

**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:

L. Wood, PRESIDING OFFICER

P. Grace, MEMBER

B. Jerchel, MEMBER

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: 200681724

LOCATION ADDRESS: 5324 4 STREET SE

HEARING NUMBER: 56395

ASSESSMENT: \$2,560,000

This complaint was heard on 1st day of September, 2010 at the office of the Assessment Review Board located at Floor Number 3, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 9.

Appeared on behalf of the Complainant:

- *Mr. R. Worthington*

Appeared on behalf of the Respondent:

- *Mr. R. Luchak*

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

At the commencement of the hearing, the Complainant indicated that he would not be pursuing an equity argument for this particular complaint. The Board therefore disregarded the equity analysis found in Exhibit C1 page 17.

Property Description:

The subject property is a single tenant warehouse comprised of 7,794 sq ft of rentable building area, located on a 1.67 acre site in South Manchester. The warehouse was built in 1958. The land use designation is I-G, Industrial General. The site coverage ratio is 10.73. The property has been assessed as having 1.11 acres of excess land.

Issues: (as indicated on the complaint form)

1. The characteristics & physical condition of the subject property support the use of the income approach utilizing typical market factors for rent, vacancy, management, non recoverables and cap rates, indicating an assessment market value of \$113 psf.
2. 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 \$245 psf.
3. The land adjustment is incorrect because the characteristics and physical condition of the property have not been appropriately considered.

Complainant's Requested Value: \$1,900,000

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

The Board notes that there were several statements on the appendix to the complaint form; however, it will only address those issues that were raised at the hearing. The issues reflect the rates per square foot as indicated at the hearing as opposed to the complaint form.

The characteristics & physical condition of the subject property support the use of

the income approach utilizing typical market factors for rent, vacancy, management, non recoverables and cap rates, indicating an assessment market value of \$113 psf.

The Complainant submitted that the subject property should be assessed on the income approach to value. He presented a rental rate of \$9.50 psf based on leases that commenced during January 1, 2008- July 1, 2009 (Exhibit C1 pages 14 & 15). Using an 8% capitalization rate and 5% vacancy rate, the Complainant derived an assessment of \$879,260 or \$113 psf, with no land adjustment (Exhibit C1 page 16).

The Board is not convinced that the income approach to value is the preferred method of valuation in this instance. There was no lease information provided for the subject property. The Board is not convinced that the typical lease rate as presented by the Complainant reflects the value of the subject property. The Complainant submitted approximately 90 lease rates taken throughout the Central region during the period of January 1, 2008- July 1, 2009. However, no details were provided in order for the Board to draw similarities, if any, between these properties and the subject property (for example, excess land).

Moreover, the Board was persuaded by the Respondent's Test of Income Values v. Sales (Exhibit R1 page 24). The Respondent utilized a \$10.00 psf market rent, 8% capitalization rate and 5% vacancy rate and compared the values to time adjusted sales used by both parties and these variables appear to under value all of the sales, resulting in low ASR's (Assessment to Sales Ratios).

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 \$245 psf.

The Complainant requested a reduction to the subject property's assessment from \$328 psf (including the excess land) to \$245 psf based on the direct sales comparison approach. He submitted twelve sales comparables (time adjusted) that ranged from \$183 to \$272 psf with various upward and downward adjustments highlighted in order to make them similar to the subject property (Exhibit C1 page 18).

The Respondent submitted five sales comparables (time adjusted) which ranged from \$192 to \$251 psf in support of the assessment at \$190 psf (excluding excess land) (Exhibit R1 page 23).

The Board finds that the Complainant's evidence, if an adjustment for excess land is made to the sales comparables, would support the assessment for the subject property. The Board is satisfied that Respondent's sales comparables support the assessment as well.

The land adjustment is incorrect because the characteristics and physical condition of the property have not been appropriately considered.

The Complainant submitted that the out of model land adjustment of \$1,082,663, attributed to the 1.11 acres of excess land, is too high. The Complainant requested the rate of \$620,116/acre for parcels under 2 acres based on several I-G land sales that occurred in East Shepard and Dufferin Industrial (Exhibit C1 pages 19- 21). Using the calculation presented in the Income Approach of \$879,260 + \$688,200 (1.11 acres of excess land), the Complainant requested a total assessment of \$1,567,460 or \$201 psf (Exhibit C1 page 16).

The Respondent presented four vacant land sales under 1 acre in support of the SE quadrant land rate of \$1,050,000 (first acre) and \$300,000/ acre (1-10 acres) (Exhibit R1 page 20). The time adjusted sales indicate a median rate of \$1,330,365/acre. The Respondent also submitted industrial land sales over 1 acre in support of their land rate (Exhibit R1 page 21). All of the sales submitted by the Respondent exclude the Dufferin area.

In regards to the excess land adjustment, the Complainant did not present any vacant land sales from South Manchester. The Board is not convinced that East Shepard and Dufferin Industrial are comparable to South Manchester. The Complainant failed to present sufficient evidence to warrant a change in the land rate in this instance.

Board's Decision:

The decision of the Board is to confirm the 2010 assessment for the subject property at \$2,560,000.

DATED AT THE CITY OF CALGARY THIS 18 DAY OF OCTOBER 2010.



Lana J. Wood
Presiding Officer

APPENDIX A**DOCUMENTS RECEIVED AND CONSIDERED BY THE ASSESSMENT REVIEW BOARD:**

NO.	ITEM
Exhibit C1	Evidence Submission of the Complainant
Exhibit C2	Altus Binder
Exhibit C3	Assessment Review Board decisions & legislation excerpts
Exhibit R1	City of Calgary's 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.*