

**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-26.1, Section 460(4).

**between:**

***Linnell Taylor Assessment Strategies, COMPLAINANT***

**and**

***The City Of Calgary, RESPONDENT***

**before:**

***C. Griffin, PRESIDING OFFICER***

***Y. Nesry, MEMBER***

***D. Pollard, MEMBER***

This is a complaint to the Comprehensive 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: 032027005**

**LOCATION ADDRESS: 4261 – 23 Street NE**

**HEARING NUMBER: 56190**

**ASSESSMENT: \$1,850,000.**

This complaint was heard on 26 day of August, 2010 at the office of the Assessment Review Board located at Floor Number 3, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 9.

Appeared on behalf of the Complainant:

- D. Sheridan

Appeared on behalf of the Respondent:

- R. Powell
- A. Doborski

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

N/A

**Property Description:**

The property under complaint consists of a free standing, multi-tenant industrial building that is located in the North Airways Industrial Park in northeast Calgary. The property is approximately 30 years of age with a reported year of construction being 1979. The property has a footprint area of 13,734 Sq. Ft. and it sits on a site of 0.73 acres in size. The property has, according to the records of the Respondent, a rentable area of 13,734 Sq. Ft.; however, this is somewhat questionable as the Complainant maintains the rentable area 13,982 Sq. Ft. as supported by the rent roll for the property. For the purposes of this Hearing the Composite Assessment Review Board (CARB) accepts the area as being 13,982 Sq. Ft.

**Issues:**

The Issue(s) identified on the Assessment Review Complaint Form are:

1. The assessed value is incorrect

**Complainant's Requested Value:**

\$1,600,000. Revised at the Hearing to \$1,450,000.

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

The Complainant contends that the most appropriate method of deriving an estimate as to the assessable value of the subject property is through application of the Income Approach to Value and supported this position, in part, by referring to the Detailed Assessment Audit Manual (DAAM) page 34 of which is presented in Appendix A of their Exhibit # C1 which the Complainant suggests recommends the use of the Income Approach for properties such as the subject.

As it relates to this particular matter, the CARB has no authority to direct which method of valuation should or should not be used to determine the assessable value of any given property. The CARB is concerned with the accuracy, fairness and equity of the assessed value, not the method with which that value has been derived. Additionally, the CARB points out that the referenced DAAM page indicates that, when it comes to warehouses the Income Approach or the Sales Comparison Approach or the Cost Approach are the recommended approaches to be used, there being no emphasis on any one particular approach. Having said that the CARB points out that this does not mean that evidence relating to any recognised approach to value, used by the assessing authority or not, will not still be given consideration in determining the accuracy as to the assessed value of any property.

The Complainant presented what the CARB considered to be a well supported Income Approach which resulted in a value estimate of \$1,530,000 for the subject property. The Complainant provided support for all of the critical inputs they applied in application of the Income Approach to Value including, but not restricted to, rental rates, vacancy rates, operating costs and capitalization rates.

In addition to their Income Approach, the Complainant also submitted two (2) value estimates as derived through their application of the Direct Comparison Approach (Sales Comparison Approach). In application of the Direct Comparison Approach the Complainant presented four (4) sales of industrial properties, all of which were recorded in 2009. The first value the

Complainant derived through their application of the Direct Comparison Approach is \$1,560,000 while the second value they derived is \$1,410,000. The difference between the values stems from their application, in the first instance, of what they refer to as an "Adjustment for NOI". In applying this adjustment the Complainant relied upon the same sales utilised in their application of the Income Approach to derive an appropriate capitalization rate. The CARB notes that while these sales were useful for deriving an indication as to an appropriate capitalization rate, they are not directly comparable to the subject property, particularly in terms of size. The CARB questioned the origin of their applied "Adjustment for NOI" type of adjustment and if the Complainant could provide any reference to any recognised appraisal or assessment manuals or texts that verified the use of such an adjustment, but they were unable to do so. In consideration of the foregoing the CARB gives little consideration to the value derived through application of this "Adjustment for NOI" (\$1,560,000) but does give consideration to the \$1,410,000 value indication which has been derived through the more conventional application of the Direct Comparison Approach which does not involve application of such an adjustment and which was based upon four sales of reasonably comparable properties all recorded in 2009.

The Respondent, in defence of the assessed value, submitted both sales and equity comparables and they also pointed out that two of the sales presented by the Complainant were post-facto to the July 1, 2009 valuation date. Their sales evidence consisted of 3 sales, two of which were recorded in 2007 and one in January of 2008. All three properties were classified as multi-tenant industrial as is the subject. The adjusted sales price/Sq. Ft. of building area for these sales were \$133, \$156 and \$134. The Respondent also presented four (4) equity comparables which showed assessed rates/ Sq. Ft. of building area of \$127, \$129, \$126 and \$148.

The CARB does not consider sales recorded in July and August of 2009 to be post-facto as they were recorded in the year of valuation. Additionally, the Respondent chooses to utilize the registration/transfer date as the date of sale. The CARB notes that a sale that was registered in early July or mid August of the valuation year was most probably negotiated prior to July 1 of the same year. The CARB further notes that use of what some might consider post-facto evidence is appropriate so long as time adjustments, if required, are applied. The sales submitted by the Respondent are not considered to be very comparable to the subject property due to: the date of sale, the building sizes, the percentage of finished area and, in two cases, the site coverage.

Referring to the equity comparables presented by the Respondent, all four were from outside the market area of the subject property; however, they did refer to similar sized properties with similar site coverage. The assessed rate/Sq. Ft. of these four equity comparables was \$127, \$129, \$126 and \$148. The CARB finds these equity comparables to be more supportive of the Complainant's position than that of the Respondent as the median value is less than the assessed rate/Sq. Ft. of the subject property. The Complainant also introduced Rebuttal evidence (Exhibit C2) which questioned the sales comparables used by the Respondent which had a percentage of finished area over double that of the subject property without any noted adjustment for this disparity. Their Rebuttal evidence also addressed the fact that a further contributory factor, the Respondent's sale No. 2 (Exhibit R-1 page 18) having the highest TASP (Total Adjusted Sale Price), is that property's year of construction being 26 years newer than the subject yet no specific adjustment was displayed to account for this fact. One additional fact addressed in the Rebuttal was the fact that the equity comparables presented by the Respondent do not support the current assessment of the subject property.

In the final analysis the CARB finds the evidence of the Complainant to be more persuasive. Their applied Income Approach is well supported by market based evidence and, perhaps more importantly, their Direct Comparison Approach is based upon more recent sales than those utilized by the Respondent.

**Board's Decision:**

The assessment of the subject property is reduced to \$1,450,000.

DATED AT THE CITY OF CALGARY THIS 3<sup>rd</sup> DAY OF Sept 2010.



C. J. GRIFFIN

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.*