

**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-26.1, Section 460(4).

**between:**

***Altus Group, COMPLAINANT***

**and**

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

**before:**

***W. Kipp, Presiding Officer  
K. Coolidge, Board Member  
D. Pollard, Board 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: 201314937**

**LOCATION ADDRESS: 200, 5126 – 126 Avenue SE, Calgary AB**

**HEARING NUMBER: 56059**

**ASSESSMENT: \$5,340,000**

This complaint was heard on the 16<sup>th</sup> day of August, 2010 at the office of the Assessment Review Board located at Floor Number 4, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 8.

Appeared on behalf of the Complainant:

- D. Mewha

Appeared on behalf of the Respondent:

- I. McDermott, T. Woo

**Property Description:**

A multi-tenant, two building industrial warehouse property, built in 2009 on a 1.36 acre lot in the East Shepard Industrial area (designated SO3 by Calgary Assessment) of southeast Calgary. The industrially designated property is across 126 Avenue SE from the commercially developed Shepard Centre development. There are two buildings on the lot representing a total site coverage ratio of 35.11%. The first building contains 12,800 rentable square feet with interior finish to 63% of the area. The second building, containing 19,200 square feet of rentable area has interior finish to 75% of the total area. In each building, some of the development is at the second or mezzanine floor level. The Complainant maintains that both buildings are multi-tenant buildings while the assessment record shows one of the buildings as a single tenant structure.

**Issues:**

The Complainant raised the following matters in section 4 of the complaint form:  
*Assessment amount (No. 3 on form) and Assessment class (No. 4 on the form).*

The Complainant also raised the following specific issues in section 5 of the Complaint form:

- The subject property is assessed in contravention of Section 293 of the Municipal Government Act and Regulation 220/2004
- The use, quality and physical condition attributed by the municipality to the subject property is incorrect, inequitable and does not satisfy the requirement of Section 289 (2) of the Municipal Government Act
- The assessed value should be reduced to the lower of market value or equitable value based on numerous decisions of Canadian Courts
- The information requested from the municipality pursuant to Section 299 or 300 of the Municipal Government Act was not provided
- Due to the characteristics and physical condition of the subject property, the income approach utilizing typical market rents, vacancy, management, nonrecoverables, & cap rates would yield a more reliable estimation of market value for assessment purposes

- The indicated value returned by the income approach as described is \$142.59 psf
- The assessment regression model method used is incorrect and does not accurately reflect the market value for assessment purposes of the subject property
- The valuation method used for the subject property is fundamentally flawed in both derivation and application
- The aggregate assessment per square foot applied is inequitable with the assessments of other similar and competing properties and should be \$142 psf

At this hearing, only the Equity issue was addressed by the Complainant.

**Complainant's Requested Value:**

\$4,190,000

**Board's Decision in Respect of the Issue:**

Although not a primary issue, the Complainant argued that the property is comprised of two multi-tenant buildings. The assessment record indicates that one of the buildings is a single tenant structure. A rent roll provided in the Complainant's evidence showed that just one bay in the second building was rented but that there were other bays as well. The Respondent stated that the single tenant classification would have been applied at a time when the property was so new that full details of its class would not have been known. The buildings were completed in early 2009.

The Respondent, under questioning, stated that typically, multi-tenant buildings are assessed at a slightly higher base rate than single tenant buildings. The matter was not pursued further by either party.

For 2010, the City of Calgary changed its policy for the assessment of properties with multiple buildings. Under the new policy, *"each building on a multiple building parcel receives its own unique rate per square foot based on its unique characteristics."* The Complainant questioned the reasoning for the two buildings on the subject property being assessed at different rates per square foot when they were similar buildings, except for rentable floor area. It was argued that the property would be treated in the marketplace as a single property, not as two separate properties.

