

**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-26.1, Section 460(4).

between:

Altus Group Limited, COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

H. Kim, PRESIDING OFFICER

J. Massey, MEMBER

P. Charuk, MEMBER

This is a complaint to the Calgary Assessment Review Board in respect of Property assessments prepared by the Assessor of the City of Calgary and entered in the 2010 Assessment Roll as follows:

ROLL NUMBERS	LOCATION ADDRESSES	HEARING NUMBERS	ASSESSMENTS
101018109	5220 1A St SW	56410	\$1,120,000
101022200	5339 1A St SW	59770	\$1,110,000
101019800	5330 1A St SW	56412	\$1,440,000
201485232	5524 1A St SW	59136	\$1,560,000

The complaints were heard on the 13th day of October, 2010 at the office of the Assessment Review Board located at the 4th Floor, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 3. They were heard as four separate hearings but the evidence and argument in each case were the same except as noted and a single order is issued to deliver the decisions.

Property Descriptions:

The subject properties are warehouses in the Manchester Industrial district in the central zone, designated Industrial Redevelopment (I-R). All are assessed on the sales comparable approach at varying rates per square foot:

- Property 1 is a 6,000 SF single tenant warehouse constructed in 1968 and has 14% finished area and 64.09% site coverage. It is assessed at \$187 per sq. ft.
- Property 2 is a 6,000 SF single tenant warehouse with an atypical mechanical space leaving 5,700 SF net rentable area. It was constructed in 1970 and has 69% finished area and 64.00% site coverage. It is assessed at \$195 per sq. ft.
- Property 3 is an 8,400 SF multiple tenant warehouse constructed in 1972 and has 5% finished area and 67.05% site coverage. It is assessed at \$172 per sq. ft.
- Property 4 is a 9,026 SF multiple tenant warehouse constructed in 1972 and has 37% finished area and 57.56% site coverage. It is assessed at \$173 per sq. ft.

Issues:

The Complainant identified a number of issues on the Complaint form; however at the hearing the three issues argued and considered for each property were:

1. The income approach to value indicates the subject assessment is overstated.
2. The equity comparables indicate the subject assessment is overstated (this was not an issue for Property 2)
3. The sales comparables indicate the subject assessment is overstated.

Complainant's Requested Values:

ROLL NO	ADDRESSES	REQUESTED ASSESSMENTS	
		ORIGINAL	REVISED AT HEARING
101018109	5220 1A St SW	\$900,000	\$672,000
101022200	5339 1A St SW	\$609,500	\$643,000
101019800	5330 1A St SW	\$899,000	\$947,500
201485232	5524 1A St SW	\$1,070,000	\$1,018,000

Board's Decision in Respect of Each Matter or Issue:**Issue 1 – Value based on Income Approach****Complainant's position:**

The Complainant presented a list of 93 rental rates in the central region for warehouse, office and retail space with start dates between January 2008 and July 2009. The rental rates ranged from \$5.25 to \$22/SF with a median of \$9.50/SF. In order to achieve the assessed value, the subject properties would have to achieve rental rates of \$15.72, \$16.40, \$14.44 and \$14.55/SF respectively based on generally accepted parameters of 8% capitalization rate and 5% vacancy/nonrecoverables. These rates are far above what can be achieved in warehouses, being typical rates for suburban office space. Property 4, the only one for which rental information was available, had actual rental rates commencing in the valuation period of \$9.50 to \$10.50/SF.

The requested assessments for Properties 2, 3 and 4 are calculated using the income approach at \$9.50/SF for the net rentable area with 5% vacancy/nonrecoverables and an 8% cap rate.

Respondent's position:

Warehouses in this size range are generally owner occupied and therefore income information is not available. The Respondent stated that an owner operator will always pay more for a property than an investor, and the income approach did not produce values that were actually being paid in the marketplace. The assessments are prepared using the sales comparison approach because it yields a better approximation of what the properties would be expected to achieve in the marketplace. The Respondent presented an analysis of the Complainant's income approach values compared to the time adjusted sale price (TASP) of both parties' sales comparables. The assessment to sales ratios (ASR) were 0.51 to 0.78 and would not pass Provincial audit. This analysis supports the Respondent's position that the income approach is not appropriate for determining assessment values for the subject properties.

Complainant's rebuttal:

The time adjustments applied by the Respondent are not reasonable. The cap rate in 2007 was 6.5% whereas in 2009 it was 8%, a 20% decline, but the time adjustment applied to the 2007 sales was only a 6% reduction.

