

**CALGARY
COMPOSITE 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:

Steven C. Kashuba, PRESIDING OFFICER

M. Peters, 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: 101013258

LOCATION ADDRESS: 5510 – 3 Street SE

HEARING NUMBER: 59768

ASSESSMENT: \$5,290,000

This complaint was heard on 30th 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:

- *C. Van Staden*

Appeared on behalf of the Respondent:

- *T. Luchak*

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

There were no procedural or jurisdictional matters raised.

Property Description:

Located at 5510 – 3 Street SE in the Community of Manchester Industrial, the subject property is an industrial warehouse with multiple bays. Constructed in 1988, the warehouse sits on 2.27 acres of land, has a floor rental area of 33,910 square feet with a finish of 38% in building #1, and 29% finish in building #2. The warehouse is assessed at a rate of \$155 for building #1 and \$157.47 for building #2. The current assessment is \$5,290,000.

Issues:

1. The income stream of the subject property does not support its assessment,
2. Equity comparables do not support the assessment, and
3. Sales comparables do not support the assessment.

Complainant's Requested Value: \$3,820,000

Issue #1: Income Approach

Position of Complainant

It is the position of the Complainant that a rental rate of \$9.50 should be applied to the subject property rather than the \$13.14 as applied by the Respondent. In support of this position, the Complainant presented the rent roll as of July, 2009 (C-1, page 17) which shows the lease rates to be lower than that applied by the Respondent.

In addition, the Complainant presented over 80 rents in the Central Region of the City from which they conclude that if the rents only from 2009 are used, a median rent of \$9.50 is attained while the contract rent in the subject is \$9.75 per square foot. If the average of the 2009 rents in the subject is used, the rate is \$10.50 per square foot is derived. By way of conclusion, the Complainant used these two values to arrive at assessment rates of \$3,825,472 and \$4,228,153, respectively. Having regard for these two values, the Complainant requests a reduction in the assessment amount to \$3,820,000.

In addition, the Complainant presented several recent CARB decisions in support of their income stream issue (C-1, pages 26 – 58).

Position of Respondent

The Board notes that the Respondent did not defend the assessment on the basis of the income stream but rather on the basis of equity and sales comparables, which follow.

Findings and Decision of Board

Although the Board does acknowledge that the lease rates within the subject property do bring into question the rent rates applied by the Respondent when arriving at the assessment value, the Board finds that insufficient information and detail was provided by way of comparison to other lease rates in warehouse properties in the same sector of the City to bring into question the assessment amount based upon the income stream.

Further to this, the Board places little weight upon the Complainant's conclusion that the assessment can be based upon the rental rates within the subject property as these rates do not necessarily reflect typical lease rates in the industrial sector for warehouses. In this particular case, the board notes that the lease rates attained in the subject property are at variance with typical lease rates in the industrial sector for multiple-bay warehouses.

Issue #2: Equity Comparisons

Position of Complainant

To support a reduction in the assessment, the Complainant presented eight equity comparables (C-1, page 23). Of these equity comparables, the Complainant submitted that a value between \$137 and \$141 per square foot is derived from these comparables and should be applied when calculating the assessment for the subject property.

The equity comparables are taken from the same sector of the City and three of the eight are multi-bay warehouses while five are single tenant warehouses. In contrast, the subject property is a multi-bay warehouse. As for the year of build, six comparables were constructed in the 1970s while the subject was constructed in 1988. The other two comparables were constructed in 2002 and 2003 (C-1, page 23). In response to a question, the Complainant submitted that their best comparable is located at 21 Highfield and has an assessment of \$141 per square foot.

Position of Respondent

The Respondent presented six equity comparables (R-1, page 21) in the same Region of the City as the subject property and which reflect a similar site coverage, rentable area, and finish. The assessment rates of \$155 and \$157 for the two subject buildings are supported even though the effective year of construction in that each of the comparables is considerably older than is the effective year of construction for the subject property of 1988.

