

**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:

Altus Group Limited, COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

H. Kim, PRESIDING OFFICER

R. Roy, MEMBER

E. Reuther, MEMBER

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

ROLL NUMBER:	090064809
LOCATION ADDRESSES:	4636 1 St SE
HEARING NUMBERS:	57544
ASSESSMENTS:	\$2,430,000

This complaint was heard on the 18 day of August, 2010 at the office of the Assessment Review Board located at Floor Number Three, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 10.

Appeared on behalf of the Complainant:

- *Christine Van Staden*

Appeared on behalf of the Respondent:

- *Jarrett Young*
- *Todd Luchak*

Property Description:

The subject complaint is of a 7,840 sq. ft. one-storey single tenant warehouse on a 1.45 acre parcel of land in the Manchester Industrial district in the central zone, designated Industrial General (I-G). It was constructed in 1954 and has 36% finished area and 12.4% site coverage. The building is assessed on the sales comparable approach at \$191 per sq. ft. with an additional land component of 0.89 acres assessed at the I-G vacant land rate, which is \$1,050,000 for the first acre and \$300,000 per additional acre up to 10 acres.

Issues:

The Complainant identified a number of issues on the Complaint form, however, at the hearing, the issues argued and considered were:

1. Does the additional land assessment of the subject property make it inequitable with other similar properties?
2. If the additional land assessment is justified, what is the land rate that should be applied?
3. Do the sale prices of comparable properties demonstrate that the assessment is in excess of market value?
4. Does the income approach to value provide a better estimate of market value for assessment purposes?

Complainant's Requested Value: \$1,170,000 revised to \$1,110,000 at the hearing

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

Issue 1 – Equity

Complainant's position:

The subject parcel has an out of model land component added for additional land. This makes it inequitable with other parcels that have similar site coverage. The Complainant presented 8 equity comparables with site coverage comparable to the subject that had assessments per sq. ft. of \$240 to \$284 compared to the subject at \$310. Adjustments were applied to support an equity value for the subject of \$250 per sq. ft. or \$1,960,000.

Respondent's position:

Properties with very low site coverage are evaluated on a subjective case-by-case basis to

determine whether the excess land can be subdivided. In situations where the location of the building allows the potential for a parcel to be subdivided, the property is assessed based on the value of the building at typical site coverage of 30%, plus the value of the additional land at the standard vacant land rate, \$1,050,000 for the first acre and \$300,000 per additional acre up to 10 acres. If the location of the building is such that no subdivision potential exists, the property is assessed based on sales comparables for buildings with low site coverage.

The Respondent presented comparable single tenant warehouses between 7,075 and 8,094 sq. ft. with 30% site coverage that were assessed for a building value of \$190 to \$205 per sq. ft. demonstrating \$191 per sq. ft. for the subject was equitable.

Decision and Reasons:

The assessment of the subject property is inequitable with other comparable properties. The Respondent's comparables were building values for properties that were also assessed for additional land. They are not of assistance in determining whether this approach leads to an inequitable assessment. The Board found the Complainant's comparable at 410 38A Ave SE the most compelling. It is very comparable to the subject in every characteristic and it is assessed at \$240 per sq. ft. compared to the subject at \$310.

Issue 2 – Value of additional land

The Complainant argued that should the Board decide that assessing the subject parcel for additional land is appropriate, the additional land should be assessed at a market value of \$620,000 per acre, using the same presentation and arguments as had been presented to this Board in a complaint heard previously. The Respondent also used the same presentation and arguments to defend the vacant land rate. The Board rejects the \$620,000 per acre market land rate for the same reasons as are set out in detail in ARB 1171/2010P.

Notwithstanding that decision, in the subject case, the additional land assessment of 0.89 acres represents 61% of the site area. The Board does not find that this land area could be subdivided while maintaining the utility of the warehouse and access to the rear yard. An inspection of the site plan suggests that at best, 0.6 acres might be subdivided if planning approval could be obtained. The warehouse would be left with 21% site coverage and could be assessed using sales comparables of warehouses with similar site coverage. If costs of subdivision could be ascertained and deducted from the vacant land value, this approach would likely most closely estimate market value.

The Board recognizes that for assessment purposes it would not be practical to review each property at this level of detail, particularly with respect to determining the size of a potential parcel and whether planning approval is achievable.

