

**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, Section 460(4).

between:

Altus Group Ltd., COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

***Board Chair, J. Zezulka
Board Member 1, E. Reuther
Board Member 2, B. Jerchel***

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: 200660769

**LOCATION ADDRESS: 11440 - 54 Street S.E.
Calgary, Alberta**

HEARING NUMBER: 59523

ASSESSMENT: \$26,310,000

This complaint was heard on 9 day of August, 2010 at the office of the Assessment Review Board located at Floor Number 3, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 8.

Appeared on behalf of the Complainant:

- D. Mewha

Appeared on behalf of the Respondent:

- T. Woo

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

Not Applicable

Property Description:

A single tenant industrial premises, comprised of 18.53 acres of land, improved with an industrial warehouse of 212,232 square feet ("s.f.") built in 2005. The building footprint is 207,763 s.f. Site coverage is 25.74 per cent. The location is the Dufferin Industrial Park.

Issues:

1. The income approach to value produces a superior estimate of market value than the direct sales approach.
2. Sales of similar properties support a reduction in assessed value.
3. The subject is not assessed equitably when compared to the assessment of similar properties.

Complainant's Requested Value: \$16,740,000

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

The Board notes that the overall assessment calculates to \$124 per s.f. of gross building area, including land.

Issue 1

In support of his argument, the Complainant first referred the Board to Municipal Government Board Order MGB 037/09. Under the 'Summary of Reasons' it states "*The Respondents use of the Direct Sales approach to value was rejected as the MGB found there was insufficient number of sales of warehouses comparable to the subject property*". And further; "*The capitalized income approach to value was found to be the preferred method of valuation because the MGB believes the party positions to this approach contain the strongest reliable source of evidence.*" Assuming the circumstances surrounding the subject are parallel to the situation in MGB037/09, this Board would be compelled to agree. However, the circumstances are not the same.

For the capitalization calculations, the Complainant adopted a net rental rate of \$5.75 per s.f. In support of that rent, the 2010 Business Assessment Notice was presented, showing a rent of \$6.25 per s.f. In addition, five lease comparables showing rents of \$4.30 to \$6.45 per s.f. were submitted. Bay sizes ranged from 102,183 s.f. to 266,785 s.f. Of those five comparables, three were shown to be separate bays in the same property. Lease commencement dates varied between November, 2005, to November, 2007 – about three to five years old.

Other than generic publications, the Complainant offered no specific evidence in support of the vacancy rate. A capitalization rate calculation on page 118 of their submission produced capitalization rates between 6.06 to 7.39 per cent. The overall average is 6.52 per cent. The two rates resulting from the most recent transactions reflected rates of 7.63 and 7.39 per cent.

The Respondent offered no evidence relative to the income approach to value as it relates to the subject. However, the Respondent did submit a copy of an Assessment Request for Information form from the City Assessment Business Unit that shows that 42,000 s.f. of the subject are leased for \$7.20 per s.f.

The Respondent presented four sales comparables and five equity comparables in support of the sales comparison method of valuation.

The sales comparables reflect per s.f. selling prices from \$114 to \$128, with an average of \$123.50 per s.f.—virtually the same as the subject's current assessment. However, three of the four comparables are multi-tenant buildings. Because of the smaller space denominations involved, these are likely to reflect a different (higher) rent structure, hence a higher value. The sole single tenant building reflected a selling price of \$114 per s.f.

Issue 2

The Complainant offered five equity comparables that reflect adjusted comparable assessments of \$93.98 to \$107.30 per s.f., for an average of \$100.83. All except one has a site size substantially smaller than the subject and some upward adjustment for land size is warranted. The last comparable, at 25 Dufferin Place, has a building that is over three times the size of the subject. All else being equal, per unit price tends to vary in inverse proportions to size. That observation applies even in larger buildings of the subject's magnitude.

The Respondent's equity comparables reflect assessments of \$115 to \$151 per s.f. The high end is reflected by a 137,965 s.f. building on a 70.38 acre land parcel. Because of the site size, this comparable was disregarded by the Board. The Board finds that the most comparable properties reflect assessments of \$112, \$115, and \$116 per s.f. overall.

Issue 3

The Complainant argues that the subject land should be valued at the same \$620,000 per acre rate as has been applied to Dufferin, a nearby industrial area. However, no evidence to support that position was presented by the Complainant.

Board's Decision:

As for the premise that income capitalization is the preferred method of valuation, this Board, in

keeping with CARB Order #0522/2010-P, "will not identify a preference as to which valuation approach should be used to determine the assessed value of any property. It is the assessed value that this Board is authorized to adjudicate. If any party can satisfy the Board, to the extent required by law, that in application of any applied approach to value errors have been made that have resulted in an incorrect assessed value, then it is those errors, supported by market based evidence, that should be given consideration". That is not to say that an alternative method of valuation cannot be applied. However, any alternative method must be as equally well founded in market evidence as the method already being employed. That is not the case in this instance. In the Board's opinion, the City's sales data is more convincing than the complainant's income data.

As far as the equity argument is concerned, the comparables presented by both parties leads the Board to a value conclusion somewhat lower than the current assessment.

The Complainant did not, to the satisfaction of the Board, submit any evidence that would prompt any change in the land assessment, nor did they demonstrate that the City's land assessment was in error.

The assessment is reduced to \$24,000,000. That conclusion is based on the adjusted equity comparables presented by the respondent, the single tenant comparable presented by the respondent, and – to a lesser extent – a revised income capitalization, using a projected rent of \$7.20 per s.f. and a capitalization rate of 6.5 per cent.

DATED AT THE CITY OF CALGARY THIS 15 DAY OF SEPTEMBER 2010.



J. Zezulka
Presiding Officer

CC: Owner

List of Exhibits

C-1; Evidence submission of the Complainant
C-2; Altus Group Industrial Argument
C-3; Altus Group 2010 Rebuttal Evidence
R-1; City of Calgary 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.*