

**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:**

***M. Vercillo, PRESIDING OFFICER***

***Y. Nesry, MEMBER***

***D. Cochrane, MEMBER***

This is a complaint to the Calgary Composite Assessment Review Board (CARB) 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: 201311529**

**LOCATION ADDRESS: 2780 24 AV NE**

**HEARING NUMBER: 59147**

**ASSESSMENT: \$ 3,880,000**

This complaint was heard on 4<sup>th</sup> day of October, 2010 at the office of the Assessment Review Board located at Floor Number 4, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom # 3.

Appeared on behalf of the Complainant:

- Ms. D. Chabot (Altus Group Ltd.)

Appeared on behalf of the Respondent:

- Ms. M. Lau (The City Of Calgary)

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

The CARB derives its authority to make this decision under Part 11 of the Act. No specific jurisdictional or procedural issues were raised during the course of the hearing, and the CARB proceeded to hear the merits of the complaint, as outlined below.

**Property Description:**

The subject property is an industrial property containing a single tenanted warehouse building with an office extension and constructed in 1991. The subject property is located in the "Sunridge" district of NE Calgary. The building has a net rentable area of approximately 23,600 square feet (SF). The building is situated on an assessable land area of approximately 154,202 SF and has a building to site coverage of approximately 18%.

The property is assessed at \$121 per SF of rentable building area on the first 2.52 acres (32% site coverage) and at \$1,000,000 per acre on the extra 1.02 acres of land, forming a total assessment of \$164 per SF of net rentable area.

**Issues:**

The CARB considered the complaint form together with the representations and materials presented by the parties. The matters or issues raised on the complaint form are as follows:

1. The subject property is assessed in contravention of Section 293 of the *Municipal Government Act and Alberta Regulation 220/2004*.
2. The use, quality, and physical condition attributed by the municipality to the subject property is incorrect, inequitable and does not satisfy the requirement of Section 289 (2) of the *Municipal Government Act*.
3. The assessed value should be reduced to the lower of market value or equitable value based on numerous decisions of Canadian Courts.
4. The information requested from the municipality pursuant to Section 299 or 300 of the *Municipal Government Act* was not provided.
5. The aggregate assessment per SF applied is inequitable with the assessments of other similar and competing properties and should be \$150 per SF.
6. The aggregate assessment per SF applied to the subject property does not reflect market value for assessment purposes when using the direct sales comparison approach and should be \$150 per SF.
7. The characteristics and physical condition of the subject property support the use of the income approach utilizing typical market factors for rent, vacancy,

management, non recoverables and capitalization (cap) rates, indicating an assessment market value of \$152 per SF.

8. The valuation method used for the subject property is fundamentally flawed in both derivation and application.
9. The additional land adjustment is incorrect because of topography, rights-of-way influences, inability to sub-divide, encumbrances, shape access, and influences.
10. The land adjustment is incorrect because the characteristics and physical condition of the property have not been appropriately considered.
11. The excess land adjustment is incorrect because of topography, rights-of-way influences, inability to sub-divide, encumbrances, shape access, and influences.
12. The land value is not reflective of market sales evidence.

However, as of the date of this hearing, the Complainant addressed the following issues:

1. The aggregate assessment per SF applied is inequitable with the assessments of other similar and competing properties and should be \$150 per SF.
2. The aggregate assessment per SF applied to the subject property does not reflect market value for assessment purposes when using the direct sales comparison approach and should be \$150 per SF.
3. The characteristics and physical condition of the subject property support the use of the income approach utilizing typical market factors for rent, vacancy, management, non recoverables and capitalization (cap) rates, indicating an assessment market value of \$152 per SF.

**Complainant's Requested Value:**

\$3,100,000 on the complaint form revised to \$3,460,000 at this hearing.

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

**ISSUE 1:** The aggregate assessment per SF applied is inequitable with the assessments of other similar and competing properties and should be \$150 per SF.

