

**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: 137036307

LOCATION ADDRESS: 11979 – 40 Street SE, Calgary AB

HEARING NUMBER: 59390

ASSESSMENT: \$11,510,000

This complaint was heard on the 17th 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:

- K. Gardiner, J. Young

Property Description:

A multi-tenant, four building industrial warehouse property, built in 2003 and 2004 on a 4.30 acre lot in the East Shepard Industrial area (designated SO2 by Calgary Assessment) of southeast Calgary. There are four buildings on the lot representing a total site coverage ratio of 29.11%. The buildings contain: 1) 11,225 rentable square feet with interior finish to 58% of the area; 2) 24,573 rentable square feet with 67% interior finish; 3) 10,800 rentable square feet with 40% interior finish and 4) 24,097 rentable square feet with 33% interior finish. In buildings 2 and 4, some of the development is on the second or mezzanine floor level.

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
- The aggregate assessment per square foot applied is inequitable with the assessments of other similar and competing properties and should be \$135 psf
- The aggregate assessment per square foot applied to the subject property does not reflect market value for assessment purposes when using the direct sales comparison approach and should be \$135

- 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 characteristics & physical condition of the subject property support the use of the income approach utilizing typical market factors for rent, vacancy, mgmnt, non recoverables and cap rates; indicating an assessment market value of \$130 psf

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

Complainant's Requested Value:

\$7,910,000 (\$112 per square foot of building rentable area)

Board's Decision in Respect of the Issue:

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 four buildings on the subject property being assessed at different rates per square foot when they were similar buildings with similar rental bay sizes but varying total floor areas. It was argued that the property would be treated in the marketplace as a single property, not as four separate properties. Further, given the physical nature of the subject property subdivision of the property into two or more smaller properties would not be possible.

The Respondent's evidence was that multiple buildings on a site may have different years of construction or office finish etcetera. Fairness in valuing each building separately came from the methodology wherein there was a universal site coverage ratio for the property that was applied to each individual building.

The Complainant argued that if bay sizes were the same for each building, then the market would assign a similar rental rate to each bay. Rent rolls for the property showed that bay sizes were similar in the four buildings even though the total areas of each building were different.

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 51,230 to 92,805 square feet which bracketed the subject's 70,695 square feet. Dates of construction for the comparables ranged from 1999 to 2009. Site coverage ratios were from 30% to 38%. The subject buildings had high ratios of interior finish (58%, 67%, 40% and 33% - averaging 49%) and the comparables had finish ratios from 0% to 46%. The assessment rates ranged from \$104 to \$135 per square foot of building area and the median average was \$112 per square foot. The average assessment for the subject is \$163 per square foot of building area. Photos, maps and assessment summaries were provided for the comparables to further

demonstrate their similarity to the subject.

The Respondent provided two tables of data on equity comparables. Some of these were for individual buildings on a property that had more than one building. Others were for single building properties. The first table was assessment data on properties that could be compared to the smaller buildings on the subject site. This table had five comparables of 12,170 to 15,170 square feet with assessments of \$181 to \$210 per square foot of building area. The second table had larger building comparables, from 21,912 to 39,662 square feet in area. Assessment rates for these buildings were from \$135 to \$165 per square foot.

Findings

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

- 1: The property should be assessed as a single property with a total building rentable area of 70,695 square feet and not as four individual buildings of 11,225, 16,382, 10,800 and 16,117 square feet respectively;
- 2: The unit value of the assessment is \$120 per square foot of total building area.

Reasons

The CARB finds that the property comprises four 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 and the bay sizes do not vary significantly from building to building.

The subject property is a single property, legally registered on a single title. It just happens to have four separate 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. 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 buildings of different sizes 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. A look at the data supports this finding. Buildings 2 and 4 are the smaller buildings and they are assessed at rates of \$199 and \$200 per square foot. The other two larger buildings are assessed at \$145 and \$147 per square foot. If bays in all four of the buildings would attract the same rental rate, how could the unit values of each building be so different?

In this situation, the property would sell as one property and there is no evidence that shows that the various assessment rates per square foot of the individual building areas reflect the fact that the total building area is 70,695 square feet. The CARB is unconvinced by the Respondent's multi-building assessment argument.

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 also have other similar characteristics, however, there are wider discrepancies in site coverage ratios with the subject having the lowest ratio at 29.11%. The Complainant stated that four of the nine comparables were very similar to the subject with regard to bay sizes. The best comparable is the property next door (at \$135 per square foot) but that property comprises two buildings having a total area of 58,173 square feet. Based on CARB findings, the subject should therefore have an assessment of less than \$135 per square foot. The CARB finds that three of the nine comparables have similar interior finish ratios to the subject and the site coverage ratios, while higher are not significantly higher. The average rate per square foot of building rentable area from these comparables is \$116 per square foot. If recognition is given to the varying site coverage ratios, a rate of \$120 per square foot seems to be realistic. That rate is applied to the gross rentable building area of 70,695 square feet for the subject property.

Board's Decision:

The 2010 assessment is reduced from \$11,510,000 to \$8,480,000.

DATED AT THE CITY OF CALGARY THIS 23 DAY OF September 2010.



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.*