

**CALGARY
COMPOSITE 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 Limited, COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

L.R. Loven, PRESIDING OFFICER

I. Fraser, MEMBER

R. Glenn, MEMBER

This is a complaint to the Calgary Combined 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:

ROLL NUMBER: 024024200

LOCATION ADDRESS: 901 57 Avenue N.E.

HEARING NUMBER: 59642

ASSESSMENT: 9,940,000

This complaint was heard on the 13th day of October, 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. Chabot, representing Altus Group Limited, on behalf of 3509893 Canada Inc.

Appeared on behalf of the Respondent:

- M. Berzins, representing the City of Calgary

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

Both the Respondent and the Complainant confirmed to the Board that they had no procedural or jurisdictional matters to be raised.

Property Description:

The subject property consists of a 99,000 square foot industrial warehouse with 19% finish on 4.37 acres of land, located in the Deerfoot Business Centre, zoned Industrial – General (I-G). The assessment is \$100 per square foot or \$9,940,984.

Issues:

1. Reduce the assessment based on
 - a. The income approach,
 - b. sales; and,
 - c. equity.

Complainant's Requested Value: \$8,150,000

Board's Findings in Respect of Each Matter or Issue:

Issue 1a: Income Approach

The Complainant submitted two tables using the income approach. The first showed the assessed value and \$100 per square foot assessment using the rent rate of \$7.92 per square foot.; and the second, using a rent rate of \$6.50 per square foot and the same 3% vacancy rate, 2% non-recoverable rate and 7.5% capitalization rate, giving an indicated value of \$8,156,148 or \$82.39 per square foot, as summarized below.

Component	Area (sf)	Rent/Rate	Income	Value
Area	99,000	\$ 6.50	\$ 643,500.00	
TOTAL			\$ 643,500.00	
Vacancy (-)	0	3.0%	\$ 19,305.00	
Non Recoverable (-)		2%	\$ 12,483.90	
NOI			\$ 611,711.10	
Cap Rate		7.5%		\$8,156,148
Assessment				\$9,940,000
Assessment (psf)				\$82.39

Secondly, the Complainant provided a table containing seven leasing comparables, including the subject property, showing rental rates varying from \$6.50 to \$7.30 per square foot, the subject property at \$6.45 per square foot and a median 46.50 per square foot.

Thirdly, the complainant provided a table containing three sales comparables showing two lease rates at \$6.50 per square foot.

Fourthly, the Complainant submitted the rent roll for 4100 Westwinds Drive NE, containing a single lease for 302,135 square feet at \$6.65 per square foot for a five year term commencing April 1, 2009.

Finally, the Complainant referenced Calgary Assessment Review Board decisions *ARB 0757/2010-P* regarding a 11,250 square foot multi-tenanted industrial warehouse, constructed in 1973, a 0.74 acre site in the SE., reducing the assessment based on income to \$106.88 per square foot; *ARB 0523/2010-P* regarding a 29,512 square foot multi-tenanted industrial warehouse, constructed in 1980, a 1.70 acre site in the SE Central Industrial Region, reducing the assessment based on income to \$107 per square foot; and Alberta Municipal Government Board Order *MGB 037/09* regarding a 426,791 square foot purpose built distribution warehouse on 24.07 acres, reducing the assessment capitalized income approach to \$84.23 per square foot.

The Respondent applied the above same income approach factors above to its six sales comparables, as used by the Complainant to test the income approach, resulting in sales to assessment ratios varying from 0.63 to 0.87 with a median of 0.71.

The Respondent submitted, firstly the 2010 Business Assessment for the subject property showing an assessed rate of \$7.75 per square foot; secondly, a table containing six 2010 business assessment comparables, all located in the SE except for one in the NE and all but one assessed at \$7.75 per square foot; and thirdly a table containing five lease comparables as summarized below.

Variance	Respondent Min	Subject	Respondent Max
Year of Construction (year)	1980	2000	2008
Lease Start	Jul-08	Apr-01	Sep-09
Term	5	10	15
Lease Area (Sq.Ft)	86,973	99,000	268,094
Rate (\$/ Sq.Ft)	7.50	6.45	12.00

The Respondent referenced Calgary Assessment Review Board decisions confirming the assessments, in which the Complainant argued using the income approach: firstly, *ARB 1274/2010-P* regarding the assessments of four multi-tenanted industrial warehouse buildings in excess of 100,000 square feet; and secondly *ARB 1294/2010-P*, regarding a 15,600 square foot industrial warehouse.

In rebuttal the Complainant submitted rent rolls for comparable leases summarized as follows, noting that Comparable #3 may contain a "significant" portion of cooler/freezer space.

Variance	Subject	Comparable #1 Min	Comparable #1 Max	Comparable #2	Comparable #3
Year of Construction (year)	2000	New	New		
Lease Start	Apr-01	Aug-10	Aug-10	Jan-10	Jan-10
Term	10	4	4	10	10
Lease Area (Sq.Ft)	99,000	77,589	77,397	259,289	268,094
Rate (\$/ Sq.Ft)	6.45	6.40	6.50	5.50	8.62

In rebuttal, the Complaint further submitted rent rolls for some of the Respondent's six sales comparables as summarized below; and a RealNet Industrial Transaction Summary for 5300 86th Avenue SE noting the property is a telecommunications facility, priced at \$126 per square foot and is vendor financed;

Building	Rent (\$/psf) Min	Rent (\$/psf) Max
Hopewell Building G	8.35	8.95
Hopewell Building H	7.06	7.55
Harris Building	6.50	10.40

Based on tis consideration of the above argument and evidence, the Board finds that even if it relied upon previous board decisions cited by the Complainant, those decisions resulted in assessment rates for properties from approximately 25% to over 400% larger than the subject property, and given that there may be certain economies of scale involved, then the assessment of the subject property at \$100 per square foot, lies between that of \$106.88 to \$84.23 per square foot. Assuming a straight line relationship between the relative area and assessed rate, then, if true, the assessed value of \$100.00 per square foot would appear to be less than that determined by the foregoing analysis.