The Respondent assessed the warehouses on an imputed 30% site coverage and valued the balance as additional land. The Board does not find this to be an unreasonable approach. However, the rates used by the Respondent effectively assess the additional land as if it were a separate parcel. The Respondent's vacant land rate, at \$1,050,000 per acre for the first acre and \$300,000 per additional acre up to 10 acres reflects the value of a parcel of land. Additional land for an improvement with low site coverage adds value, but it is not a separate parcel, and should not be assessed as such. The Board notes that if this approach were to be applied consistently, a two acre vacant parcel that could potentially be subdivided into two one acre

parcels would be assessed at \$1,050,000 per acre for two acres. They are not - the second acre is assessed at \$300,000. Therefore the Board finds that additional land on improved parcels should likewise be assessed at the incremental \$300,000 rate, not at the first acre \$1,050,000 rate.

Issue 3 – Value based on sales of comparable properties

Complainant's position:

The Complainant presented 8 comparable properties in the Central and Southeast region that sold between August 2006 and August 2008. They ranged in size from 1,800 to 7,200 sq. ft. with site coverage of 9.9% to 39% and parcel sizes of 0.24 to 1.1 acres. The City's time adjusted sale prices (TASP) were used to arrive at a value per sq. ft. of \$115 to \$361, which when adjusted for various differences support a value for the subject of \$230 per sq. ft. or \$1,800,000.

Respondent's position:

The sales comparables presented by the Respondent were of properties with 15.73% to 39.03% site coverage to support the \$191/sq. ft. value of the imputed 30% site coverage building value. He disputed the comparability of the Complainant's sales, showing site plans of two of the properties to support his position that these properties had buildings located such that subdivision would be impractical.

Decision and Reasons:

The Board did not find any of the sales to be truly comparable to the subject. The Respondent's approach of presenting sales comparables to support the value ascribed to the building based on 30% site coverage was not helpful considering the issue to be decided was whether this approach approximated market value. The only sale that was remotely comparable to the subject was at 4920 32 St SE, with 6,562 sq. ft. of building on 1.1 acres for a 12.42% site coverage, but on a corner lot in the Golden Triangle industrial district. It sold for a TASP of \$319 per sq. ft. but it is not assessed for additional land, and that property is assessed at \$248/sq. ft. An inspection of the site plan supports the Complainant's position that it has no less potential for subdivision than the subject.

Due to the large differences between the subject and the sales comparables, the Board could not reach any conclusion of value based on the sales approach from the sales presented.

Issue 4 – Value based on Income Approach

Complainant's position:

In order to meet the assessed value, the subject property would have to achieve rents in excess of \$26 per sq. ft. The Complainant presented a large number of industrial leases in the Central Region, with commencement dates from January 2008 to July 2009, coded for warehouse, office, retail and storage to support her position that the maximum rate that might be achieved by the subject is \$12/sq. ft. Based on parameters of 5% vacancy and 8% cap rate for older properties that had been determined in previous Board decisions and accepted by the Respondent, the value of the subject based on the income approach is \$1,117,200 truncated to

\$1,110,000. The Complainant stated that the principles established under Bramalea entitle the taxpayer to the lower of fairness and equity or market value. Based on the income approach, the market value is \$1,110,000. The Respondent did not address this issue; warehouses are assessed on the sales approach.

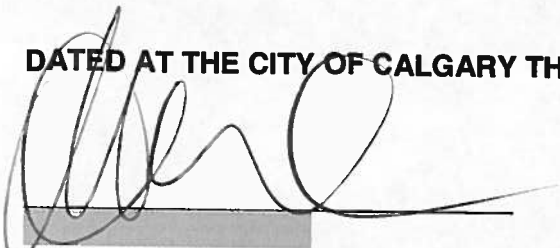
Decision and Reasons:

The Board does not agree that the market value based on the income approach should be used for assessment purposes in a situation where sales comparables indicate a higher value. While the sales presented were not comparable, it was clear the value was something more than the \$141 per sq. ft. amount based on the income approach. It is possible that the value of the land, which would not necessarily be captured in an income approach calculation, results in additional value in the marketplace.

Board's Decision:

The complaint is allowed, in part, and the assessment is reduced to \$1,760,000 based on the warehouse at \$191 per sq. ft. and additional land at \$300,000 per acre.

DATED AT THE CITY OF CALGARY THIS 25 DAY OF August 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.*