

**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 8, 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>009003096</b>
<b>LOCATION ADDRESS:</b>	<b>930 64<sup>th</sup> Avenue NE</b>
<b>HEARING NUMBER:</b>	<b>57474</b>
<b>ASSESSMENT:</b>	<b>\$10,870,000</b>

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

The subject property is a 278,687 square foot (6.4 acre) parcel of land, improved with a 118,402 square foot (sq.ft.) multi-tenant industrial warehouse, constructed in 1997, with 9% finished area, and an effective building to land ratio of 42.5%. The assessment equates to \$91.80 per square foot of building area.

**PART B: PROCEDURAL or JURISDICTIONAL MATTERS**

There were no procedural or jurisdictional matters raised by either party 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 At the hearing, matters 1, 2, 4, 5, 6, and 7 were withdrawn, and only matter 3, an assessment amount was addressed.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, however at the hearing only the following issue(s) were stated to be in dispute:

Issue 1: Market value

Issue 2: Equity

The Complainant requests an assessment of \$9,470,000, which equates to \$80.00 per square foot of building area [C1, p.29].

**Issue 1: Market value**

The Complainant submitted a summary of time adjusted industrial property sales and specifically addressed the sales of five properties greater than 100,001 sq.ft. in area, exhibiting a range of time adjusted sale prices from \$71.84 to \$122.42 per sq.ft., and average and median time adjusted sale prices of \$98.31 and \$102.82, respectively. The summary also set out the assessments of the five properties, exhibiting a range from \$79.25 to \$116.44 per sq.ft., and average and median assessments of \$98.56 and \$100.01 per sq.ft., respectively [C1, p.32].

The Complainant further submitted an analysis of seven properties that were argued to be most comparable to the subject property, exhibiting average and median time adjusted sale prices of \$79.89 and \$78.92, respectively; and average and median assessments of \$92.95 and \$91.75 per sq.ft., respectively [C1, p.19]. Of the seven properties in this analysis, two were greater than 100,001 sq.ft. in area, and were also included in the summary at page 32.

The Complainant argued that the time adjustment methodology employed by the Assessor is incorrect, resulting in inaccurate time adjusted sale prices upon which the direct (sales) comparison approach model is based; and an inaccurate estimate of market value of the subject property. It is submitted that the municipality has (cumulatively) time adjusted the 156 sales that occurred in the 36 month period prior to the valuation date by the following factors:

Sale Period	Time Adjustment to July 1, 2007	Time Adjustment to July 1, 2008	Time Adjustment to July 1, 2009
July 1, 2006 to June 30, 2007	+ 2.75% / month	0% / month	- .50% / month
July 1, 2007 to June 30, 2008	n/a	0% / month	- .50% / month
July 1, 2008 to June 30, 2009	n/a	n/a	- .50% / month

In support of the argument the Complainant submitted a linear regression analysis of the average unit value of 62 sales that have occurred in the 18 months preceding the valuation date of July 1, 2009, on the assumption that the change in market direction would have occurred midway through the period of stability, on January 1, 2008. The results suggest a 1.26% per month decline in value of the median sale price per square foot (SPPSF), in contrast to the Respondent's assertion of a stable market for the period of January 1, 2008 to June 30, 2008, and a 0.5% decline in values for the period of July 1, 2008 to June 30, 2009. The Complainant argued that the 1.26% per month decline in the median sale price per square foot was an accurate representation of the change in the market over the 18 month period, and could not be attributed to other factors such as variations in the attributes of the properties due to the random nature of the sales throughout the analysis period [C1, pp. 82-86].

The Respondent stated that the direct sales comparison approach was used in the preparation of the assessments, and submitted seven sales of industrial properties, exhibiting a range of time adjusted sale prices from \$86.00 to \$135.00 per sq.ft., and a median of \$100.00 per sq.ft. in support of the assessment of the subject at \$91.80 per sq.ft. [R1, p.21]. It was argued that the 45 day *postfacto* sale of a 301,930 sq.ft. "mega warehouse" at \$86.00 per sq.ft. (4100 Westwinds NE) illustrates a minimum value for properties similar to the subject.

