

**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 NUMBERS:	049018302 049017502
LOCATION ADDRESSES:	2777 23 AV NE 2985 23 AV NE
HEARING NUMBERS:	57429 57345
ASSESSMENT:	\$7,060,000 \$6,130,000

These complaints were heard on the 15th 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:

- *S. Meiklejohn* *Colliers International Realty Advisors*

Appeared on behalf of the Respondent:

- *J. Lepine* *Assessor, City of Calgary*
- *M. Lau* *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.

Preliminary Issue:

Both parties agreed to hear file numbers 57429 and 57345 in one hearing. The evidence and argument is the same for both files. The Board agreed and would only write one decision with the two file numbers included.

Property Description:

The subject properties are multi-tenant and single tenant industrial warehouses located in the Sunridge Business Park. The properties were constructed in 2001 and 2000 respectively and have net rentable areas of 66,029 square feet and 53,127 square feet. The properties have assessments of \$106 and \$115 per square foot respectively. The properties are assessed at \$7,060,000 and \$6,130,000.

Issues:

1. What is the market value of the subject properties?

Complainant's Requested Values:

\$5,940,000
\$4,780,000

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* ("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 nine separate buildings, should be assessed as if all nine were in one building.

The Complainant noted the nine 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 nine buildings and therefore should be treated as one building for assessment purposes.

To support this argument, the Complainant cited that two 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 nine 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 three market comparables in separate matrices, arguing they demonstrated the subject property, and indeed many properties are over-assessed.

The Complainant provided three 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 two 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 Complainant advised the Board that the Respondent had failed to give evidence to the Board regarding the City's time adjustment methodology.

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, etc. To fail to do so renders the comparison invalid. The Respondent argued that the Complainant has considered only time adjustment 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).

The Complainant provided an industrial sales chart to the Board, showing five warehouse sales with building areas between 50,001 – 100,000 square feet. The sales were time adjusted by Colliers from the date of sale to the valuation date using a negative 1.26% per month. The first two sales were in the north-east quadrant and the last three sales were in the south-east quadrant. The Complainant stated there was no marked difference in the south-east as opposed to the north-east. The sales were from February 2008 to December 2008. The median Colliers time adjustment selling price per square foot is \$80.63. The Complainant has requested a \$90 per square foot assessment (Exhibit C-1, page 27).

The Respondent provided the Board with industrial equity charts that showed seven comparables with the subject property. All comparables were similar in terms of location, year of construction and site coverage. The median assessment rate per square foot is \$109 and \$115 respectively. The Respondent advised the Board that 2808 HOPEWELL PL NE is the most similar to the subject property and has an assessed rate of \$113 per square foot, which supports the assessment (Exhibit R-1, page 37).

On file number 57345, the assessment per square foot is \$115, compared to a median of \$110 per square foot for the equity comparables. The \$110 PSF approximates the assessment (Exhibit C-1, page 36).

The Respondent provided the Board with industrial sales comparables that had net rentable areas from 61,032 square feet to 98,558 square feet. Both parties had agreed to remove 1435 – 40 AVE NE from their respective evidence documents. The median time adjustment selling price per square foot is \$117, which supports the assessment (Exhibit R-1, page 38).

On file number 57345, the Respondent provided the Board with industrial sales comparables that had net rentable areas from 43,102 square feet to 67,968 square feet. The median time adjustment selling price per square foot is \$120, which supports the assessment.

The Respondent noted that the Complainant's industrial sales chart using Colliers time adjustment of assessment to sales ratio was outside the acceptable guide lines of .95% to 1.05% (Exhibit C-1, page 39).

In examining the evidence, argument and rebuttal evidence of both parties on this matter, the Board finds the Respondent's arguments and evidence most compelling. The Board was persuaded by the Respondent's equity and sales comparables, which support the assessment (Exhibit R-1, pages 37-38).

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.

Board's Decision:

The assessments of the subject properties are confirmed at \$7,060,000 and \$6,130,000.

DATED AT THE CITY OF CALGARY THIS 7 DAY OF October 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.*