**The Complainant** provided the following evidence with respect to this issue:

- A table of equity comparables to the subject property. The table provided a listing of 6 industrial, single and multi-tenanted equity comparables in the northeast quadrant of the city. The Complainant highlighted the following information on these properties:
  - Net rentable area range (SF): 18,877 to 24,694, with a median of 22,601.
  - Average year of construction range: 1976 to 1983.
  - Site coverage range: 31% to 35%.
  - Assessment rate per SF range: \$103.15 to \$113.90, with a median of \$108.

The Complainant concluded his analysis by indicating that the assessment of the subject property should have an equitable assessment rate per net rentable area of \$110 per SF on the first 2.52 acres. The extra land of 1.02 acres should have an equitable assessment rate of \$850,000 per acre (see Issue 2 below). The total assessment requested would therefore be \$3,463,000 or approximately \$147 per SF of net rentable area.

**The Respondent** provided the following evidence with respect to this issue:

- A table entitled "2010 Industrial Equity Comparables". The table provided a listing of 7

industrial single-tenanted equity comparables in the northeast quadrant of the city. The Respondent highlighted the following information on these properties:

- Site coverage range: 27% to 42%.
- Average year of construction range: 1956 to 2007.
- Net rentable area range (SF): 17,100 to 25,264.
- Assessment rate per SF range: \$114 to \$152.

The Respondent concluded his analysis by indicating that the subject's assessment rate of \$121 per net rentable area on the first 2.52 acres is equitably applied. The Respondent also concluded that the extra land of 1.02 acres should have an equitable assessment rate of \$1,000,000 per acre (see Issue 2 below). The total assessment therefore would be equitably reflected as \$3,888,694 or approximately \$164 per SF of net rentable area.

#### **Decision: Issue 1**

In view of the above considerations, the CARB finds as follows with respect to Issue 1:

- The assessment rate applied by the Respondent is equitable with those of similar properties in the northeast quadrant of the city for the following reason:
  - There was no significant evidence provided by the Complainant, that would cause the CARB to revise the current assessment rate applied to the net rentable area on the first 2.52 acres. The CARB considered the equity comparables submitted by both parties and found that in doing so, the assessment rate applied to the net rentable area, on the first 2.52 acres, is equitably applied. The extra land assessment will be discussed under issue 2.

**ISSUE 2:** The aggregate assessment per SF applied to the subject property does not reflect market value for assessment purposes when using the direct sales comparison approach and should be \$150 per SF.

**The Complainant** provided the following evidence with respect to this issue:

- An Avison Young "Calgary Industrial Market Report" for the year end 2009/2010. The report noted that there were no industrial land sales noted in the northeast quadrant of Calgary, except for a special use site that sold for "significantly above" the expectation of \$953,000 per acre.
- A vacant land sale of an industrial property located 4300A 21 ST SE which sold for \$862,069 per acre on July 29, 2008.
- A Colliers International study of industrial land sales for the first quarter of 2010 that showed fully serviced land values to be approximately \$800,000 per acre, which was roughly the same as the 2007 values.
- A chart of vacant land sales that sold between July, 2008 and July, 2009. The chart shows vacant land sales in predominately southeast Calgary as follows:
  - Land with a median size of 1.58 acres sold for \$619,231 per acre.
  - Land with a median size of 3.23 acres sold for \$602,000 per acre.
  - Land with a median size of 7.12 acres sold for \$642,000 per acre.
- A chart was provided showing that the City of Calgary applies an assessment rate of \$1,000,000 per acre for I-G and I-H zoned property in the northeast quadrant of the city.

The Complainant concluded his analysis by indicating the extra land of 1.02 acres should have an equitable assessment rate of \$850,000 per acre.

