

**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***

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: 200163814**

**LOCATION ADDRESS: 6075 86 AVENUE SE**

**HEARING NUMBER: 58966**

**ASSESSMENT: \$71,130,000**

This complaint was 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*
- *Mr. D. Mewha*

Appeared on behalf of the Respondent:

- *Mr. I. McDermott*

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

The Respondent objected to a portion of the Complainant's rebuttal document on the basis that it contained new evidence, specifically additional leases in support of the Complainant's median lease rates, pursuant to section 8(2)(c) of *Matters Relating to Assessment Complaints Regulation* AR 310/2009. The Complainant argued that rebuttal speaks to a subject matter which, in this instance, is "leasing" and therefore he should be allowed to present additional leasing information. The Board disagreed with the Complainant's interpretation of rebuttal evidence on the basis that it was too broad. The Board ruled that it would not hear evidence that pertained to additional lease information for properties that were not referenced in the Respondent's disclosure as that constituted new evidence, not rebuttal evidence, in accordance with section 8(2)(c) of *MRAC*. The Board noted the Complainant's objection to that ruling.

**Property Description:**

The subject property is comprised of three large industrial warehouses: the first is a multi tenant warehouse with a rentable building area of 356,228 sq ft, built in 2005; the second is a single tenant warehouse comprised of 247,536 sq ft, built in 2006; and the third is comprised of 245,084 sq ft, built in 2007 (total rentable building area of 848,848 sq ft). The two single tenant warehouses are distribution warehouses for the Hudson's Bay Company and Canadian Tire Corporation Ltd. The warehouses are located on a 31.30 acre site in South Foothills. The site coverage ratio is 62.25. The land is zoned as I-G, Industrial General.

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

1. The municipality has applied the incorrect valuation method when calculating the assessed value of the subject property; the income approach would yield a more reliable estimate of value for assessment purposes, should be \$65 psf.
2. The aggregate assessment per square foot applied is inequitable with other assessments and should be lower.

**Complainant's Requested Value: \$51,070,000**

**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 property's assessment is incorrect; however, the Board will only address those issues raised at the hearing.

**The municipality has applied the incorrect valuation method when calculating the assessed value of the subject property; the income approach would yield a more reliable estimate of value for assessment purposes, should be \$65 psf.**

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).*

The Complainant submitted that the income approach is the best indicator of value in this instance due to the size of the subject property and limited number of sales of similar sized warehouses. He submitted several lease examples of large area warehouse spaces and they ranged from 30,240 sq ft to 132,200 sq ft with a median indicated lease rate of \$5.50 psf (Exhibit C1 page 100). The Complainant submitted the tenant rent rolls for the subject warehouses which ranged from \$4.25 to \$5.75 psf with terms that ranged from 5 to 10 years (Exhibit C1 pages 97- 99).

The Respondent submitted several equity comparables of large multi tenant and single tenant

warehouses in support of the subject property's assessment (Exhibit R1 pages 38 & 39). The Respondent also presented a sale of a single tenant warehouse (302,135 sq ft) located at 4100 Westwinds Drive NE which sold in August 2009 for \$25,825,000 or \$85 psf (Exhibit R1 page 35). Although it is a post facto sale, the Respondent submitted it is an indication of value for large warehouses and supports the assessment of the subject property. The Respondent also submitted lease rates for two distribution warehouses (in excess of 100,000 sq ft) of \$6.07 and \$7.20 psf, located in the SE quadrant (Exhibit R1 page 40).

The Board finds that the subject property is unique based on its size (in excess of 800,000 sq ft), and sales of similar sized warehouses are quite limited in the market place as reflected in the evidence from both parties, therefore, the income approach would provide the best indication of market value in this instance. The Board considered the market lease rates that commenced during the valuation period as presented by both parties. The Board finds that the market data suggests a median lease rate of \$6.00 psf for similar sized space, which the Board finds is a reasonable rate to be applied to the subject property (Exhibit C1 page 100; Exhibit R1 page 40).

Using the lease rate of \$6.00 psf, with a 5% vacancy rate and 7.5% capitalization rate, which the Board notes were uncontested by the Respondent, the assessed value is \$64,512,000 or \$76 psf.

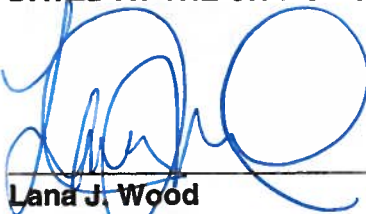
**The aggregate assessment per square foot applied is inequitable with other assessments and should be lower.**

The Board finds the reduction of the subject property's assessment from \$84 psf to \$76 psf falls within the range of equity comparables as presented by the Complainant and no further reduction is warranted (Exhibit C1 page 101).

**Board's Decision:**

The decision of the Board is to revise the 2010 assessment for the subject property from \$71,130,000 to \$64,512,000 (truncated).

DATED AT THE CITY OF CALGARY THIS 8 DAY OF SEPTEMBER 2010.



Lana J. Wood  
Presiding Officer

**APPENDIX A****DOCUMENTS RECEIVED AND CONSIDERED BY THE ASSESSMENT REVIEW BOARD:**

<b>NO.</b>	<b>ITEM</b>
Exhibit C1	Evidence Submission of the Complainant
Exhibit C2	CARB Decisions as submitted by the Complainant
Exhibit C3	Rebuttal Evidence of the Complainant
Exhibit C4	Rebuttal Evidence of the Complainant
Exhibit R1	City of Calgary's Assessment Brief

*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.*