The Respondent also submitted an income approach calculation as a test of the value established by the direct comparison approach model; with market rent and vacancy coefficients derived from the subject property, and the capitalization rate derived from a third party market report. The Respondent argued that the income test further supported the assessment, as it establishes a value consistent with the assessment.

With respect to time adjustments, the Respondent argued that the Assessor relied on a multiple regression analysis to establish appropriate time adjustment factors, and the results met the quality standards as set out by the audit branch of the provincial government.

In response to the Complainant's time adjustment analysis, the Respondent provided an analysis of the attribute data to demonstrate that at least two of the property attributes were not "random" throughout the 18 month period studied, as suggested by the Complainant.

The Respondent further provided a linear regression analysis of the Complainant's 62 sales, to demonstrate that the average area of the properties increased, and the average age of the properties decreased throughout the 18 month period studied. The Respondent argued that the Complainant's time adjustment of 1.26% per month reflected not only the change in the industrial warehouse market, but also reflected the fact that more of the sales in the latter portion of the 18 month study period were sales of larger, and older properties, that would command a lower unit rate (\$ per sq.ft.).

In rebuttal evidence the Complainant provided a detailed comparative sales analysis of 6 of the Respondent's sales comparables (from R1, p.21), and 2 of the Complainant's sales comparables (from C1, p.19), and one additional sale, 2807 57<sup>th</sup> Ave SE, that was not previously deemed a comparable property by either party; and rated each property as either high, medium or low "degree of similarity" to the subject. The Complainant argued that the average sale price of the three properties he deemed had a high degree of similarity was approximately \$82.00 per sq.ft., in contrast to the subject assessment of \$91.80 per sq.ft. [C4]

The Respondent argued that two of the three properties deemed to have a high degree of similarity by the Complainant, had building to land ratios of 57.2% and 60.05% in contrast to the subject's 42.5% ratio, and that the value of the additional land area in the subject would not be reflected in the \$82.00 per sq.ft. unit rate of the comparables. Further, the Respondent argued that the sale located at 6875 9<sup>th</sup> St NE, and only a few blocks away from the subject, was not an outlier as suggested by the Complainant, but was highly similar to the subject, and sold for a time adjusted sale price of \$100.18 per sq.ft. The Respondent pointed out that although the current tenant purchased the property, there was also no evidence of a "lease buyout" that may have affected the sale price of the property, as suggested by the Complainant.

#### **Decision – Issue 1**

The Board finds that there is insufficient evidence to demonstrate that the assessment of the subject property is overstated, and further, the Complainant's time adjustment analysis does not disprove the Respondent's time adjusted sale prices.

The Complainant's analysis of seven industrial sales at page 19 of exhibit C1, that were purported to be most similar to the subject property, did not contain any details about the characteristics and physical condition of the properties; (site coverage, year of construction, finish area). Without specific details to demonstrate similarity, the Board does not accept that these properties are appropriate market comparables that would not require some adjustment. The Board further notes that of these seven "most similar" sales, only one was subsequently deemed by the Complainant to have a "high degree of similarity" to the subject, as set out in exhibit C4.

The Board accepts that the Respondent's sales comparables are similar in nature to the subject property, or contain sufficient details of the property characteristics to allow the Board to make valid comparisons to the subject property. The Board finds that the subject property "fits" well within the range evident in the sample, and is supported by the median time adjusted sale price.

The Board also finds that the assessment of the subject property at \$91.80 per sq.ft., falls within the range of time adjusted sale prices from \$71.84 to \$122.42 per sq.ft., and is supported by the average and median time adjusted sale prices of \$98.31 and \$102.82, respectively, as set out in the Complainant's summary of industrial warehouse sales greater than 100,001 sq.ft. in size [C1, p.32].

The Respondent's income approach "test" was given considerable weight, as any appropriate and proper approach to value that reconciles another value estimate demonstrates compelling support for that value estimate. The Complainant's income approach calculation at page 10 of exhibit C3 was afforded little weight, as the estimate was based on the weighted average of

actual leases in place, one of which was a lease that commenced in 1997. The resulting estimate of value would not reflect the fee simple estate of the property, as required in s.2 of *Matters Relation to Assessment and Taxation Regulation*, AR 220/2004.

