

**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:

Colliers International Realty Advisors, COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

R. Mowbrey, PRESIDING OFFICER

P. Pask, MEMBER

K. Kelly, 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:	054010608
LOCATION ADDRESS:	1420 - 28 ST NE
HEARING NUMBER:	57307
ASSESSMENT:	\$27,990,000

This complaint was heard on the 13th day of September, 2010 at the office of the Assessment Review Board located at the 4th Floor, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 4.

Appeared on behalf of the Complainant:

- S. Meiklejohn Colliers International, Complainant

Appeared on behalf of the Respondent:

- J. Lepine Assessor, city of Calgary

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

There were no procedural or jurisdictional matters.

Upon questioning by the Presiding Officer, the parties present indicated they had no objection to the composition of the Board. In addition, the Board members indicated they had no bias on this file.

Near the end of the hearing, both parties agreed that the total square footage of the building was 239,968 square feet.

Property Description:

The subject property consists of 9 multi-tenant industrial warehouses situated on one 15.42 acre parcel of land, in the northeast quadrant of the City. The 9 buildings have a total rentable area of 239,968 square feet (SF). One building is 78,920 square feet (SF) in size and the other 8 are identical at 20,131 SF each. The larger building was constructed in 1991 and the other 8 were constructed in 1998. The buildings are assessed in aggregate at \$116 per square foot (PSF), although the City has assigned different PSF values to each individual building, based on level of finish, year of construction, and related values. The land use designation is Industrial-General (IG) and the building quality is C+. The property is assessed at \$27,990,000.

Issues:

1. What is the market value of the subject property?
2. The physical condition and attributes have not been properly reflected in the subject property's assessed value.

Complainant's Requested Value:

The Complainant initially requested \$17,580,000 based on \$80 per SF and a total building area of 219,837 SF. However based on the corrected area of 239,968 SF the revised requested value at \$80 per SF is \$19,200,000.

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

1. What is the market value of the assessed property?

Multi-building properties

The Complainant argued that the City is assessing multi-building properties contrary to the *Municipal Government Act (the "MGA")*. He referenced the "Interpretation" section 1(1)(v) of the Act (re "parcel of land"), arguing that based on his interpretation of the MGA, the subject containing 9 separate buildings, should be assessed as if all 9 were one building.

The Complainant noted the 9 buildings had been valued by the City separately – then their values added together to arrive at the assessed value. He argued that this methodology is wrong because the characteristics of single-building properties are different from multi-building properties. Moreover, he argued that as of July 1, 2009 the subject was one un-subdivided parcel containing the 9 buildings and therefore should be treated as one building for assessment purposes.

To support this argument, the Complainant cited 2 Municipal Government Board (MGB) decisions from March 2010 and July 2009 where the assessments were reduced based on the principle that properties containing multiple buildings on one lot should be assessed as if they were one building.

The Respondent argued that proper appraisal and assessment theory/technique requires that an assessor or appraiser examine the multiple characteristics of each onsite building with regard to such matters as condition, age, site coverage, year of construction, level of office finish, market zone, etc. Upon doing so, adjustments must then be made to each building to properly compare them to other similar buildings in order to make a valid comparison. He also noted that each individual building is compared to other buildings of similar size and characteristics, which have recently sold, all to identify a "typical per square foot market value". He noted that this typical value is then applied to each individual building onsite and the aggregate values totalled to arrive at the assessment.

The Respondent argued that this methodology affords greater fairness to the taxpayer since the individual characteristics of each building onsite are properly accounted for in the assessment calculation. He suggested for example that the city would not assess a 1981 constructed building at the same rate as a 2009 building, which would occur under the Complainant's methodology. Moreover, he argued, the subject is not one building physically – it is 9 separate buildings.

In further support of this argument the Respondent provided a matrix on page 27 of Exhibit R-1 demonstrating the resulting assessment-to-sale ratios (ASR) of 19 multi-building properties, each assessed as per current practice, noting that the median value was 1.015. He argued that this appeared to demonstrate an almost perfect correlation of assessed values at 1.00 as required under legislated Mass Appraisal. In contrast, the Respondent provided a second matrix on page 28 of Exhibit R-1 whereby he used the Complainant's preferred methodology and combined the aggregate floor areas of the same 19 buildings and arrived at a median ASR of 0.9234, which he noted indicated an under-assessment which would fail the generally-accepted tests of accuracy. He argued therefore that the City cannot use the Complainant's methodology because it would be under-assessing properties as a result.

