

**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:

Linnell Taylor Assessment Strategies, COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

M. Vercillo, PRESIDING OFFICER

D. Pollard, MEMBER

B. Jerchel, MEMBER

This is a complaint to the Calgary Composite Assessment Review Board (CARB) 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: 091033399

LOCATION ADDRESS: 46 HIGHFIELD CI SE

HEARING NUMBER: 55998

ASSESSMENT: \$ 3,280,000

This complaint was heard on 1st day of November, 2010 at the office of the Assessment Review Board located at Floor Number 4, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom # 3.

Appeared on behalf of the Complainant:

- Mr. J. D. Sheridan (Linnell Taylor Assessment Strategies)

Appeared on behalf of the Respondent:

- Mr. G. Bell (The City Of Calgary)

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

The CARB derives its authority to make this decision under Part 11 of the Act. No specific jurisdictional or procedural issues were raised during the course of the hearing, and the CARB proceeded to hear the merits of the complaint, as outlined below.

Property Description and Background:

The subject property is an owner occupied light industrial office/warehouse property located in the "Highfield Industrial" area of SE Calgary. The subject property contains two buildings. The main building was built in 1998 and has a net rentable area of approximately 16,414 square feet (SF). The second building built in 2003 is classified as an outbuilding has a net rentable area of approximately 896 SF.

According to the Respondent's Assessment Explanation Supplement (AES), the buildings are situated on an assessable land area of approximately 1.53 acres and have a building to site coverage ratio of approximately 25.23%. The main building indicates a 7% Finish and is assessed at a rate of \$199.00 per SF. The two story outbuilding otherwise known as the "Saw Shed" is assessed at a rate of \$10.00 per SF. The overall assessment rate is \$189.00 per SF.

Issues:

The CARB considered the complaint form together with the representations and materials presented by the parties. However, as of the date of this hearing, the Complainant addressed the following issues:

1. The rental value of the Saw Shed is \$3.00 per SF and this is commensurate with other marginal premises assessed on the roll.
2. The Income Approach and Direct Comparison Approach both support a lower assessment for the subject property.

Complainant's Requested Value:

\$2,200,000 on the complaint form revised to \$2,250,000 at this hearing.

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

ISSUE 1: The rental value of the Saw Shed is \$3.00 per SF and this is commensurate with other marginal premises assessed on the roll.

The Complainant provided a binder entitled "Disclosure of Information" that was entered as "Exhibit C1" during the hearing. Contained therein, the following evidence was provided with respect to this issue:

- Documentation indicated that the Respondent assessed the Saw Shed as an outbuilding at \$10.00 per SF and that they have historically assigned rates of \$3.00 per SF in an Income Approach to value similar buildings.
- The Direct Sales Approach referenced below assigns a \$10.00 per SF to the Saw Shed.
- A series of photographs showing that the Saw Shed is indeed an outbuilding and therefore properly classed by the Respondent.

The Respondent provided an "Assessment Brief" document that was entered as "Exhibit R1" during the hearing. It was confirmed that the Respondent uses a \$10.00 per SF assessment rate to assess the Saw Shed.

Decision: Issue 1

In view of the above considerations, the CARB finds that both parties presented evidence that tended to confirm the Respondents \$10.00 per SF assessment rate for the Saw Shed. This would adequately approximate the \$3.00 lease rate used by the Complainant in his Income Approach to value.

ISSUE 2: The Income Approach and Direct Comparison Approach both support a lower assessment for the subject property.

