

**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 Ltd., 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: | 054008602 |
| LOCATION ADDRESS: | 229 33 Street N.E. |
| HEARING NUMBER: | 59621 |
| ASSESSMENT: | \$24,320,000 |

This complaint was heard on the 25th 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* *Agent, Altus Group Ltd.*

Appeared on behalf of the Respondent:

- *J. Young* *Assessor, 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 an industrial warehouse of 320,992 square feet, constructed in 1974, 24% office finish, located in the NE region of FR2, on an 18.78 acre site with 1.85 acres of extra land. The property is zoned I-G Industrial-General. The total assessment is \$24,320,000 or \$78.00 per square foot.

Issues:

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

Complainant's Requested Value: \$18,060,000

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

Issue 1. Sales

The Complainant submitted no industrial sales comparables.

The Respondent submitted a table containing eight industrial sales comparables (three IWS and five IWM building types) ranging in parcel size from 4.44 acres to 14.01 acres, year of construction from 1990 to 2008 and time adjusted sale from \$89 to \$135 per square foot, compared to the subject property of 18.78 acres, built in 1974 and assessed at \$78.23 per square foot.

Based on consideration of the foregoing evidence and argument the Board finds even though the subject property is older with a higher per cent finish, on a larger land parcel size than the sales comparables presented by the Respondent, it appears on the basis of limited sales that the subject property is assessed fairly.

Issue 2. Equity

The Complainant submitted a table of two groups of equity comparables all located in the NE quadrant, one containing two comparables of type IWM (Industrial Warehouse Multi-tenant) and the other containing five comparables of IWS (Industrial Warehouse Single-tenant). The first group showed the building area ranging from 100,134 to 214,326 square feet, per cent finish of from 17% to 18%, site coverage from 44% to 53% and 2010 assessment from \$47.63 to \$66.91 showing the median building size of 180,230 square feet and \$57.27 per square foot assessment rate. The second group showed the building area ranging from 118,238 to 466,988 square feet, per cent finish of from 4% to 45%, site coverage from 28% to 61 % and 2010 assessment from \$55.99 to \$73.42 showing a median building size of 160,998 square feet and \$65.48 per square foot assessment rate.

The Respondent submitted a table comparing the subject property to the two properties from the first group of the Complainant's equity comparables showing an assessment rate of \$60 and \$67 per square foot versus the Complainant's assessment rate \$47.63 and \$66.91 per square foot respectively. The Board notes that in comparison to the subject property the years of construction are similar, site coverage is lower, and the assessed rate is higher.

Based on its consideration of the foregoing evidence and argument the Board finds that given the subject property contains a building of about the same age, with a higher per cent finish, on a larger lot than the equity comparables provided by the Complainant, it appears on the basis of equity that the subject property may be assessed higher, and therefore inequitably.

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 capitalization rates of 8% for industrial properties 1994 and older and 7.5% for industrial properties 1985 and newer. Applying a capitalization rate of 8% and a vacancy rate of 5% the assessment of \$24,320,000 yields a rent rate of \$6.59 per square foot.

The Complainant then presented a table containing nineteen business assessments showing lease rates ranging from \$4.75 to \$6.50 per square foot; and, two tables of lease comparables. The first contained two leases, one at \$5.75 per square foot for 81,083 square feet expiring December 3, 2010 and the other at \$5.83 per square foot for 62,784 square feet expiring October 31, 2013. The second two sets of business assessment lease rates, one for three assessments shows a median of \$4.00 per square foot and the other for newer buildings shows a median of \$5.75 per square foot. Using a lease rate of \$5.79 (or \$5.83), a vacancy rate of 5% and a capitalization rate of 8%, the Complainant indicated an assessed value using the Income Approach of \$21,380,000 or \$68.76 per square foot.

The Respondent used rent roll and Assessment Request for information sheets for properties presented by the Complainant located at 21 Aero Drive, 340 39 Avenue NE, 401 33 Street NE, 4100 Westwinds Drive NE, and the subject property at 229 33 Street NE to compare the Complainants' information regarding rent rates. This comparison is summarized below. Using the median and average rent rates shown below, and the same vacancy rate and capitalization rate as the Complainant of 5% and 8% respectively, the Respondent derived assessment values of \$22,767,530 and \$25,469,597. The average of these two values was given as \$24,118,563, compared to the 2010 assessment of \$24,329,013 for the subject property.

| Property | Lease Area (Sq. Ft.) | Business Assessment (per Sq. Ft.) | Lease (per Sq. Ft.) | Lease Term (Years) | Lease Start |
|----------------------|-------------------------|--------------------------------------|---------------------|-----------------------|-------------|
| 21 Aero Dr NE | 180,000 | \$6.50 | \$6.50 | 5 | 15-May-07 |
| 3400 39 Av NE | 200,493 | \$6.00 | \$8.95 | 20 | 15-Aug-00 |
| | 899,243 | \$6.00 | \$8.95 | -- | -- |
| 401 33 St NE | 114,000 | \$4.75 | \$5.50 | 3 | 1-Dec-06 |
| 4100 Westwinds Dr NE | 302,135 | -- | \$5.65 | 5 | 1-Jan-07 |
| 229 33 St NE | 62,784 | -- | \$5.83 | 5 | 1-Nov-08 |
| Median | | | \$6.17 | | |
| Mean | | | \$6.90 | | |

Using the lease rent rate for the subject property, shown above, provided by the Respondent, the Complainant re-calculated the requested assessment using the same vacancy and capitalization rates used for the original indicated assessed value and by the Respondent, to revise the indicated assessed value to \$22,529,644, truncated to \$22,300,000.

The Respondent did not argue the vacancy, non-recoverable or capitalization rates used by the Complainant; however the Respondent did argue the rental rate was higher than that indicated by the Complainant.

The Board finds that, in this case, the indicated requested value as determined by the Income Approach provided the indicated requested value as supported by the Sales Approach. The rent rate used to determine the indicated requested value was a rent rate for the subject property.

Based on its consideration of the above evidence and argument, the indicated request value as determined by the Income Approach was substantiated by a rent rate for the subject property.

Summary:

The Complaint referred to *Municipal Government Board Orders MGB 037/09 and D 0041/06, Capitalization Rate Study As a Component of the Assessed Market Value of the Industrial Market, 2005* (presented by the City of Calgary Assessment Business Unit), a business assessment rent rate study, and a Colliers leasing prospectus showing proposed rental rates of \$5.25 and \$5.50 per square foot.

In rebuttal, the Complainant submitted ten business comparable rental rates for newer construction in NE Calgary, ranging from \$6.00 to \$6.75 per square foot.

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, the Complainant's requested assessment as determined by the Income Approach was supported, in part by the Complainant's equity comparables and was confirmed by a lease rent rate for the subject property.

Board's Decision:

For the reasons set forth above, the assessment of the subject property is hereby adjusted as follows: \$22,530,000.

DATED AT THE CITY OF CALGARY THIS 29 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.*