Decision and Reasons:

The ASR analysis demonstrates that the income approach with the parameters applied by the Complainant consistently yields a lower value than the time adjusted sale prices of the comparable sales presented. The Board considered the Complainant's argument that the TASPs were wrong. Applying a 6.5% cap rate to the actual 2007 sale prices also results in values that are uniformly lower (average ASR 0.77) than the sale prices. Accordingly, the Board agrees with the Respondent that the valuation presented by the Complainant using the income approach does not yield values that are a reasonable approximation of market value.

Issue 2 – Equity

Complainant's position:

The Complainant presented a number of equity comparables in the Central zone for each property, located in Manchester, Alyth/Bonnybrook, Highfield and Burns Industrial. Generally the equity comparables were superior to the subject properties in each case but assessed at a similar rate per square foot. With adjustments the indicated value based on equity for each property is substantially lower than the assessment.

Respondent's position:

The Respondent disputed the appropriateness of the Complainant's comparables, stating that generally the more similar the property the fewer the adjustments. The Respondent presented other equity comparables noting that the characteristics of the Respondent's selection were within a tighter range of the subject properties than the Complainant's, and were therefore more comparable. The Respondent's equity comparables support the assessments.

Decision and Reasons:

The equity comparables generally all were substantially dissimilar to the subject properties, and all required adjustment to be comparable to the subjects. On balance, the Board did not find that any of the equity comparables conclusively suggested an appropriate value to be applied to the subject properties.

Issue 3 – Value based on sales of comparable propertiesComplainant's position:

The Complainant presented 8 to 10 sales comparables for each property. All were in the Central zone (Manchester, Alyth/Bonnybrook, Highfield and Burns Industrial) and sold between September 2006 and January 2009. Adjustments for differences in age, size, finish and site coverage were applied to the sale prices and the indicated values per square foot were \$112, \$140, \$115 and \$158 for Properties 1 to 4 respectively. Property 1 is adjacent to an electrical power station, which is a negative influence. The Complainant could not quantify the reduction to value, but stated that for residential, recommended distances from transmission lines is 150 feet. This property is immediately adjacent. The requested assessment for Property 1 is based on \$112/SF.

Respondent's position:

The Respondent presented 5 sales between June 2007 and May 2008 in the Central zone with a TASP/SF of \$150 to \$192/SF with a median of \$180/SF. This supports the assessments of properties 1, 3 and 4 at \$172 to \$187/SF. The Respondent also presented 7 sales in the Central, Southeast and Northeast zones with a median of \$207/SF to support the assessment of Property 2 at \$195/SF.

Decision and Reasons:

The Board considered the sales in the Central zone to be most compelling. The sale in 2006 was considered too dated to be of assistance. Both parties generally used the same sales, and the Board considered the following to be most comparable:

Address	NRA	YOC	Finish	Lot size (ac)	Site cov.	2010 Asmt	Sale date	Sale price	City TASP	TASP/SF
4033 14 St SE	6,538	1980	13%	0.22	65.1%	1,230,000	14-Jun-07	1,100,000	1,035,785	158
5501 1A St SW	4,325	1967	67%	0.14	51.6%	890,000	09-Jul-07	650,000	612,055	142
3829 15A St SE	4,081	1977	52%	0.24	48.8%	856,500	06-Sep-07	665,000	626,179	153
414 36 Ave SE	8,120	1970	8%	0.34	54.1%		06-May-08	1,459,515	1,459,515	180
Average										158

The Board noted that the ASRs of the TASPs are 1.18 to 1.45, and for all of the Complainant's sales range from 0.93 to 1.92 with an average of 1.33 and a median of 1.23. 2010 assessments were not provided for the sales presented by the Respondent. The ASRs appears to support the Complainant's position that the assessments are overstated.

The Board reviewed the characteristics of each property and found that the sales support a value of \$158/SF for each of the subject properties.

Board's Decision:

The complaints are allowed, in part, and the assessments reduced as follows based on \$158/SF of net rentable area:

Roll No.	Address	Assessment
101018109	5220 1A St SW	\$948,000
101022200	5339 1A St SW	\$900,000
101019800	5330 1A St SW	\$1,320,000
201485232	5524 1A St SW	\$1,420,000

DATED AT THE CITY OF CALGARY THIS 19 DAY OF October 2010.



H. Kim

Presiding Officer

APPENDIX "A"**DOCUMENTS RECEIVED AND CONSIDERED BY THE BOARD:**

NO.	ITEM
C1	Complainant Forms
C2	Complainant's submission for each property
R1	Respondent's submission

APPENDIX 'B'**ORAL REPRESENTATIONS**

PERSON APPEARING	CAPACITY
Christine van Staden	Altus Group Limited, Complainant
Jarrett Young	Assessor, City of Calgary, 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.*