

**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: 090040114**

**LOCATION ADDRESS: 4646 BUILDERS RD SE**

**HEARING NUMBER: 56003**

**ASSESSMENT: \$ 2,490,000**

This complaint was heard on 1<sup>st</sup> 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 single tenanted warehouse property located in the "North Manchester" industrial area of SE Calgary. The subject property contains two buildings. The main building was built in 1957 and has a net rentable area of approximately 10,736 square feet (SF). The second building, built in 1959, is classified as an outbuilding has a net rentable area of approximately 1,800 SF.

According to the Respondent's Assessment Explanation Supplement (AES), the buildings are situated on an assessable land area of approximately 3.02 acres and have a building to site coverage ratio of approximately 8.70%. The property has a land use designation of "Industrial – General" (I-G). The main building indicates a 20% Finish and is assessed at a rate of \$230.00 per SF. The outbuilding is assessed at a rate of \$10.00 per SF. The overall assessment rate is \$198.00 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 as restated below:

1. The subject age, poor condition, location and site shape diminish its appeal and market value for a broad array of potential buyers seeking a typical office/warehouse and typical subdivision standard.
2. The Income Approach, Cost Approach, Direct Comparison Approach and Equity Approach to value all support a lower assessment.

**Complainant's Requested Value:**

\$1,600,000 on the complaint form revised to \$1,550,000 at this hearing.

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

**ISSUE 1:** The subject age, poor condition, location and site shape diminish its appeal and market value for a broad array of potential buyers seeking a typical office/warehouse and typical subdivision standard.

**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:

- A series of photographs of the subject were provided showing the subject's proximity to rail tracks, site shape, and view of neighboring roadways, utilities and other properties.
- Documentation supporting the photographs included the following:
  - The subject's main building is 52 years old.
  - The Improvements are dated and in poor condition.
  - Although the 3.02 acre site has a low site coverage of only 8.7%, its diamond shape, with improvements centrally located provide challenges to its utility.
  - The subject's Assessment Request for Information (ARFI) indicated that the site was leased to Metro Waste Paper Recovery, a recycling business, for a total rental of \$175,785.98 per annum, whose lease expired on June 30, 2009.

**The Respondent** provided an "Assessment Brief" document that was entered as "Exhibit R1" during the hearing. There was no specific information contained therein that addressed this issue, although during testimony, the Respondent disagreed with the Complainant that the subject property contained unusual challenges that would compromise its marketability.

**Decision: Issue 1**

In view of the above considerations, the CARB finds as follows with respect to Issue 1:

- The Respondent's evidence clearly established that the subject property does in fact have unusual characteristics that would tend to diminish its market value. In reviewing the descriptions and photographs of the subject property, the CARB noted the following:
  - Site shape and location of improvement do compromise its utility.
  - City utilities are either not present or in poor condition. Specifically, roadways are in very poor condition and there were no curbs and gutters present along roadways.
  - Unusual proximity to rail tracks.

**ISSUE 2:** The Income Approach, Cost Approach, Direct Comparison Approach and Equity Approach to value all support a lower assessment.

**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 \$1,600,000 by using the following parameters:
  - The main building's 10,736 SF was given a lease rate of \$12.00 per SF. The lease rate was based on lease rate comparables of similar properties with consideration given to the subject's location.
  - The outbuilding's 1,800 SF was given a lease rate of \$3.00 per SF.
  - A Vacancy rate of 1%. Based on published reports with consideration given to the subject's recent vacancy experience.
  - A Shortfall rate of \$3.00 per SF. Based on comparisons to similar properties.
  - A Capitalization rate (Cap rate) of 8.25%. Based on published reports and

comparable market sales.

- A Cost Approach to value was calculated to arrive at an overall requested assessment of \$1,560,000 by using the following parameters:
  - A land valuation of \$1,407,600. The land valuation was based on current assessment practices for land located in the southeast (SE) area of Calgary with a land use designation of I-G. The first acre is assessed at \$1,050,000, while the balance of the property is assessed at \$300,000 per acre. The Complainant adjusted the value calculated 15% downwards to reflect the properties shape reduced functionality, partial services and limited access. This land valuation was also supported by an analysis of comparable land sales in SE Calgary.
  - A depreciated value for site improvements of \$161,719. Although the property is still functioning past its useful life it was depreciated by 70%.
- A Direct Sales Comparison Approach to value was calculated to arrive at an overall requested assessment of \$1,310,000 by using a table of three comparable sales to the subject. The table of direct sales comparables contained the following information:
  - A net rentable area range of 10,936 SF to 15,000 SF.
  - A site coverage range of 29% to 37%.
  - A sales price per SF range of \$73 to \$137, with a weighted mean of \$104.59.
- A Direct Sales Comparison Approach to value containing adjustments for the same sales comparables as above. The adjustments were made for dissimilar attributes to the subject. This approach resulted in an overall requested assessment of \$1,440,000. The adjusted sales price per SF ranged from \$66 to \$144. The Complainant concluded that a weighted mean of approximately \$115.00 per SF would be an appropriate rate to value the subject.
- An Equity Approach to value was calculated to arrive at an overall requested assessment of \$1,500,000 by using one comparable to the subject. The comparable used is located within the vicinity of the subject and contained the following attributes:
  - A net rentable area range of 25,233 SF.
  - A site coverage range of 46%.
  - An assessment rate per SF \$120. The rate was based on the comparable's \$98 dollar assessment rate adjusted for rentable area and site coverage of the subject.
- Reconciling the four approaches to value resulted in a requested assessed value of \$1,550,000.
- 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 few previous CARB decisions challenging the appropriateness of using the Income Approach to value on specific industrial properties.
- A table of eight 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 13% to 18%.
  - A net rentable area range of 8,680 SF to 12,675 SF.
  - An assessment rate per SF range of \$215 to \$240.
- A table of four "Industrial Sales Comparables" that contained the following information:
  - A site coverage range of 15.73% to 28.24%.
  - A net rentable area range of 8,160 SF to 12,002 SF.
  - A time-adjusted sales price per SF range of \$196 to \$251 with a median of \$219.

**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 Complainant noted that the Respondent's equity comparables contained discrepancies in seven of the eight equity comparables and they should therefore be disregarded. Discrepancies were noted with regards to building type and/or net rentable area.
- The Complainant noted one of the Respondent's four sales comparables could not be confirmed and therefore should be disregarded.

**Decision: Issue 2**

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

- The unusual characteristics of the subject such as age, site shape, poor condition, location of improvements, sub-par utilities and proximity to rail tracks, as established under Issue 1, compromises its comparability to other properties. Therefore, the CARB placed less weight on the Direct Sales and Equity Approaches to valuation. In doing so, the CARB relied more on the Income and Cost Approaches as submitted by the Respondent. The average of those two approaches to value would approximate a correct assessment of \$1,580,000.

**Board's Decision:**

The CARB revises the assessment to \$1,580,000.

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.*