

**CALGARY  
ASSESSMENT REVIEW BOARD  
DECISION WITH REASONS**

In the matter of the complaint against the Property/Business assessment as provided by the *Municipal Government Act*, Chapter M-26, Section 460(4).

**between:**

***Linnell Taylor & Associates, COMPLAINANT***

**and**

***The City Of Calgary, RESPONDENT***

**before:**

***Board Chair, T Golden  
Board Member, J. O'Hearn  
Board Member, T. Usselman***

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:

<b>ROLL NUMBERS:</b>	<b>120022702</b>
<b>LOCATION ADDRESS:</b>	<b>3411 Glenmore Tr. SE</b>
<b>HEARING NUMBER:</b>	<b>55982</b>
<b>ASSESSMENT:</b>	<b>\$3,100,000.00</b>

This complaint was heard on 30 day of September, 2010 at the office of the Assessment Review Board located at Floor Number 4, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 2.

Appeared on behalf of the Complainant:

- *D. Sheridan*

Appeared on behalf of the Respondent:

- *K. Gardiner*

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

The Complainant suggested that there was sensitive information that applied to this case that was absolutely necessary for the Board to make a decision. This information concerns the lease that the assessed person has with the City of Calgary. It was requested that the information be sealed or kept confidential. This information is in the evidence package of the Complainant. The Board determined that the ARB has no mechanism in either the legislation or internal policy to seal files or make information from a hearing confidential. It is the decision of the parties to the hearing to introduce the evidence that they determine necessary to defend the position. The Complainant decided to proceed with the hearing.

**Property Description:**

The subject parcel is a 5.29 acre parcel improved with 4 buildings with a total floor area of 32,665 sq ft. Three buildings are single occupant and one is multi tenanted with all being constructed in 1999. Uses are both retail and automotive. The land is owned by the City of Calgary and leased to one Company. An assessment was prepared using the cost approach.

**Issues:**

- 1) Does the cost approach yield an assessment that reflects market value?

**Complainant's Requested Value:**

After developing a capitalization rate, an income approach to the assessment was calculated resulting in the requested assessment of \$1,800,000.00

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

- 1) In this case the Board is satisfied the income approach presented by the Complainant develops an assessment that better reflects market value and a reduction in assessment is warranted.

The Complainant's argument focuses on the lease and the time limits now specified. Since the lease requires the buildings to be removed at the end of the lease the structures have limited life span and value that is not captured in the Respondents cost approach calculation. It was argued that the income approach with the ability to capture risk through the capitalization rate was the best

method to calculate value. Little effort was used to determine factors other than the capitalization rate. The Complainant used an aggressive "investment recovery rate" based on the known lifespan of the structures and arrived at a capitalization rate of 27.03%. This rate was applied to an NOI of \$485,869.00 to calculate the rounded value of \$1,800,000.00

The respondent presented the cost approach to the Board and explained the depreciation factors used. The formula used yielded a depreciation of about 69%. The Respondent then made a further \$600,000.00 reduction to the assessment in order to recognize the lease constraints.

The Board found the cost approach failed to properly account for the depreciation on the structures as this is a circumstance where the life of the structures is known. The Respondent was unable to satisfactorily explain how the additional \$600,000.00 reduction in assessment was developed. The board was of the opinion that this additional reduction was an arbitrary amount had no basis. In the absence of an explanation regarding the extra reduction the Board was unable to determine if depreciation was sufficiently accounted for. The Board also understands that the income approach presented by the Complainant similar to the Respondents approach lacks some of the analytical rigor usually required. The development of the capitalization rate as presented by the Complainant appears to the Board to more properly reflect the status of the existing improvements.

**Board's Decision:**

The assessment on the subject property is reduced to \$1,800,000.00

DATED AT THE CITY OF CALGARY THIS 19 DAY OF October 2010.



**Tom Golden**  
**Presiding Officer**

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

<b>NO.</b>	<b>ITEM</b>
1.	Exhibit C-1 Letter of Complaint
2.	Exhibit C-2 Complainants Brief
3.	Exhibit R-1 Respondent'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.*