In the Respondent's evidence was a copy of a document entitled "City of Calgary Industrial Multiple Building Assessment," which cited as rationale for its policy a situation where two buildings on a site may have different years of construction, office finish, tenancy or size. Support for the new assessment method was in the form of two assessment to sales ratio (ASR) studies wherein it was determined that the median ASR based on assessments of individual buildings fit into the desired quality standards range (0.95 to 1.05 as dictated by Regulations) better than when all buildings were assessed as one. Two charts were part of the study. Data was presented for 18 properties where there was more than one building on a site. Sales information (price and time adjusted price) was set out. In Chart 1, the assessments of each individual building, as calculated using the "new"

assessment method were provided. With this sale and assessment data, Assessment to Sales Ratios (ASRs) were calculated along with a coefficient of dispersion (COD) from the regression analysis. The second chart in the study provided the same sale information for the same 18 properties along with "hypothetical" assessments based on consideration of each property on the basis of total building area regardless of the number of buildings. Findings are set out below:

| <u>Chart</u> | <u>Lowest ASR</u> | <u>Highest ASR</u> | <u>Median ASR</u> | <u>Mean ASR</u> | <u>COD</u> |
|--------------|-------------------|--------------------|-------------------|-----------------|------------|
| 1            | 0.65              | 1.63               | 1.015             | 1.0223          | 6.00       |
| 2            | 0.58              | 1.41               | 0.9234            | 0.9129          | 4.658      |

Because the mean and median based on individual building assessments fell within the acceptable ASR range of 0.95 to 1.05, and the "one" property mean and median did not fall within the same range, the Respondent opined that the new assessment method was more accurate.

The Complainant pointed out that while the median and mean ASRs in Chart 1 fell within the acceptable range, 13 of the 18 were still outside of the range. For the "one property" calculations, the same number (13) were outside of the range but the median and mean happened to come in outside of that range. Further, if a lower COD is preferable, then the second chart has that. The Complainant was also concerned that no details were available for the hypothetical assessments contained in the "one" property chart.

Rent rolls for several properties surrounding the subject property were provided by the Complainant to indicate that rents for similarly sized premises (bays) in multi-tenant buildings were similar, regardless of the number of buildings on a lot or on the size of the building. The buildings were all similar to the subject, shared equal adjoining locations and were all created by the same developer. The rental data was evidence that individual buildings on a multi-building property are not segregated by participants in the marketplace and, thus, they should not be segregated for assessment purposes. Under questioning from the Respondent, the Complainant stated that while these other similar buildings received the same rents, they were assessed at lower rates because there was only one building on a site. The higher aggregate assessment on the subject was due to its treatment as two buildings of 12,800 and 19,200 square feet rather as one property with 32,000 square feet.

A table of data on nine equity comparables was provided by the Complainant. All of the comparables were multi-tenant properties. These properties contained total building areas from 19,647 to 40,120 square feet which bracketed the subject's 32,000 square feet. Dates of construction for the comparables ranged from 1998 to 2007. Site coverage ratios were from 30% to 41% with most in the mid-30's like the subject. The subject buildings had high ratios of interior finish (63% and 75%) and the comparables had finish ratios from 18% to 80%. All but one of the comparables had just one building on the site. The assessment rates ranged from \$121 to \$137 per square foot of building area and the median and mean averages were \$131 and \$130 per square foot, respectively. The average assessment for the subject is \$167 per square foot of building area. Photos, maps, assessment summaries and rent rolls were provided for the comparables to further demonstrate their similarity to the subject.

The Respondent provided a table of data on seven equity comparables. Some of these were for individual buildings on a property that had more than one building. Others were for single building properties. Three of the seven properties were single tenant properties. Floor areas ranged from 10,800 to 20,492 square feet which were comparable to each of the subject buildings which had areas of 12,800 and 19,200 square feet. The Respondent relied upon the "City of Calgary Industrial Multiple Building Assessment" study as rationale for assessing each building separately. It was

pointed out that valuation model input data for multi-building properties is adjusted so that individual site coverage ratios are not calculated for each building because that would unfairly skew the results. When questioned about the study, the Respondent replied that there may have been other multi-building properties that could have been included in the study but that could not be confirmed. In response to another question, it was stated that 13 of 18 ASRs outside of the acceptable range was satisfactory because this was only a small part of the overall study.

