

**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:

AEC INTERNATIONAL, COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

R.Mowbrey, PRESIDING OFFICER

J. Rankin, MEMBER

S.Rourke, MEMBER

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

ROLL NUMBER: 091009506

LOCATION ADDRESS: 1504 41 AVE SE

HEARING NUMBER: 58612

ASSESSMENT: \$4,460,000

This complaint was heard on the 18th day of August, 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:

- *J. Luong*

Appeared on behalf of the Respondent:

- *D. Kozak*

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

Upon questioning by the Presiding Officer, the parties indicated they had no objection to the composition of the Board. In addition, the Board indicated they had no bias on this file.

Under a preliminary issue, the Complainant brought to the Board's attention that the Complainant had sent in a letter asking for an extension of time or a postponement. The Board advised the parties that a decision would be made regarding the issue after the current hearing was closed.

Property Description:

The subject property is 2 buildings, one for 14,000 SF and the other for 4,900 SF on 2.99 acres of land. The larger building was constructed in 1980 with a 20% finish and the smaller building was constructed in 1953 with a 9% finish. The site coverage is 13% and LUG: is I-R. The subject property is located in the Bonnybrook area of the City.

Issues:

1. What is the market value of the subject property?
2. What is the value of the excess land?

Complainant's Requested Value:

\$2,640,000.

Board's Decision in Respect of Each Matter or Issue:**1. What is the market value of the subject property?**

The Complainant advised the Board that the City of Calgary relies on the direct comparison approach to determine the subject property's assessed value, whereas AEC will utilize the income approach to determine the subject property's market value. The Complainant noted the direct comparison approach provides the "best evidence of market value." It works well when there are a sufficient numbers of recent comparable sales transactions to identify value patterns in the market and properties are similar in nature and can be easily compared. The Complainant stated there was not sufficient sales to warrant the direct comparison approach and thus utilized the income approach.

The Complainant utilized 2 current leases of the subject property on both buildings, the larger building for \$8.00 PSF and the smaller building for \$4.55 PSF for a blended rate of \$7.87 PSF on the total of 18,900 square feet.

Vacancy rate: the Complainant used third party sources to arrive at the vacancy rate of 5%. Colliers International indicated that the overall vacancy rates for industrial warehouse space in Calgary were around 5.21% in the 2nd Quarter of 2009. (C-1 page 87). DTZ Barnicke reports a vacancy rate of 5.22% for the 2nd Quarter of 2009. (C-1 page 100).

Vacancy Shortfall: The Complainant used a vacancy shortfall of \$4.60 PSF, derived from Avison Young. Avison Young stated that average operating costs for a 10,000 square foot building is \$42.46 PSF and the average operating costs for buildings greater than 50,000 square feet is \$2.18 PSF. The subject property's tax equates to \$1.73 PSF.

Unrecoverable Expenses: The Complainant concluded that a rate of 1% of the EGI is appropriate for the analysis.

Capitalization Rate: The Complainant utilized a cap rate of 8.5%, based on Colliers International report that indicated a single tenant industrial A is 7.75% to 8.25% and a single industrial tenant B is 8.00% to 8.50%. The City of Calgary considers the subject property a "C" building.

Value of Excess Land: The Complainant demonstrated the value of excess land (C-1 page 21) indicating an average selling price of \$615,031 per acre and a median selling price of \$618,255 per acre. Summaries of the land transactions are in C-1 pages 27-58.

The summary of the Complainant's position is when utilizing a rental rate of \$7.87, a vacancy rate of 5. %, a vacancy shortfall of \$4.60 PSF, unrecoverable expenses of 1% and a cap rate of 8.5%, the total is \$1,594,656. When adding excess land of \$1,045,000, the complainant's market value is \$2,640,000.

The Respondent advised the Board that the City of Calgary utilizes the sales comparison approach for assessment purposes and did not provide the Board any data relating to the income approach. The Respondent showed the Board (R-1 pages 11 and 12) the excess land should be valued at \$650,000 per acre for properties zoned as I-E, This is considered City wide and the City provided vacant land parcel sales to the Board. (Exhibit R-1 page 13-16)

The Respondent demonstrated to the Board industrial sales comparables to the subject property. (Exhibit R-1 page 43). The Respondent provided a chart for the Board regarding equity comparables on smaller buildings compared to the subject property.

The Respondent's assessment explanation is found on R-1 page 11.

The Board was not persuaded by the Complainant's evidence on the income approach to market value. There was no market analysis on the cap rate and the Complainant relied solely on third party sources.

The Complainant did not present any leasing activity regarding the market area and relied on the two specific leases on the subject property.

The Complainant again relied on third party sources for both the vacancy, and the vacancy shortfall.

The Board found that there was insufficient evidence with the Complainant.

The Board was persuaded by the Respondent's evidence regarding industrial sales comparables with land adjustments. (Exhibit R-1 page 37). The Board made an adjustment to the smaller building. The Board adjusted the smaller building rate PSF to be the same as the larger building. The rationale was the larger building was considerably newer and had a higher finish. (20% to 9%). The two comparables on page 37 are similar to the subject property in terms of building size, building type and parcel size. However, the Board recognizes the zoning on the two comparables is I-G, which indicates a higher price PSF of land. The industrial sales comparables in R-1 page 43 contain a number of sales, but the Board was influenced by the two sales in Bonnybrook giving a value of \$153 and \$158 for time adjusted selling price per square foot. The Board notes the two comparables have a second floor, and thus a lower price per square foot is warranted.

When utilizing the \$166 PSF on the entire building area and adding the \$1,105,000 for excess land, the revised assessment is \$4,240,000.

2. What is the value of excess land?

The Board notes there was little disagreement with the value of excess land. The Complainant valued the excess land at \$1,045,000 and the Respondent valued the land at \$1,105,000. The Respondent arrived at the value of \$1,105,000 using the City's vacant land schedule of \$ 650,000 per acre on I-R zoning. This schedule is used throughout the City.

Board's Decision:

The Board's decision is to revise the current assessment of \$4,460,000 to \$4,240,000.

DATED AT THE CITY OF CALGARY THIS 31st 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.*