The Board finds that the rent rates for some of the Respondent's sales comparables, provided by the Complainant, appear to support the assessed rent rate of \$7.92 as determined by the Complainant using the Income Approach.

The Board further finds, the Complainant's requested value, and resulting assessment rate of \$82.39 based on the Income Approach, is not supported by the Respondent's test of the Complainants Income Approach using the Complainant's assumptions. The Board notes that even though the Respondent, did not question the Complainant's assumptions used to derive the requested assessment using the Income Approach that changes to the underlying assumptions may have resulted in a closer relationship for the assessed value determined by the sales approach to the time adjusted sales price.

Issue 1b: Sales

Thirdly, the complainant provided a table containing three sales comparables showing a time adjusted price per square foot ranging from \$81.06 to \$94.38 per square foot.

The Respondent provided a table containing six industrial sales comparables, five located in the SE quadrant, three Industrial Warehouse Multi (IWM) and three Industrial Warehouse Single (IWS).

The Complainant's and Respondent's sales comparables varied from the subject as summarized below.

Variance	Complainant Min	Respondent Min	Subject	Complainant Max	Respondent Max	Complainant Median	Respondent Median
Year of Construction (year)	1989	1990	2000	2000	2006		1998
Site Coverage (%)	44	26.41	47	60.8	51.3		38.12
Finish (%)	3	0	19	9	32		9
Parcel Size (Acres)	3.72	3.56	4.37	15.84	14.01		
Building Area (Sq.Ft)	83,107	64,113	99,000	301,930	167,560		96,982
Rate (\$/ Sq.Ft)	85.53	94	100	94.38	135	85.53	117

Based on its consideration of the above argument and evidence, the Board finds the Complainant's equity comparables appear to have a less minimum differential for four of the six characteristics; however, the Respondent's comparables seemed to have a less maximum differential for five of the six characteristics, discounting the two negative maximum differentials for the Complainant's comparables. Without weighting each characteristic, given Complainant's sales comparables appear to have a less overall variance, the Board places greater weight on the Complainant's equity comparables, which is in part offset by Complainant providing three sales versus the Respondent's six.

Issue 1c: Equity

The Complainant provided a table containing three equity comparables ranging in area from 74,793 to 118,402 square feet, and assessed values from \$89.75 to \$91.81 per square foot, with a median of \$89.75 per square foot.

The Complainant referenced Calgary Assessment Review Board decision *ARB 0755/2010-P* regarding two very large industrial properties that was one of five hearings, reducing the assessment to \$66 per square foot based on equity.

The Respondent provided a table containing seven equity comparables three located in the SE and four in the NE, all zoned I-G,

The Complainant's and Respondent's equity comparables varied from the subject property as summarized below.

Variance	Complainant Min	Respondent Min	Subject	Complainant Max	Respondent Max	Complainant Median	Respondent Median
Year of Construction (year)	1982	1997	2000	1997	2007		2000
Site Coverage (%)	42	32	47	46	52		41
Finish (%)	9	1	19	21	19		14
Parcel Size (Acres)	3.85	4.39	4.37	6.40	13.15		
Building Area (Sq.Ft)	82,567	95,405	99,000	118,402	107,861		97,105
Rate (\$/ Sq.Ft)	82.97	96	100	91.81	114	89.75	101

Based on its consideration of the above argument and evidence, the Board finds even though the Complainant's equity comparables were older than the subject property, in all other factors they appear to have a less maximum differential in four of the six characteristics (excepting age); however, the Respondent's comparables seemed to have a less minimum differential for four of six characteristics. Without weighting each characteristic, given Complainant's equity comparables appear to have a less overall variance, the Board places greater weight on the Complainant's equity comparables, which is further offset by the Complainant providing seventy three equity comparables versus the Respondent's three.

Summary

The only issues argued by the Complainant was the Income Approach, sales and equity.

The valuation method applied in this instance was the Sales Comparison Approach. The use of this approach to value is contextually allowed in the legislation. The Complainant argued that the Income Approach is more appropriate.

The Board finds that for the reasons given above, the Income Approach did not support the requested reduction from \$100.00 per square foot to \$82.39 per square foot based on the assumptions of the Complainant; moreover, the lease information for some of the Respondent's sales comparables, provided by the Complainant, appears to support the assessed lease rate for the subject property of \$7.92 per square foot.

The Board was faced with evaluating the two sets of comparables provided by each party. Even though the Board placed greater weight on the sales comparables provided by the Complainant and greater weight on the equity comparables provided by the Respondent, after careful consideration, the Board found that one nullified the other, leaving the Board with no compelling reason, based on sales and equity to reduce the assessment.

In conclusion, the Board finds the subject property fairly and equitably assessed at \$100 per square foot, using the Sales Comparison Approach.

Board's Decision:

For the reasons set forth above, the assessment of the subject property is hereby confirmed as follows: \$9,940,000.

DATED AT THE CITY OF CALGARY THIS 17 DAY OF NOVEMBER 2010.



L.R. LOVEN

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.*