**The Respondent** provided the following evidence with respect to this issue:

- A table of industrial sales comparables. The table compared sales of 4 industrial properties in the northeast region of the city. The Respondent highlighted the following information on these properties:
  - Site coverage range: 15.86% to 46.34%.
  - Average year of construction range: 1981 to 2005
  - Net rentable area range: 22,300 SF to 30,266 SF
  - Finish %: 13% to 52%
  - Time-adjusted sales price per SF range: \$114 to \$188, with a median of \$141.

The Respondent concluded his analysis by indicating that the subject's assessment rate of \$121.55 per SF is equitably applied to the net rentable area on the first 2.52 acres.

- A table entitled "Vacant Land sales under 2 Acres". The table provided a listing of 5 vacant land sales selling between December, 2007 and August, 2008, in both the northeast and southeast quadrants of the city. The table showed a time-adjusted sales price median value of \$1,254,480.29 per acre for a median parcel size of 0.87 acre. The Respondent concluded his analysis by indicating that the subject's assessment rate of \$1,000,000 per acre of the extra 1.02 acres of land is equitably applied.

#### **Decision: Issue 2**

In view of the above considerations, the CARB finds as follows with respect to Issue 2:

- The assessment rate applied by the Respondent is equitable with those of similar properties in the northeast quadrant of the city for the following reason:
  - There was no evidence provided by the Complainant, that would cause the CARB to revise the current assessment rate applied to the net rentable area on the first 2.52 acres.
  - The CARB considered the vacant land sales comparables submitted by both parties and found that in doing so, the assessment rate applied to the extra land is fair and equitable.

**ISSUE 3:** The characteristics and physical condition of the subject property support the use of the income approach utilizing typical market factors for rent, vacancy, management, non recoverables and capitalization (cap) rates, indicating an assessment market value of \$152 per SF.

**The Complainant** provided the following evidence with respect to this issue:

- A table expressing the current assessment in terms of an Income Approach to value. The Complainant showed that given the current assessment of the subject property, the Income Approach would indicate the following:
  - Lease rate: \$13.84. (Through questioning from the Complainant, this was corrected to \$9.70 because the original figure included the extra land).
  - Vacancy rate: 3.00%
  - Non-recoverable rate: 2%
  - Cap rate: 8.00%
- Another table of an Income Approach to value. In this table, the Complainant used the business tax lease rate.
  - Lease rate: \$7.75
  - Vacancy rate: 3.00%
  - Non-recoverable rate: 2%
  - Cap rate: 8.00%

The Complainant concluded his analysis by indicating that by applying the business tax

lease rate of \$7.75 per SF in her Income Approach to value, the subject would derive a value of \$2,173,309 or \$92 per SF of net rentable area on the first 2.52 acres of land. By adding a value of \$850,000 per acre on the additional 1.02 acres of land, the total requested assessment under the income approach would be \$3,040,309 or \$128.83 per net rentable area.

**The Respondent** provided the following evidence with respect to this issue:

- A table provided a listing of the same 4 industrial sales comparables highlighted under the Respondent's evidence in Issue 2. This time the Respondent used the \$7.75 lease rate the Complainant applied in her income approach to value to the 4 sales comparable properties. In this analysis the Respondent concluded that the values derived from this approach, would not adequately support the values derived from their time-adjusted sales. The Respondent therefore concludes that the \$7.75 lease rate used by the Complainant is site specific and without merit.

**Decision: Issue 3**

In view of the above considerations, the CARB finds as follows with respect to Issue 3:

- The business tax lease rate of \$7.75 per SF as calculated by the Complainant is not reasonable for the following reasons:
  - The value derived from the Complainant's income approach did not reasonably support her requested assessment rate of \$152 per net building rentable area.
  - The value derived from the Complainant's income approach did not reasonably support her request under her equity approach to value discussed under Issue 1 above.

**Board's Decision:**

The Board confirms the assessment at \$3,880,000.

DATED AT THE CITY OF CALGARY THIS 18<sup>th</sup> DAY OF October 2010.



Michael A. Vercillo

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:*

- the complainant;*
- an assessed person, other than the complainant, who is affected by the decision;*
- 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.*