

**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, Section 460(4).

between:

Altus Group Limited, COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

L.R. Loven, PRESIDING OFFICER

K. Farn, MEMBER

R. Deschaine, MEMBER

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

ROLL NUMBER:	091034090
LOCATION ADDRESS:	22 Highfield Circle S.E.
HEARING NUMBER:	59677
ASSESSMENT:	\$7,510,000

This complaint was heard on the 23rd day of August, 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:

- R. Worthington, representing Altus Group Limited, on behalf of the JAD Development Inc. c/o Central Auto parts Distributors Ltd.

Appeared on behalf of the Respondent:

- R. Luchak, representing the City of Calgary

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

Both the Respondent and the Complainant confirmed to the Board that they had no procedural or jurisdictional matters to be raised.

Property Description:

The subject property consists of 64,743 square foot industrial warehouse with 12% office finish located in the central community of Manchester on a 2.95 acre site. The property is zoned I-G Industrial-General. The total assessment is \$7,510,000.

Issues

1. Equity;
2. Sales; and
3. Income.

Complainant's Requested Value: \$5,520,000

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

Issue 1. Equity

The Complainant submitted no evidence or argument regarding equity; however, part of the evidence submitted in rebuttal questioned the value of the inputs used by the Respondent to develop the model used to determine the realty tax rates. Given a potential incorrectness exists in the values, then a possible argument could be raised that assessment rates may be affected, resulting in an inequity. The argument that an error occurred in the development of the model is not an argument that is before this Board.

The Respondent submitted a table of four equity comparables, all zoned I-G with site coverage ranging from 28% to 53%, year of construction from 1996 to 2008, building size from 40,537 to 69,906 square feet, per cent finish from 7% to 36 % and assessed rate per square foot from \$106 to \$146 per square foot; compared the subject property at 47%, 1999, 64,601 square feet, 12% and

\$116, respectively.

Based on its consideration of the above evidence and argument, the Board finds that the per square foot assessment rate falls within the range on a per square foot assessment rate basis of similar properties.

Issue 2. Sales

The Complainant submitted a table of three sales comparables highlighting lot sizes of 1.55, 1.94 and 2.96 acres, building sizes of 29,988, 45,056 and 50,170 square feet, office improvements of 21%, 30% and 8%, and site coverage of 44.50%, 48.55% and 38.86% and assessment of \$113, \$103 and \$96 per square foot; compared to the subject property of 2.95 acres, 64,601 square feet building, 12% finish, 47.30% site coverage and an assessment of \$114 per square foot. Based on these sales comparables, the requested assessment indicated by the Complainant is \$106 per square foot or \$6,860,000.

The Respondent firstly submitted a table of six industrial sales comparables ranging from 1.73 acres to 4.72 acres in size, site coverage from 37.57% to 51.79%, building size from 43,200 square feet to 98,558 square feet, year of construction from 1967 to 2006, and time adjusted sale price from \$110 per square foot to \$120 per square foot and noted two older sales in 2006 and five of the six sales comparables were multi-tenanted that were claimed to have greater value.

The Respondent secondly submitted a table of three sales comparables highlighting: years of construction of 1971, 1978 and 1967; site coverage of 44.50%, 48.55% and 38.86%; and, time adjusted sales price of \$106, \$97 and \$120 per square foot. In comparison to 1999, 47.30% and \$116.38 assessed value per square foot for the subject property.

Based on its consideration of the foregoing evidence and argument, the Board finds that the subject property falls within the per square foot range of the comparables provided by the Complainant, and to some extent the comparables provided by the Respondent, and appear to support the revised requested assessment of \$6,860,000 or \$106 per square foot.

Issue 3. Income

The Complainant submitted an argument supporting the use of the Income Approach to value on income producing industrial property and put forward a capitalization rate of 8% for industrial properties 1994 and older and 7.5% for industrial properties 1985 and newer. Applying a capitalization rate of 7.5% and a vacancy rate of 5.0% the assessment of \$7,510,000 yields a rent rate of \$9.18 per square foot.

A table of seven lease comparables was submitted by the Complainant, for building sizes ranging from 48,409 square feet to 88,675 square feet and lease rates from \$5.50 per square foot to \$7.25 per square foot, giving medians of 49,528 square feet and \$6.75 per square foot respectively. Applying a lease rate of \$6.75 per square foot and the same capitalization and vacancy rates yields an indicated total requested value of \$5,523,386 or \$85.50 per square foot.

The Respondent did not argue the vacancy, non-recoverable or capitalization rates used by the Complainant, nor was any objection to the rental rate indicated by the Complainant.

The Board finds that, in this case, the indicated requested value as determined by the Income Approach varied from the requested value as determined by the Sales Approach. The lower requested value was not verified by rent roll, assessment request for information or related lease

information of a single tenant, possibly owner occupied building.

Based on its consideration of the above evidence and argument, the indicated requested value as determined by the Income Approach supported a lower assessed value as determined by the Sales Approach.

Summary:

Firstly, the Complainant put forward an additional argument, stated in the Complainant's statement of issues, that the subject property warranted an adjustment for topography, notably a steep slope running along the back edge of the property as confirmed by the photographs submitted by the Complainant and the Respondent. However, the maps submitted by the Respondent did not clearly confirm if the slope was contained within the subject property, and no topographical maps were submitted to confirm the slope and if it was contained with the subject property.

Secondly, the Complainant requested the following evidence be submitted as rebuttal: Appendix A: 2010 improved Industrial Properties Sales Used; Appendix B: Communication between the City of Calgary and Altus; Appendix C: 2010 Assessed Improved Industrial Properties; Appendix D: 2010 Assessment Explanation Supplement; and Appendix F: Introduction – Market Value and Mass Appraisal for Property Assessment in Alberta; Appendix G: Introduction – Valuation Guide; Appendix H: Valuation Guide – Warehouses; Appendix I: 3rd Party Industrial Market Reports; Appendix J: Supporting Documents – Altus Capitalization Study; Appendix K: Industrial Building – On the Income Approach; Appendix L: Other Property Classes on the Income Approach; Appendix M: Ration Studies – IAAO; and, Altus Group 2010 Legal Submission.

The valuation method applied in this instance was the Sales Comparison Approach. The use of this approach to value is contextually allowed in the legislation. The Complainant advanced an argument that supports the use of the Income Approach. In this case, although the Complainant's requested assessment as determined by the Income Approach did not confirm the requested assessment as indicated by the Complainant's sales comparison, it did support a lower assessment value.

Board's Decision:

For the reasons set forth above, the assessment of the subject property is hereby adjusted as follows: \$6,860,000.

DATED AT THE CITY OF CALGARY THIS 24 DAY OF September 2010.



L.R. Loven
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.*