In examining the evidence and arguments of both parties on this matter, the Board finds the Respondent's arguments and evidence most compelling. There is insufficient evidence before the

Board, other than the Complainant's assertions, that the City is in contravention of the *MGA*. Therefore the Complainant's arguments on this issue fail. However, the Complainant failed to provide any materials whatsoever to support the Complainant's contention that the evidence/arguments provided to the MGB in the referenced appeals, were identical to that being presented to this Board today. The Board accepts that with regard to multi-building properties, the most equitable, correct and fair assessment methodology for the taxpayer is as described by the Respondent and as currently used by the City.

Time adjustments

The Complainant argued that the City uses a "Multiple Regression Model" to examine market sales, and while this is an accepted methodology, the City's results are incorrect because their time adjustment factors are wrong. The Complainant argued that a preferred and endorsed (Alberta Municipal Affairs) methodology is "Average-Unit Value Analysis". Therefore, in analysis of the City's 156 market sales of industrial properties, and using this methodology, the Complainant argued that after exhaustive analysis, a correct time-adjustment factor is a negative 0.0126% per month for the last 18 months. The City over 36 months used 2.75% for the first 12 months, 0% for the next 12 months and a negative 0.5% per month for the current 12 months.

Therefore, after further exhaustive analysis of the 156 market sales using the 0.0126% per month time adjustment – the Complainant's only adjustment, the Complainant summarized his findings, and introduced 3 market comparables in separate matrices, arguing they demonstrated the subject property, and indeed many properties are over-assessed.

The Complainant provided 3 industrial warehouse sales that were over 100,000 square feet. He argued that there were few sales with large footprints, so the Complainant used more than the current NE quadrant of the City. In addition, the Complainant stated that sale number two appears to be an outlier as the building is newer and is an A-1 quality building, whereas the subject property is a C+ quality. The mean and median for the two properties is \$75.38 PSF. The Complainant has requested a revised assessment of \$80 PSF.

To support this argument, the Complainant cited 2 Municipal Government Board (MGB) decisions from March 2010 and July 2009 where the assessments were reduced based on the principle that the City's time-adjustments were flawed.

The Respondent argued that in comparing market sales, proper appraisal and assessment technique requires one to make many adjustments to each property analyzed in order to make accurate comparisons. He argued that time-adjustments alone are insufficient. One must examine and adjust for level of site coverage; building age; level of finish; site area; and so on. To fail to do so renders the comparison invalid. The Respondent argued that the Complainant has considered only time adjustments and therefore his analysis of values is flawed and unreliable.

The Respondent clarified that while the "Average-Unit Value Analysis" methodology used by the Complainant is a valid methodology, he has applied it incorrectly. The Respondent argued that this methodology requires that properties being compared must be closely similar in most individual characteristics in order to achieve a valid result. The Respondent argued that contrary to proper application of this methodology, the Complainant has used properties of various sizes, types, site coverage, finish, age, etc. in his analysis, - properties which are not similar, and having only adjusted for time, he argued therefore that the Complainant's conclusions are seriously flawed. The Respondent provided evidence to the Board that showed a line graph of median SPPSF with time, a line graph of median area with time, a line graph of average area with time and a line graph of

average age with time. The graphs showed a much different picture than the Complainant's charts when you add additional variables. (Exhibit R-1 pages 20-24).

In examining the evidence and arguments of both parties on this matter, the Board finds the Respondent's arguments and evidence most compelling. The Complainant failed to provide any materials whatsoever to support his contention that the evidence/arguments provided to the MGB in the referenced appeals, were identical to that being presented to this Board today. The Board accepts that more than just time adjustments are required to properly compare properties using the Complainant's preferred and accepted "Average-Unit Value Analysis" methodology. The Board is satisfied that the Complainant's arguments and evidence regarding this issue appear to be unreliable.

On balance, the Board accepts the position of the Respondent in this appeal and considers that the Complainant has failed to convince the Board that the assessment is not fair, equitable nor correct.

2. The physical condition and attributes have not been properly reflected in the subject property's assessed value.

The Board notes that neither the Complainant nor the Respondent gave evidence or spoke regarding the issue. The Board therefore, did not deliberate on this issue.

Board's Decision:

The assessment is confirmed at \$27,990,000

DATED AT THE CITY OF CALGARY THIS 24 DAY OF September 2010.



R. Mowbrey
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.*

Exhibits

C-1 Complainant's evidence (114 pages)

C-2 Complainant's rebuttal evidence (18)

R-1 Respondent's evidence (30 pages)