

**CITY OF CALGARY  
ASSESSMENT REVIEW BOARD  
DECISION WITH REASONS**

In the matter of a complaint filed with the City of Calgary Assessment Review Board pursuant to Part 11 of the *Municipal Government Act*, Chapter M-26, Revised Statutes of Alberta 2000 (the Act).

**Between:**

**COLLIERS INTERNATIONAL REALTY ADVISORS INC., Complainant**

**and**

**THE CITY OF CALGARY, Respondent**

**Before:**

**J. KRYSA, Presiding Officer**

**R. ROY, Member**

**I. FRASER, Member**

A hearing was convened on October 7, 2010 in Boardroom 5 at the office of the Assessment Review Board, located at 1212 - 31 Avenue NE, Calgary, Alberta in respect of the property assessment prepared by the assessor of the City of Calgary, and entered in the 2010 Assessment Roll as follows:

<b>ROLL NUMBER:</b>	<b>027123504</b>
<b>LOCATION ADDRESS:</b>	<b>4950 47<sup>th</sup> Street NE</b>
<b>HEARING NUMBER:</b>	<b>58702</b>
<b>ASSESSMENT:</b>	<b>\$14,560,000</b>

**PART A: BACKGROUND AND DESCRIPTION OF PROPERTY UNDER COMPLAINT**

The subject property is an 8.13 acre parcel of land, improved with a 160,345 sq.ft. multi-tenant industrial warehouse, constructed in 2001, with 15% finished area, and a building to land ratio of 43.25%. The total assessment equates to \$90.80 per square foot of leasable area.

**PART B: PROCEDURAL or JURISDICTIONAL MATTERS**

There were no procedural or jurisdictional matters raised by the parties during the course of the hearing.

**PART C: MATTERS / ISSUES**

In section 4 of the complaint form, the Complainant identified matters 1 through 7 apply to this complaint. At the hearing, matters 1, 2, 4, 5, 6, and 7 were withdrawn, and only matter 3, an assessment amount was addressed.

The Complainant set out 14 grounds for complaint in section 5 of the complaint form, with a requested total assessment of \$3,640,000, however at the hearing only the following issue(s) were in dispute:

Issue 1: Market value (Income Approach)

Issue 2: Equity

The Complainant requests an assessment of \$11,220,000, which equates to \$70.00 per sq.ft. of building area, based on an equitable assessment [C1, p.9].

**Issue 1: Market value (Income Approach)**

The Complainant argued that there are an insufficient number of sales of large industrial properties available to employ the direct sales comparison approach to establish the market value of the subject property; therefore the income approach is the most appropriate methodology.

The Complainant submitted an income approach valuation of the subject property establishing a market value estimate of \$12,775,875.

The Complainant provided 4 leases from industrial buildings located near the subject that exhibit a range of lease rates from \$5.20 to \$8.65 per sq.ft.; from this review the Complainant concluded a market rent rate of \$6.50 per square foot was appropriate for the subject property [C1, p.5]. The Complainant also concluded a vacancy rate of 5%.

The Complainant then reviewed 5 sales of industrial properties to establish a capitalization rate. The sales occurred between December 2008 and May 2010, and exhibited a range of capitalization rates from 6.61% to 7.82%, from which the Complainant asserted that a capitalization rate between 8.0% and 8.5% is evident, to which an upward adjustment of 0.5% to 1.0% would be required to reflect current market conditions. From this review, the Complainant concluded a capitalization rate of 7.75% was appropriate for the subject property [C1, p. 6].

In support of the assessment of the subject property at \$90.80 per square foot, the Respondent submitted a summary chart, detailing the attributes of four large industrial properties that had sold between July 2007 and August 2008, exhibiting a range of time adjusted sale prices from \$114.00 to \$135.00 per square foot. The two NE quadrant sales, dated August 2008, exhibited time adjusted sale prices at the upper end of the range, of \$128.00 and \$135.00 per square foot [R-1, p. 20].

### **Decision – Issue 1**

The Board finds that the Complainant has failed to submit sufficient market evidence to establish a *prima facie* case in this matter.

The Board finds the Complainant's income approach to be of no value in establishing the market value of the subject property, as the Complainant's conclusions regarding the coefficients appear to be arbitrary, and are unsupported by market evidence. The Complainant's lease review of "industrial buildings located near the subject", may have been helpful had they not been derived from properties in the SE quadrant of the municipality, and over 115 blocks away from the subject property. Further there was no indication of the commencement dates of the comparable leases in evidence [C1, p. 5].

There was also no market evidence in support of the Complainant's 5% vacancy allowance conclusion [C1, p. 6].

With respect to the capitalization rate analysis, the Complainant suggested an appropriate capitalization rate range of 8.0% to 8.5% was evident from 5 sales exhibiting capitalization rates at, or below 7.82%; and after an upward adjustment of 0.5% to 1.0%, the Complainant concluded a capitalization rate of 7.75% for the subject property [C1, p. 6].

The Board accepts that the Respondent's comparative sales analysis exhibits a range of time adjusted sale prices supportive of the assessment at \$90.80 per square foot. Further, the sales included in the Complainant's own capitalization rate analysis exhibit average and median sale prices of \$114.83 and \$98.42 per square foot, which are also supportive of the current assessment.

### **Issue 2: Equity**

The Complainant argued that the subject property was unfairly and inequitably assessed in relation to similar properties, and submitted a chart of 9 industrial properties exhibiting assessments ranging from \$65.67 to \$82.36 per square foot. From this review, the Complainant requested the Board set the assessment at a rate of \$70.00 per square foot, establishing an assessment of \$11,220,000 [C1, pp. 7 and 9].

The Respondent submitted a summary of five comparable NE industrial properties, indicating the attributes relied on in the multiple regression analysis and exhibiting a range of assessed rates from \$86.00 to \$115.00 per square foot of building area, to demonstrate that the subject property is equitably assessed in relation to similar properties [R1, p. 21].

### Decision – Issue 2

The Board finds that the Complainant has failed to submit sufficient relevant evidence to establish a *prima facie* case in this matter.

The Board finds that the Complainant's equity comparables are dissimilar to the subject property, and do not demonstrate that an inequity exists. The Complainant's comparable properties are located well over 100 blocks away from the subject, and in a different market area than the subject. Further, the comparables exhibit building to land ratios up to 65% in contrast to the subject's building to land ratio of 43.25%, however the Complainant failed to make any adjustments to the comparables to account for the physical differences which would have allowed the Board to consider appropriate equity comparisons.

The Board finds that the Respondent's evidence demonstrates that the assessment of the subject property is fair and equitable in relation to similar properties.

### FINAL DECISION

The property assessment is confirmed at \$14,560,000.

Dated at the City of Calgary in the Province of Alberta, this 10 day of November, 2010.

A handwritten signature in blue ink, appearing to read "J. Krysa", is written over a horizontal line.

J. Krysa  
Presiding Officer

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

<b>NO.</b>	<b>ITEM</b>
1.	Exhibit C1 Evidence Submission - Complainant
2.	Exhibit R1 Evidence Submission – Respondent

**APPENDIX "B"****ORAL REPRESENTATIONS**

<b>PERSON APPEARING</b>	<b>CAPACITY</b>
1. M. Uhryn	Representative of the Complainant
2. R. Powell	Representative of the Respondent

*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.*