The Board does not accept the Complainant's rebuttal position in exhibit C4, that the three sales comparables deemed to have a high degree of similarity to the subject, reflect an appropriate average unit rate of \$82.00 per sq.ft., as the Board finds that the properties are not similar to the subject due to significant differences in site coverage between the subject and sales #80 and #152. The Board accepts the Respondent's position that the sale of the property located at 6875 9<sup>th</sup> Street NE is a valid indicator of market value and not an outlier, as there was no evidence to the contrary and further, the sale price per sq.ft. is not inconsistent with the range of sale prices evident in the Complainant's own sample of large warehouse sales on page 32 of exhibit C1.

The Board also finds the assessment to sales ratio (ASR) evidence included in exhibit C4 to be very compelling, in that the sales deemed to have a high degree of similarity by the Complainant exhibit a narrow range of adjusted ASR's between .97 and 1.00, confirming the model formula employed to establish values for these comparables, and the subject property.

With respect to the Complainant's time adjustment analysis, the Board finds the Complainant's analysis does indicate a different rate of change in the market than that of the Respondent, however it does not necessarily invalidate the Respondent's time adjusted sale prices. The Board notes that the inventory of properties, the time period, and the basis of the analysis is different; as such, one would expect that the results would be different.

The Board did not find the Complainant's time adjustment analysis compelling however, as the Board was not convinced that an inventory of 62 sales, of significantly differing industrial properties over an 18 month period (avg. 3.4 sales/month), was adequate to determine an adjustment solely attributable to the change in the market; it is noted that the Respondent relied on 156 sales over a 36 month period (avg. 4.3 sales/month), which would be statistically superior.

The Board also does not accept the Complainant's assumption that the random nature of the sales throughout the analysis period would not influence the results; the Board noted that the majority of the median sale prices per square foot on the Complainant's graph at page 83 of exhibit C1, were significantly distant from the linear trend line reflecting a low confidence level in the trend line. Further, the Respondent's regression analysis of "age" and "size" attributes confirms that the Complainant's 1.26% per month decline in value is influenced by factors other than general market forces, and is not an accurate representation of the change in the market over time.

The Board further noted that the median SPPSF for the 62 sales that occurred in the 18 month period of Complainant's analysis exhibited a minimum of \$94.83 per sq.ft., in contrast to the assessed rate of the subject property at \$91.80 per square foot, indicating further support of the assessment.

**Issue 2: Assessment equity**

The Complainant argued that the subject is inequitably assessed in relation to similar properties; however, there was little evidence or argument with respect to assessment equity, presented by the Complainant.

The Respondent submitted the assessments of eighteen comparable properties exhibiting a range of assessments from \$86.00 to \$112.00 per square foot to demonstrate that the subject was assessed equitably in relation to similar properties [R1, p.20].

**Decision – Issue 2**

The Board finds that there is insufficient evidence to demonstrate that the assessment of the subject property is inequitable in relation to the assessments of similar properties.

The Respondent's evidence on pages 18 to 20 of exhibit R1, demonstrates that the assessment is fair and equitable in relation to similar properties.

The Board further accepts that the Complainant's summary on page 32 of exhibit C1, set out the range of assessments for the five large industrial properties, from \$79.25 to \$116.44 per sq.ft., and average and median assessments of \$98.56 and \$100.01 per sq.ft., respectively, which further demonstrates that the assessment of the subject at \$91.80 per sq.ft. is fair and equitable in relation to similar properties.

**FINAL DECISION**

The property assessment is confirmed at \$10,870,000.

Dated at the City of Calgary in the Province of Alberta, this 8 day of November, 2010.



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 C2 Evidence: Industrial Sales - Complainant
3.	Exhibit R1 Evidence Submission – Respondent
4.	Exhibit C3 Rebuttal Evidence – Complainant
5.	Exhibit C4 Rebuttal Evidence Chart – Complainant
6.	Exhibit R2 Argument: CARB 1531/2010-P – Respondent
7.	Exhibit R3 Argument: CARB 1572/2010-P – Respondent

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

<b>PERSON APPEARING</b>	<b>CAPACITY</b>
1. S. Meiklejohn	Representative of the Complainant
2. M. Berzins	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.*