

**CITY OF CALGARY
ASSESSMENT REVIEW BOARD
DECISION WITH REASONS**

In the matter of a complaint filed with the City of Calgary Assessment Review Board pursuant to Part 11 of the *Municipal Government Act*, Chapter M-26, Revised Statutes of Alberta 2000 (the Act).

BETWEEN:

AEC International Inc., COMPLAINANT

and

The City Of Calgary, RESPONDENT

BEFORE:

J. Krysa, PRESIDING OFFICER

J. O'Hearn, MEMBER

D. Pollard, MEMBER

A hearing was convened on August 6, 2010 in Boardroom 10 at the office of the Assessment Review Board, located at 1212 - 31 Avenue NE, Calgary, Alberta in respect of the property assessment prepared by the assessor of the City of Calgary, and entered in the 2010 Assessment Roll as follows:

ROLL NUMBER:	075103101
LOCATION ADDRESS:	5115 Hubalta Road SE
HEARING NUMBER:	58598
ASSESSMENT:	\$1,770,000

PART A: BACKGROUND AND DESCRIPTION OF PROPERTY UNDER COMPLAINT

The subject property is a 0.87 acre parcel of land improved with a 12,600 sq.ft. multiple tenant industrial warehouse, constructed in 1964. The site coverage of the improvement is 32.8%.

PART B: PROCEDURAL or JURISDICTIONAL MATTERS

There were no procedural or jurisdictional matters raised by either party.

PART C: MATTERS / ISSUES

The Complainant raised the following matters in section 4 of the complaint form:

3. an assessment amount

The Complainant set out 3 issues for complaint in Section 5 of the Complaint form, with a requested assessed value of \$1,200,000, however at the hearing the Complainant stated the following issues were in dispute:

Issue 1: The income approach predicts a value of \$1,005,000.

Issue 2: An equity analysis indicates the subject is inequitably assessed in relation to similar property; it should be \$1,296,000.

The Complainant requests the assessment be set at a value of \$1,005,000.

Issue 1: The income approach predicts a value of \$1,005,000.

The Complainant argued that the value of the subject property is negatively impacted as a result of its location in an area that is neither suitable, nor configured for redevelopment as a modern industrial site due to its proximity to residential areas. The Complainant further argued that this factor would not adequately be reflected in the assessor's direct sales comparison valuation model, as there were few sales of similar properties represented in the model.

In the absence of sales of similar properties and the resulting limitation of the modeling process, the Complainant submitted an income approach valuation of the subject property in the amount of \$1,005,000, which equated to a unit value of \$79.76 per sq.ft. The market rent coefficient of \$7.50 was derived from an analysis of rental rates from 15 industrial properties indicating average and median rent rates of \$7.04 and \$7.50 per sq.ft. respectively. The vacancy allowance, operating cost, and capitalization rate coefficients were derived from 3rd party market reports, with the Complainant calculating a property tax adjustment to the operating costs of the property [C1 pgs 18-29].

The Respondent indicated that the property was valued for assessment purposes on the direct sales comparison approach, and provided several excerpts from appraisal publications to suggest that this approach is the preferred valuation approach for this type of property [R1 pg 9]. In response to the Complainant's assertion about location, the Respondent conceded that the location attribute in the model is limited to the quadrant of the municipality; i.e. all SE industrial properties are deemed to be comparable with respect to location.

Decision – Issue 1

The Board finds that there is insufficient information to conclude that the assessment is incorrect.

Whereas both valuation methodologies are accepted approaches to value, the Board cannot conclude that either approach establishes a more appropriate value than the other, without some form of reconciliation. In this instance, the Board was not persuaded by the Complainant's income valuation as it relied extensively on unsupported third party opinions about vacancy and capitalization rates. Further, there was no market evidence provided to confirm the Complainant's estimate of value at \$79.76 per sq.ft. would accurately reflect the market value of the subject, in light of the Respondent's sales comparables exhibiting a value range of \$138 to \$222 per sq.ft. [R1 pg 34]

Although the Board finds that the assessor's direct sales comparison approach evidence was not compelling, as the location attribute does not differentiate between superior and inferior locations within a quadrant, and as the sales comparables were considerably dated with no evidence to support the TASP (time adjusted sale price), the onus is on the Complainant to provide sufficient and compelling evidence to bring the valuation into question.

Issue 2: An equity analysis indicates the subject is inequitably assessed in relation to similar property; it should be \$1,296,000.

The Complainant submitted the assessments of eight industrial properties in the immediate vicinity of the subject indicating an average and median assessment of the properties is \$108.90 and \$102.88 per sq.ft., respectively [C1 pg 33]. Applying the median rate of \$102.88 per sq.ft. to the subject's building area results in a value of \$1,296,000.

The Respondent argued that the Complainant's equity comparables were dissimilar to the subject in that 5 of the comparables were commercial properties and not industrial properties, and the remaining 3 industrial properties exhibited site coverage ratios ranging from 39% to 55% in contrast to the subject at 32%. It was argued that the lower site coverage of the subject would result in a higher assessment rate per square foot.

The Respondent submitted the assessments of seven industrial properties in the Foothills sub-market area indicating a range of values from \$127 to \$189 per sq.ft. in support of the current assessed value. [R1 pg 38]

Decision - Issue 2

The Board finds that the assessment is inequitably assessed in relation to similar properties, and an assessment that reflects \$125.00 per sq.ft. is considered to be fair and equitable.


The Complainant's three industrial comparables, with an average site coverage of 46%, exhibit an average assessment of \$119.89 per sq.ft. The Board finds that this value establishes the lower limit of a value range for the subject.

The Respondent's first six comparables exhibit an average assessment of \$158 per sq.ft. However, it is noted that the Respondent's comparables have somewhat lower site coverage ratios than the subject, all are newer, and all have a significantly higher percentage of office finish than the subject which is assessed at \$140 per sq.ft. As a result, the Board finds that the upper limit of a value range for the subject is somewhat lower than the indicated average of \$158 per sq.ft.

PART D: FINAL DECISION

The 2010 property assessment is revised from \$1,770,000 to \$1,570,000.

Dated at the City of Calgary in the Province of Alberta, this 15 day of September, 2010



J. Krysa
Presiding Officer

APPENDIX "A"**DOCUMENTS RECEIVED AND CONSIDERED BY THE ASSESSMENT REVIEW BOARD:**

NO.	ITEM
1.	Exhibit C1 Complainant's Brief
2.	Exhibit R1 Respondent's Brief
3.	Exhibit C2 Complainant's Appendices

APPENDIX 'B'**ORAL REPRESENTATIONS**

PERSON APPEARING	CAPACITY
1. B. Soulier	Representative of the Complainant
2. K. Gardiner	Representative of the Respondent

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.*