

**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:**

***L. Wood, PRESIDING OFFICER***

***C. McEwen, MEMBER***

***A. Wong, MEMBER***

These are complaints 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 NUMBERS:** 200537736  
200537983  
201083870  
201083888

**LOCATION ADDRESSES:** 3900 106 AVENUE SE  
4069 112 AVENUE SE  
11195 42 STREET SE  
4141 110 AVENUE SE

**HEARING NUMBERS:** 56364  
56367  
56448  
56451

**ASSESSMENTS:** \$49,400,000  
\$19,720,000  
\$15,370,000  
\$14,810,000

These complaints were heard on 29th day of July, 2010 at the office of the Assessment Review Board located at Floor Number 3, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 11.

Appeared on behalf of the Complainant:

- *Mr. J. Weber*

Appeared on behalf of the Respondent:

- *Mr. I. McDermott*

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

The parties requested that files **56364, 56448, 56451, 56367** be heard together as these properties are similar (warehouses over 100,000 sq ft) with similar evidence and argument pertaining to all four files. The Board agreed with their request. Cross referencing to the parties' evidence to file **56364** may be required. The Board will provide its decision and reasons which will apply to each of these properties in this single board order.

**Property Description:**

The subject properties are comprised of large industrial warehouses that exceed 100,000 sq ft. All of the warehouses are located in Dufferin Industrial, they are of newer construction (built in 2005-2007) and are IWM (industrial warehouse multi tenant).

- The first property is located at 3900 106 Avenue SE and it is comprised of three warehouses on a 24.93 acre site. The first warehouse has 108,959 sq ft of rentable building area; the second has 188,369 sq ft; and the third has 252,632 sq ft (total of 549,960 sq ft). The site coverage ratio is 50.64. The warehouses were built in 2005 and 2006.
- The second property is located at 4069 112 Avenue SE and it is comprised of two warehouses on a 9.78 acre site. The first warehouse has 84,132 sq ft of rentable building area and the second has 100,737 sq ft (total of 184,869 sq ft). The site coverage ratio is 43.39. The warehouses were built in 2006.
- The third property is located at 11195 42 Street SE and it consists of one warehouse on an 8.54 acre site. It has 158,278 sq ft of rentable building area and a site coverage ratio of 42.55. It was constructed in 2007.
- The fourth property is located at 4141 110 Avenue SE and it consists of one warehouse on an 8.55 acre site. It has 137,846 sq ft of rentable area and a site coverage ratio of 37.01. It was constructed in 2007.

**Issues: (as indicated on the complaint form)**

1. Due to the characteristics and physical condition of the subject property, the income approach would yield a more reliable estimation of market value for assessment purposes. The PSF rate should be no higher than \$77.

2. The aggregate assessment per square foot applied is inequitable with the assessments of other similar and competing properties. The PSF rate should be no higher than \$80.

**Complainant's Requested Values:**

\$42,075,606	(3900 106 Avenue SE)
\$17,866,973	(4069 112 Avenue SE)
\$12,763,621	(11195 42 Street SE)
\$13,773,532	(4141 110 Avenue SE)

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

The Board notes that an appendix to the complaint form contains several statements as to why the subject properties' assessments are incorrect; however, the Board will only address those issues that were raised at the hearing.

**Due to the characteristics and physical condition of the subject property, the income approach would yield a more reliable estimation of market value for assessment purposes. The PSF rate should be no higher than \$77.**

The Complainant submitted that the income approach is the preferred method of valuation for large industrial warehouses in excess of 100,000 sq ft, as opposed to the direct sales comparison approach that was utilized by the Respondent, due to the limited number of sales of similar properties. He submitted a recent Assessment Review Board decision 0756/2010P in support of his position. In that case, the Board had several large warehouses in excess of 100,000 sq ft that were also assessed based on the direct sales comparison approach and that Board made the following finding:

*The Board finds that the income approach to value is an acceptable valuation method for industrial properties and may provide a more reliable value estimate for large industrial properties such as the subject where there is a lack of sales of similar large properties within the relevant analysis period. As with any valuation method, however, its overall accuracy relates directly to the input factors (rent rate, vacancy allowance, and capitalization rate (Exhibit C2 page 8).*

This panel concurs with that Board's findings.

That Board also continued to state the following:

*While the Board finds that the vacancy rate and capitalization rate used by the Complainant are reasonable well founded, the rent rate is not. The Complainant's rental rate of \$5.50 per square foot was selected on the basis of an analysis of industrial bay sizes, an acceptable approach, however much of the rent rate evidence was shown by the Respondent to be incorrect or questionable (Exhibit C2 page 8).*

In the matter at hand, the Complainant submitted the Master Rent Rolls for each of the properties and requested that the actual lease rates be used in the calculation of the income approach to valuation (Exhibit C1 pages 109- 115). The Complainant further supported these rates by providing a Typical Leasing Summary of similar lease spaces for 2006-2009 and provided median lease rates for four categories of lease space (Exhibit C1 pages 116 & 117).

The Board finds that the majority of the actual leases for the subject properties were dated leases (2005-2007) and the Complainant's evidence of typical lease rates contradicted the actual leases for the subject properties. Generally speaking, the typical lease rates showed a gradual increase from the time the leases in the subject properties were in place. There was very limited lease information provided for 2009. The Board finds the Complainant's typical lease rates were too varied to provide any insight as to what the typical lease rate was at the valuation date of July 1, 2009.

In regards to the 5% vacancy rate that the Complainant submitted as an accepted vacancy rate, the Board finds two vacancy rates of 28.8% and 5% were applied in the calculation of the income approach for the property located at 4141 110 Avenue SE (Exhibit C1 page 110).

In regards to the 7.5% capitalization rate that the Complainant submitted as an accepted capitalization rate, the Board finds this rate would be applied to higher lease rates in 2009, not for dated leases in the subject properties which, in the Board's opinion, would pose less risk.

The Board also finds there were no operating costs included in the Complainant's income approach for any of the four properties.

The Board finds an error regarding the building size of the property located at 4141 110 Avenue SE. Four different areas were presented to the Board and no clarification was provided as to its correct area (Exhibit C1 pages 104,105,110; Exhibit R1 page 9).

Based on the above, the Board finds the evidence provided by the Complainant is insufficient to support an income approach to value for the subject properties.

**The aggregate assessment per square foot applied is inequitable with the assessments of other similar and competing properties. The PSF rate should be no higher than \$80.**

The Complainant submitted several equity comparables for the Board's consideration but he did not draw any comparisons as to how these properties relate to the subject properties (Exhibit C1 page 107). As such, the Board finds the Complainant's evidence in regards to the equity comparables inconclusive. The Board finds the equity comparables that were submitted by the Respondent supported the 2010 assessments for the subject properties (Exhibit R1 page 10).

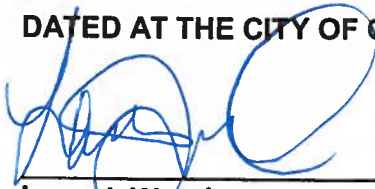
#### **Board's Decision:**

The decision of the Board is to confirm the 2010 assessments for the subject properties as follows:

- The assessment for the property located at 3900 106 Avenue SE is confirmed at \$49,400,000;

- The assessment for the property located at 4069 112 Avenue SE is confirmed at \$19,720,000;
- The assessment for the property located at 11195 42 Street SE is confirmed at \$15,370,000; and
- The assessment for the property located at 4141 110 Avenue SE is confirmed at \$14,810,000.

DATED AT THE CITY OF CALGARY THIS 2 DAY OF SEPTEMBER 2010.



Lana J. Wood  
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.*