Findings and Decision of Board

The Board places considerable weight upon the equity comparables presented by the Respondent in that these comparables are taken from the same sector of the City and exhibit similar characteristics. As for the equity comparables presented by the Complainant, the Board

finds that five of the eight comparables are single-tenant warehouses while only three are multi-tenant warehouses, thereby bringing into question the reliability of comparability. Further to this, the Board accepts the Respondent's argument that their best comparable, which reflects an assessment value of \$141 per square foot, does support the assessment.

Issue #3: Sales Comparables Approach

Position of Complainant

The Complainant presented 12 sales comparables (C-1, page 24) and concluded that the sales indicate a rate of \$120 per square foot for the subject property which, when applied in the Pro-Forma, results in an assessment value of \$4,069,200, truncated to \$4,060,000, (C-1, page 24).

To further support their request for a reduced assessment the Complainant submitted several CARB decisions (C-1, pages 26 – 48) and a list of Sales of Improved Industrial Properties utilized by the City in mass appraisal formula to arrive at the assessment value (C-1, pages 55 – 58). As well, the Complainant presented an analysis of the City's use of properties *As a Separate Building* as opposed to their use *As a Single Building* with the resultant determination of Assessment to Sales Ratio (C-1, pages 61 – 62).

Finally, the Complainant undertook a review of a number of sales (C-1, pages 63 – 67) where, in one scenario, *post facto* sales were included while in the second case only sales consummated before the valuation date of July 1, 2009 were utilized. It is their conclusion that of the 19 sales analyzed, 14 are outside the acceptable standard of confidence limits of 0.95 to 1.05 while the other five are within the confidence limits.

Position of Respondent

To support the assessment, the Respondent presented five sales comparables (R-1, page 22) which show that the sales attained a median value of \$191 per square foot while a value of \$155 and \$157 was applied to the two subject warehouses. As for the element of comparability, the Respondent submitted that the comparables are similar in respect of site coverage, and net rentable space. As for the effective *build* year, the Respondent noted that the subject property was constructed in 1988 while the comparable exhibit effective build dates which are older, ranging from 1957 to 1979.

Finally, the Respondent presented several CARB and MGB decisions in support of their assessment (R-1, pages 29 – 90).

Board's Findings and Decision as Regards Issue #3

In examining the Complainant's sales comparables the Board finds that the finish in the subject property is 34% while the finish in 11 of the 12 comparables is considerably less, thereby bringing into question the reliability of comparability. In the one case where the finish in a comparable sale is higher than that evident in the subject property (C-1, page 24; roll # 200478535; 3710 Westw), and which is also an industrial warehouse multi-bay, the time-adjusted sale price is \$156 per square foot, which does support the assessment.

The Complainant did present several recent CARB decisions in support of their request; however, the Board finds that the particulars of those decisions are considerably different than the particulars of this complaint.

In contrast, the Board finds that the Respondent presented five sales which reflect characteristics similar to those of the subject property and which do support the assessment.

Board's Decision:

It is the decision of the Board to confirm the assessment of the subject property for 2010 at \$5,290,000.


Reasons:

The Board is persuaded by the six equity and sales comparables presented by the Respondent. As well, the board places considerable weight upon the five sales comparables presented by the Respondent wherein the median time-adjusted sale price of \$191 per square foot supports the assessment value of \$155 and \$157 per square foot for the two warehouses which are the subject of this appeal.

As for the Complainant's evidence, the Board places little weight upon the Complainant's rent comparable within the subject property in that this rate is not reflective of typical rates for industrial warehouses. In the case of equity comparables, the Board concludes, through an examination of the variables exhibited in the comparables, that there is some question about the degree of similarity which, in turn, brings into question, their comparability.

For these reasons, the Board concludes that the current assessment is fair and correct and should not be disturbed.

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



Steven C. Kashuba
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.*