

**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, Section 460(4).

between:

Altus Group Ltd., COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

M. Vercillo, PRESIDING OFFICER

I. Fraser, MEMBER

A. Zindler, 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: 033026402

LOCATION ADDRESS: 1221 45 AV NE

HEARING NUMBER: 59259

ASSESSMENT: \$2,180,000

This complaint was heard on 21st day of July, 2010 at the office of the Assessment Review Board located at Floor Number 4, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom #3.

Appeared on behalf of the Complainant:

- Mr. G. Kerslake (Altus Group Ltd.)

Appeared on behalf of the Respondent:

- Mr. M. Berzins (The City Of Calgary)

Board's Decision in Respect of Procedural or Jurisdictional Matters:

NA

Property Description:

The subject property is an industrial property containing one multi tenanted building constructed in 1969. The subject property is located in the "McCall Industrial Park" district of NE Calgary. The building has a net rentable area of approximately 12,840 square feet (SF). The building is situated on an assessable land area of approximately 50,965 SF resulting in a building to site coverage of approximately 25%.

Issues:

The Complainant listed 8 points in his grounds for appeal, but during the hearing spoke specifically to the following issues:

- 1) The assessment regression model method used by the Respondent, failed to properly stratify or group sales of industrial property, included sales that have not been appropriately adjusted to reflect market conditions, and included sales that should not have been included and is therefore incorrect and does not accurately reflect the market value for assessment purposes of the subject property.
- 2) The aggregate assessment per square foot applied is inequitable with the assessments and sales of other similar and competing properties.

Complainant's Requested Value:

\$1,540,000 amended to \$1,350,000 (at hearing)

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

- 1) Issue 1 (as above).
 - a) The Complainant's evidence.
 - i) The Complainant provided a large document that was marked "Appendix A" and was entitled "Excerpts: Market Value And Mass Appraisal For Property Assessment In Alberta, Valuation Guide Introduction & Glossary". The Appendix is as stated in the title, a valuation guide for property assessment, describing the standard and accepted approaches to valuing property in Alberta. The Appendix also includes a capitalization rate (cap rate) study of various other industrial properties, Altus

investment trend surveys, legal submissions and other documentation. In addition, the Appendix includes a "2010 Improved Industrial Properties Sales Used" by the City of Calgary (City) in their Direct Sales Comparison approach to value the subject property.

- ii) The Complainant also provided new evidence not previously disclosed labelled by the Board as "Exhibit 1". The Exhibit contained recent Calgary Composite Assessment Review Board (CARB) decisions specifically related to industrial property valuation as well as excerpts from the Matters Relating to Assessment and Taxation Regulation (MRAT).
- b) The Respondent's evidence.
- i) The Respondent provided a brief summary of three generally accepted practices or approaches to the valuation of property. Within that summary the Respondent provided evidence that stated that due to the abundance of market sales, industrial warehouse properties have been valued based on the sales comparison approach. The Respondent quotes various assessors' manuals and guides that simply stated, justify his approach to value and the Multiple Regression Analysis methodology used to value comparable properties to the subject.
 - ii) The Respondent also provided new evidence not previously disclosed labelled by the Board as "Exhibit 2". The Exhibit also contained recent Calgary (CARB) decisions specifically related to industrial property valuation.
- c) In reviewing the information provided by both parties the Board finds:
- (1) That we agree with the decisions made in the previous Calgary CARB decisions concerning valuation methodology. Specifically, ARB 0522/2010-P – "In short, the Board does not intend to identify preference on the valuation approach used by either of the parties.....Composite Assessment Review Boards judge the fairness and equity of the assessments which result from the valuation process, not the valuation process itself". This finding was also supported in ARB 0638/2010-P.
- 2) Issue 2 (as above).
- a) The Complainant's evidence.
- i) An Income Approach to value calculation was provided for the subject property using a net rentable area of 12,840 SF. The Complainant used a rental rate of \$8.50 per SF (derived from a chart of comparable properties), a vacancy rate of 3%, a management fee of 2%, a cap rate of 8%, and arrived at an estimate of value of \$1,296,856 for the building. The subject property had a surplus of land valued by the Complainant at \$61,858. The total of the land and building estimate using the Income Approach was \$1,358,714.
 - ii) A chart of equity comparables was provided for multi tenanted industrial properties and their respective 2010 assessments. The size of the comparable properties ranged from 15,390 SF to 24,076 SF. The assessments per SF of the comparables ranged from \$126 to \$148 with a median of \$128. Using the median of \$128 per SF to a net rentable area of 12,840 SF, the Complainant derived a value of \$1,643,520 for the subject property. The subject is currently assessed at rate of \$170 per SF.
 - iii) A chart of direct sales comparables was provided for multi tenanted industrial properties. The size of the comparable properties ranged from 10,300 SF to 47,800 SF. The time-adjusted sales price per SF of the comparables ranged from \$101 to \$149 with a median of \$126. Using the median of \$126 per SF to a net rentable area

of 12,840 SF, the Complainant derived a value of \$1,617,840 for the subject property. Again, the subject is currently assessed at rate of \$170 per SF.

- b) The Respondent's evidence.
 - i) A chart of equity comparables was provided comparing the 2010 assessments of similar properties to the subject's property. The size of the comparable properties ranged from 10,010 SF to 15,952 SF. The assessments per SF of the comparables ranged from \$171 to \$196. The subject property has an assessment rate per SF of \$170.
 - ii) A chart of Industrial Sales Comparables was provided showing sales of comparable industrial buildings and their respective time-adjusted sale price per SF compared to the subject's assessment rate per SF. The chart indicates a range in sale price per SF of \$173 to \$230. Again, the subject property has an assessment rate per SF of \$170.
- c) In reviewing the information provided by both parties the Board finds:
 - i) That the Income Approach to value used by the Complainant, used a cap rate that was derived from dissimilar properties, using dissimilar rental rates, and then applied that cap rate to the subject.
 - ii) That the value derived from the Income Approach used by the Complainant is not supported by values derived by neither the equity comparables nor the direct sales analyses, also provided by the Complainant.
 - iii) That in his equity comparable analysis, the Complainant highlighted various differences of comparability from the equity comparables to the subject, but failed to make adjustments for those differences.
 - iv) That in his Direct Sales Approach to value, the Complainant highlighted various differences of comparability from the sales comparables to the subject, but failed to make adjustments for those differences.

Board's Decision:

The Board confirms the assessment at \$2,180,000.

DATED AT THE CITY OF CALGARY THIS 27 DAY OF July 2010.



Michael A. Vercillo

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.*