The Respondent objected to the Complainant's challenge of the individual building versus "one building" approach to assessing multi-building properties, stating that ARB 0638/2010-P prohibited any challenges to valuation methods used by the Respondent. The position of the Complainant was that there was no challenge to the multiple regression model used by the Respondent. The challenge was only to the concept of multi-building properties being treated as individual single building properties and this methodology has to be challenged because it produces unreliable, inequitable assessments. The major part of the challenge was to the ASR study in the evidence of the Respondent, which the Complainant deemed as unreliable.

### **Findings**

In view of the above considerations, the CARB finds as follows:

- 1: The property comprises two multi-tenant buildings;
- 2: The property should be assessed as a single property with a total building rentable area of 32,000 square feet and not as two individual buildings of 12,800 and 19,200 square feet, respectively;
- 3: ARB Decision 0638/2010-P is not applicable;
- 4: The unit value of the assessment is \$131 per square foot of total building area.

### **Reasons**

The CARB finds that the property comprises two multi-tenant industrial buildings. Rent rolls provided by the Complainant indicate that each building is demised into bays for more than one tenant or occupant.

Having regard to the multiple building/individual building assessment argument, the Board finds for the Complainant. The subject property is a single property, legally registered on a single title. It just happens to have two buildings on that one land parcel. In all likelihood, the parcel could not be legally subdivided so that each building would have its own land parcel. In the marketplace, the property would compete with other properties with around the same total floor area regardless of the number of buildings. Rents achievable for space in the buildings would relate to bay sizes, not to total building sizes. This was shown in the rent roll evidence put forward by the Complainant. While the City's adjustment of input data to account for site coverage is reasonable, there was no evidence before the Board indicating whether or not other data adjustments are made. The Respondent argues that the differences in the rates for various buildings reflect economies of scale wherein larger buildings tend to sell for a lower rate per square foot than smaller buildings. The CARB agrees that this principle is relevant on a property by property comparison but not for individual buildings on a multi-building property. In this situation, the property would sell as one property and

there is no evidence that shows that the various rates per square foot of the individual building areas reflect the fact that the total building area is 32,000 square feet. The CARB is unconvinced by the Respondent's multi-building ASR study. As stated by the Complainant, there are as many ASRs outside of the acceptable range in both the single building and multi-building charts. It just happens that the median is within the 0.95 to 1.05 ASR range for one set of data but not for the other. Both sets of data present wide ranges in ASRs (ranges of 0.98 and 0.83) and there are the same numbers of ASRs outside of the acceptable range for each scenario.

ARB Decision 0638/2010-P dealt with challenges to the valuation model employed by the Respondent municipality and to the mass appraisal process and methodologies used in that process. In part, the decision stated:

*"The reason the Board chose not to hear the above listed evidence is that these valuation methods, models, processes, standard methods, methodologies and allowances are all either specifically or contextually legislated and the Board cannot disregard, deny, or deviate from prescriptions of the legislation."*


The one building/multi-building valuation approach taken by the Respondent is solely a choice of the Respondent municipality and has no sanction in law. The Complainant is free to challenge this approach on the grounds that it is unreasonable and unfair to a particular class of taxpayer.

The CARB finds that the equity comparables put forward by the Complainant are superior to those of the Respondent. Firstly, they are comparables where the total rentable building floor areas bracket that of the subject. They have other similar characteristics and their comparability is further verified by rental information. The median rate per square foot of building rentable area from the Complainant's comparables is \$131. That rate is applied to the gross rentable building area of 32,000 square feet for the subject property.

**Board's Decision:**

The 2010 assessment is reduced from \$5,340,000 to \$4,190,000.

**DATED AT THE CITY OF CALGARY THIS 20<sup>th</sup> DAY OF SEPTEMBER 2010.**

  
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**W. Kipp**  
**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.*