

**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: 137036208**

**LOCATION ADDRESS: 11929 – 40 Street SE, Calgary AB**

**HEARING NUMBER: 59387**

**ASSESSMENT: \$4,830,000**

This complaint was heard on the 17<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:

- K. Gardiner

**Property Description:**

A multi-tenant, two building industrial warehouse property, built in 2005 and 2006 on a 2.10 acre lot in the East Shepard Industrial area (designated SO2 by Calgary Assessment) of southeast Calgary. There are two buildings on the lot representing a total site coverage ratio of 30.62%. The buildings contain: 1) 15,029 rentable square feet with no interior office finish; 2) 12,960 rentable square feet with 65% interior finish. There is no development at 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 property record was not provided at the time of complaint filing.
- 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 \$125

- 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 \$125
- 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 land adjustment is incorrect because the characteristics and physical condition of the property have not been appropriately considered
- 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 \$120 psf

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

**Complainant's Requested Value:**

\$3,660,000 (\$131 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 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 on a site 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 concluding that the Respondent's hypothetical assessments were unverifiable.

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.

A table of data on seven equity comparables was provided by the Complainant. All of the comparables were multi-tenant properties. These properties contained total building areas from 21,600 to 58,173 square feet which bracketed the subject's 27,989 square feet. The largest floor area was from a property with two buildings. Dates of construction for the comparables ranged from 1998 to 2006. Site coverage ratios were from 30% to 41%. One of the subject buildings had a high ratio of interior finish (65%) but with 0% in the second building, the property average was 30%. The comparables had finish ratios from 18% to 75%. The assessment rates ranged from \$121 to \$135 per square foot of building area and the median average was \$131 per square foot. The average assessment for the subject is \$173 per square foot of building area. Photos, maps and assessment summaries were provided for the comparables to further demonstrate their similarity to the subject. Based on the median assessment rate from the comparables, the Complainant recalculated the subject assessment at \$3,666,559.

The Respondent provided a table of data on six 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 properties could be compared to the individual buildings on the subject site. The comparable buildings had areas of 10,800 to 16,744 square feet with assessments of \$153 to \$201 per square foot of building area.

The Complainant had questioned the Respondent on the treatment of multi-building properties in the multiple regression assessment model. The response was that properties with more than one building were not included in the sales analysis. The Complainant's position was that if a total of 156 industrial sales were the only sales available for this assessment year, the removal of 19 of those sales would bring the usable sales to a dangerously low amount, thereby creating doubt as to the accuracy of the 2010 assessment.

Part of the Rebuttal evidence of the Complainant were copies of 2010 ARB decisions wherein

the arguments of the Complainant had been accepted. These precedential decisions confirmed the current position of the Complainant.

### **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 27,989 square feet and not as two individual buildings of 15,029 and 12,960 square feet respectively;
- 2: The unit value of the assessment is \$131 per square foot of total building area.

### **Reasons**

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 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 multi-tenant 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 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 27,989 square feet. The CARB is unconvinced by the Respondent's multi-building ASR study. As stated by the Complainant, there are the same number of 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.

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. The Respondent's comparables provided higher rates per square foot because those were rates applied to smaller buildings in keeping with the City's multi-building assessment policy which the CARB has found not to be realistic from a market value perspective. Based on CARB findings that the subject should be assessed as one property with a total building area of 27,989 square feet, the equitable rate of \$131 per square foot presented by the Complainant is adopted and the assessment is reduced to that rate.

**Board's Decision:**

The 2010 assessment is reduced from \$4,830,000 to \$3,660,000.

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.*