

**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 Limited, COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

L. Patrick, PRESIDING OFFICER

K. Coolidge, MEMBER

P. Charuk, MEMBER

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

ROLL NUMBER:	098007305
LOCATION ADDRESS:	2915 58 Ave SE
HEARING NUMBER:	59741
ASSESSMENT:	\$1,990,000

This complaint was heard on the 26th day of August, 2010 at the office of the Assessment Review Board located at Floor Number 4, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 1.

Appeared on behalf of the Complainant:

- J. Smiley *for the Complainant*

Appeared on behalf of the Respondent:

- A. Mohtadi and P. Sembrat *for the Respondent*

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

The Complainant advised the Board that it would be presenting a rebuttal following the Respondent's presentation. It was determined that the Rebuttal Brief being tendered by the Complainant at the hearing differed from the Rebuttal Brief that had been disclosed to the Respondent and that had been filed previously with the Board. On the basis that the Respondent will not consent to introduction of the Rebuttal Brief being tendered into evidence at the hearing it was ordered that it would not be accepted into evidence by the Board nor could the contents be submitted or argued orally at the hearing.

Property Description:

The subject property is a 15,600 square foot industrial warehouse multi tenant located on a 1.00 acre site at 2915 58 Ave SE. The building was constructed in 1975 and the site coverage is 35.94%.

Issues:

1. Is the income approach or the direct sales comparison approach the best method of determining market value for the assessment of the subject.
2. If the income approach is the best method what are the typical market factors for rental, vacancy, management, non-recoverables and capitalization rates to properly determine market value.

Complainant's Requested Value: \$1,290,000

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

Complainant's Position

The Complainant contends that the sales comparison approach to value applied by the Respondent is not the best method of determining market valuation for industrial property in Calgary because of rapidly changing market conditions. The Complainant cites, as support for use of the income approach to valuation, the comments from the *Market Value and Mass*

Appraisal for Property Assessment in Alberta Valuation Guide that the income approach adjusts readily to changing market conditions and that where lease and rental data are available, the income approach can be used. In support of its position respecting rapidly changing market conditions the Complainant provided graphs illustrating the market collapse experienced by the composite stock markets and contended that it was reflected in the real estate market as expressed in industry periodicals. The period reflected in these items took place from the second quarter of 2008 to the third quarter of 2009 and thus included the assessment date of July 1, 2009. The Complainant provided 16 lease rate comparables as evidence that lease and rental data was available to support an income approach calculation and an industry study to support the vacancy and capitalization rates that it adopted. To illustrate that the subject is over assessed the Complainant provided a chart of a reverse calculation starting with the Assessment of \$1,990,000. Using a Capitalization Rate of 8.00%, NOI of \$159,200.00, Vacancy Rate of 5.00%, PGI of \$167,578.95 and an area of 15,600 square feet it produces a rental rate of \$10.74 per square foot. The Complainant submitted that the 16 lease rate comparables of the Complainant show a median rate of \$7.08 per square foot from a range of \$5.00 to \$10.00 per square foot. The \$10.00 rate is from a recently constructed building of a third less space. It was submitted this does not support a \$10.74 rate. The calculation using \$7.00 as the market rental rate to arrive at the requested amount of assessment confirms the contention that if the 8% capitalization rate, derived from the industry publications is correct then the income approach is a more reliable approach when the market changes rapidly. The requested assessment is \$1,290,000 or \$82.69 per square foot.

Respondent's Position

The Respondent submitted that there is a solid basis for the change that has taken place in respect to the approach for valuation of the industrial warehouse sector. The income approach has been discontinued in favor of the sales comparables approach because there is a diminishing amount of rental information available as a result of buyers acquiring this type of property for their own use, and the prices being paid for such properties do not reflect that they are based on rents such as those submitted by the Complainant. That, it is submitted, would produce assessments below market and the subject would be assessed at 65% of the market value. The 10 time adjusted sales comparables produced by the Respondent showed a range of \$87.00 to \$245.00 per square foot. The higher end of the range were smaller properties than the subject and the lower end of the range were larger properties than the subject. When the highest and lowest prices per square foot were discarded the median price became \$131.75 per square foot compared to the assessment of \$127.56. The time adjusted price of the comparable that is closest to the subject in both age and size is \$184.00 per square foot although it has much lower site coverage factor of 6.78%. The Respondent submitted two sets of data to support its sales comparables noting that the median ASR for its comparables is 1.02 which is within the acceptable ratio range of .95 to 1.05 and secondly submitted 4 equity comparables which all showed similarity in size, age, site coverage and land use and are located in proximity to the subject in the SE quadrant of the City. The average of the 4 assessments is \$128.50 per square foot compared to assessment value of \$127.56 per square foot for the subject.

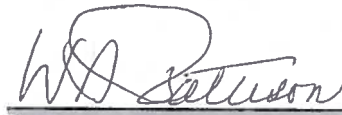
Board's Decision:

The assessment is confirmed.

Reasons:

It was clear from the evidence of the Respondent that the correct approach to the establishment of market value for assessment of this class of property is the sales comparison approach. The exercise by the Complainant in deriving the factors used by it in the calculation of the NOI and the capitalization rate did not convince the Board that it was possible to establish reliable typical rental, vacancy or capitalization rates nor that even having done so would have provided an assessment valuation that is both fair and equitable given what is happening in the market place. The Complainant's comparables were somewhat lacking in detail that prevented an analysis being done however the Board having agreed that the sales comparables approach is correct in this case it was not necessary to examine the questions of the validity of the vacancy or capitalization rates used by the Complainant. The Complainant did not produce sufficient evidence regarding sales or equity comparables that questioned the Respondent's evidence. The Board finds the assessment to be fair and equitable.

DATED AT THE CITY OF CALGARY THIS 27 DAY OF SEPTEMBER 2010.



for
L. Patrick
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.*