The Complainant's "Exhibit C1" provided the following evidence with respect to this issue:

- An Income approach to value was calculated to arrive at an overall requested assessment of \$2,260,000 by using the following parameters:
 - The main building's 16,414 SF was given a lease rate of \$11.00 per SF
 - The Saw Shed's 896 SF was given a lease rate of \$3.00 per SF
 - A Vacancy rate of 1%
 - A Shortfall rate of \$3.00 per SF
 - A Capitalization rate (Cap rate) of 8.0%
- A Direct Sales Comparison Approach to value was calculated using a table of eight comparable sales to the subject. The table of direct sales comparables contained the following information:
 - A net rentable area range of 12,196 SF to 48,067 SF.
 - A site coverage range of 12% to 51%
 - A sales price per SF range of \$93 to \$143 with a weighted mean of \$114.44.
- A Direct Sales Comparison Approach to value containing adjustments of the same sales comparables, for dissimilar attributes to the subject. This approach resulted in an adjusted sales price per SF range of \$114.40 to \$163.30. The Complainant concluded that a weighted mean of approximately \$136.00 per SF would be an appropriate rate to value the main building, while a \$10.00 per SF rate would be appropriate for the Saw Shed. This approach resulted in a value of \$2,240,000 for the subject.
- Reconciling the two approaches to value resulted in a requested assessed value of \$2,250,000.
- Various supporting documentation or appendices in support of his approaches to value.

The Respondent's "Exhibit R1" provided the following evidence with respect to this issue:

- A table of equity comparables to the subject comparing assessment rates per SF of properties within the SE quadrant, same central region and similar sub-markets as the

subject. The table contained the following information:

- A site coverage range of 25% to 29%.
- A net rentable area range of 12,300 SF to 15,180 SF.
- An assessment rate per SF range of \$193 to \$204.
- A table of eight "Industrial sales Comparables" that contained the following information:
 - A site coverage range of 10.39% to 27.81%.
 - A net rentable area range of 10,450 SF to 20,699 SF.
 - A time-adjusted sales price per SF range of \$191 to \$246 with a median of \$219.
- A table entitled "Test of Income Values V. Sales". In this table the Complainant attempts to show that the Income parameters used by the Complainant would not tend to support the time-adjusted sales prices for six of the Respondent's sales comparables, although they would support two of the Complainant's sales comparables.

The Complainant also provided a "Rebuttal" document that was entered as "Exhibit C2" during the hearing. This document provided the following evidence with respect to this issue:

- The Respondent's equity comparables had finish percentages much greater than the subject. The finish % of the comparables ranged from 24% to 43% while the subject only has a 7% finish. He claimed that finish has been estimated to be as high as \$30.00 per SF. He also indicated that there were discrepancies with 3 of the 4 equity comparables and they should therefore be disregarded.
- Two of the Respondent's eight sales comparables also contained discrepancies and also should be disregarded.

Decision: Issue 2

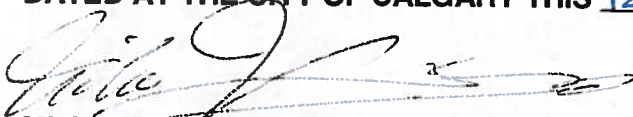
In view of the above considerations, the CARB finds as follows with respect to Issue 2:

- The Direct Sales Comparison Approach as applied by the Respondent supports the assessment of the subject property for the following reasons:
 - The Income Approach to value was not well supported in this case. The CARB finds that the lease rate used for the main building and particularly the Cap rate are not well supported by the evidence. In addition, the parameters used by the Complainant do not tend to support the Respondent's sales comparables and therefore add concern that the parameters used in his income approach may be in error.
 - The CARB considered the sales comparables submitted by both parties. The CARB considered the two most important parameters of comparability to the subject was net rentable area and site coverage. In considering these two factors and accepting the rebuttal evidence submitted by the Complainant, the CARB placed the greatest weight on the Respondent's sales comparables 1, 3, 5, 6 and 7. In reviewing those 5 sales comparables, the CARB finds that the median time-adjusted sales price per SF derived from those sales comparables support the assessment rate for the subject.
 - The CARB placed little weight on the equity comparables submitted by the Respondent because the Complainant was successful in pointing out too many discrepancies in his rebuttal package.

Board's Decision:

The CARB confirms the assessment at \$3,280,000.

DATED AT THE CITY OF CALGARY THIS 12 DAY OF November 2010.



Michael A. Vercillo

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.*