at \$10.00 per square foot and the April 2009 lease was at \$7.00 per square foot. Based on this rent roll, the Complainant found a market or typical rental rate for the property at \$9.00 per square foot. When this rent was input into the formula, using a 5.0% vacancy and 8.0% capitalization rate (there was no 2.0% non-recoverable expense allowance), the indicated property value was \$1,202,344 or approximately \$106.88 per square foot of building area.

**Findings**

The Board accepts the Complainant's income approach valuation as a reliable indicator of value. The input coefficients were supported with market evidence that was not contested by the Respondent. The rent, in particular, was strongly supported by the rent roll for the subject property.

**Board's Decision:**

The Respondent's evidence in this case had regard only to the equity issue raised by the Complainant. The income approach applied by the Complainant was based on supported market data and it was not contested by the Respondent.

The CARB finds that the income approach valuation undertaken by the Complainant provides a realistic market value estimate for the property. The assessment is therefore reduced to \$1,200,000.

This market valuation is lower, on a per square foot basis, than any of the equity comparables in evidence, however, the value was found to be reliable and should therefore set the assessment amount.

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.*