

**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, A. Zindler
Board Member 2, I. Zacharopoulos***

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: 200830875

LOCATION ADDRESS: 55 – Freeport BV. N.E., Calgary, Alberta

HEARING NUMBER: 59841

ASSESSMENT: \$82,710,000

This complaint was heard on 8 day of September, 2010 at the office of the Assessment Review Board located at Floor Number 4, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 4.

Appeared on behalf of the Complainant:

- *R. Worthington*

Appeared on behalf of the Respondent:

- *K. Bucky*

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

Not Applicable

Property Description:

The property is single tenant industrial facility, built in 2000, with three additions in 2009. One of the additions is a separate office and storage building of 24,837 sq. ft. The building has a net rentable area of 489,210 sq. ft., with a footprint of 473,147 sq. ft. The warehouse ceiling height is 36 feet. The site is 41.86 acres. Site coverage is 26.0 per cent. The community is Freeport.

The property acts as the Western Canadian distribution centre for the Real Canadian Superstores. For the most part, the building is a distribution warehouse that is divided into sections with various temperature ranges that are strictly maintained.

Issues:

Of the various issues and Grounds for Appeal as outlined in the Complainant's Evidence Submission To Assessment Review Board, identified as exhibit #C-1, the Board has identified the following to be the primary issues of the complaint:

1. The City's cost summation method of valuation for the subject property is inappropriate.
2. The Income Approach to Value is the best method of valuation for the subject property.
3. The current assessment does not reflect the market value of the subject property.
4. The current assessment is inequitable with similar and competing properties.

Complainant's Requested Value: \$43,660,000

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

The current assessment is based on a rate of \$169.08 per sq. ft. of net rentable area, overall.

Of the four primary issues listed, the pivotal issue is Number 1... "The City's method of assessment is inappropriate."

The Complainant submitted that the subject is not a special purpose building. In direct evidence, the Complainant agreed that the subject had various temperature controlled sections for the preservation of produce. However, the Complainant also pointed out the various additions and alterations that had been carried out. The temperature controlled sections are made up of interlocking, moveable partitions that could be relocated as the need arose. The method of refrigeration was not entered into evidence. However, temperature control for premises of this

nature is typically accomplished through the use of compressor units, either set on moveable pallets, or suspended and connected to gas and electrical service. Although not without some effort, these units are also moveable without significant disruption to the face and character of the building.

The Respondent took the position that the building is a special purpose structure, and the only appropriate method of valuation is the cost summation method. In his evidence, Exhibit R-1, City of Calgary Assessment Brief, the Respondent presented Marshall & Swift cost calculations indicating a total building cost of \$69,204,672, after adjustments for GST. To that, the Respondent added a land value estimate of \$13,513,518, for the total current assessment.

The Complainant relied on income capitalization and direct comparison as the most appropriate methods of valuation.

In evidence, the Complainant presented income capitalization calculations that included a rental rate of \$6.75 per sq. ft., a 5.00 per cent vacancy rate, and a capitalization rate of 7.50 per cent. In support of the rental rate, the complainant presented the City of Calgary 2010 Business Assessment that reflects a rent of \$6.75 per sq. ft. for the subject building. In addition, the Complainant submitted five leases on space purported to be similar to the subject. The median lease rate appeared at \$6.50 per sq. ft. The Complainant also submitted lease rates on business comparables, that indicate an average rental rate of \$5.63 per sq. ft. The Complainant also included a capitalization rate study in support of the capitalization rate adopted. The Board notes that the study is dated, going back to 2006. However, none of this evidence was questioned or controverted by the Respondent. Similarly, the 5.0 per cent vacancy rate allowance applied was not questioned, and was therefore accepted by the Board.

Using the foregoing inputs, the Complainant's capitalization calculations produced a relative indicator of \$41,827,455, to which the Complainant added \$1,837,376 for excess land, valued at \$325,000 per acre, for a total valuation of \$43,664,831.

The Complainant presented two sales comparables on pages 38 and 39 of its submission. The two sales comparables reflected time adjusted selling prices of \$80.56 and \$85.53 per sq. ft. Sale dates were May and August, 2009. Building sizes were both substantially smaller than the subject. Years of construction were 1990 and 2000 – not unlike the subject. Both comparables had larger site coverage than the subject. The median selling price appears at \$83.04 per sq. ft. Without adjustments, the median relative indicator produces a value estimate of \$40,623,998. Including excess land, the relative indicator is \$42,461,374.

For equity comparison purposes, the Complainant presented a number of comparisons on page 40 of his submission. Two of the larger buildings, at 301,930 and 220,090 sq. ft., had assessments of \$86.18 and \$89.96 per sq. ft. Five smaller buildings reflected an average assessment of \$90.86 per sq. ft. In particular, the Complainant drew the Board's attention to a property at 10 Freeport Way NE, adjacent west of the subject. This premise is a meat packing and distribution facility that is 27 per cent cold refrigeration, and 73 per cent distribution. This property is assessed at \$112.62 per sq. ft. The exact size of the comparable is unknown. However, an aerial photograph shows that the comparable is substantially smaller than the subject.

Another of the Complainant's comparisons considered to be of some importance to the Board is a warehouse at 4100 Westwinds Drive NE. The property is a single tenant warehouse of 301,930 sq. ft. with a 32 ft ceiling height. The building was built in 2000. Site coverage is 44 per cent. The assessed value calculates to \$86.18 per sq. ft.

The Respondent presented no comparable sales evidence or equity comparables, but rather relied entirely on the cost calculations presented, and a CARB decision No. ARB 0891/2010-P. In that decision, the Assessment Review Board found that the Complainant used income capitalization information derived from dissimilar properties than the subject, and was therefore not an appropriate valuation method.

Board's Decision:


In the opinion of the Board, the Respondent failed to demonstrate that the subject has inherently unique features that would set it apart from other similar sized buildings. The building has moveable partitions, and cooler compressor units that can be relocated. There is no evidence to convince the Board that the existing tenant could not relocate to alternative premises without undue hardship or time delays. In the Board's opinion, this building is not different enough to justify a separate approach to value.

The Complainant, on the other hand, has established a range of indicated values through income capitalization, direct sales comparison, and equity comparisons. The range indicated is relatively tight, and from these, the Board finds that the income parameters, based on the property's business assessment of \$6.75 per sq. ft. , the uncontroverted 5.0 per cent vacancy, and a capitalization rate of 7.5 per cent, provides a reliable valuation indicator. Moreover, the capitalized result is not unlike the direct comparison result of \$83.04 per sq. ft. of building plus excess land, or the median of the equity comparables, plus excess land.

The Board rejects the Respondent's position relative to ARB 0891/2010-P. In the Board's opinion, the circumstances of that decision are quite different from the case at hand.

The assessment is reduced to \$43,660,000.

DATED AT THE CITY OF CALGARY THIS 27 DAY OF SEPTEMBER 2010.


for J. Zezulka
Presiding Officer

List of Exhibits

C-1; Evidence submission of the Complainant
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.*