

**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: 090080706

LOCATION ADDRESS: 4015 4 ST SE

HEARING NUMBER: 56002

ASSESSMENT: \$ 2,020,000

This complaint was heard on 2nd 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. J. Young (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 a multi-tenanted warehouse property located in the "North Manchester" industrial area of SE Calgary. The subject property contains one building that was built in 1964 and has a net rentable area of approximately 12,000 square feet (SF).

According to the Respondent's Assessment Explanation Supplement (AES), the building is situated on an assessable land area of approximately 0.82 acres and has a building to site coverage ratio of approximately 33.52%. The property has a land use designation of "Industrial – General" (I-G). The building indicates a 46% Finish and is assessed at a rate of \$168.00 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 subject has an atypical 9 foot clear wall height, in combination with a uniform 1,500 SF bay size and a 1964 average year of construction (AYOC) diminishing its appeal for a broad spectrum of typical industrial users.
2. The Income Approach and Direct Comparison Approach both support a lower assessment for the subject property.

Complainant's Requested Value:

\$1,500,000 on the complaint form revised to \$1,450,000 at this hearing.

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

ISSUE 1: The subject has an atypical 9 foot clear wall height, in combination with a uniform 1,500 SF bay size and a 1964 average year of construction (AYOC) diminishing its appeal for a broad spectrum of typical industrial users.

The Complainant provided a binder entitled "Disclosure of Information" that was entered as "Exhibit C1" during the hearing. Although it was discussed during his testimony, there was no specific information contained within Exhibit C1 that addressed this issue.

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's 9 foot wall height presented significant 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 did not consider wall height, 1500 SF bays and 1964 construction to be significant negative attributes that required adjustment in assessing the subject property. The Complainant provided no significant evidence that these attributes do have a negative impact on the subject's market value. Therefore, the CARB agrees with the Respondent because the onus is on the Complainant to prove otherwise.

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:

- It was noted that the subject property had an internal transfer of ownership between partners. The subject property had a 50% transfer of ownership in September, 2008 for \$750,000.
- An Income Approach to value was calculated and arrived at an overall requested value of \$1,480,000 by using the following parameters:
 - The building's 12,000 SF was given a lease rate of \$10.00 per SF. The lease rate was based on lease rate comparables of similar properties with consideration given to the subject's 9 foot wall height, age, condition and uniform bay size.
 - 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 8.00%. Based on published reports and comparable market sales.
- A Direct Sales Comparison Approach to value was calculated to arrive at an overall requested value of \$1,520,000 by using a table of four comparable sales to the subject. The table of direct sales comparables contained the following information:
 - A net rentable area range of 10,080 SF to 16,268 SF.
 - A site coverage range of 35% to 42%.
 - A sales price per SF range of \$123 to \$130, with a weighted mean of \$126.73.
- 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 \$1,390,000. The adjusted sales price per SF ranged from \$84.55 to \$123.50. The Complainant concluded that a weighted mean of approximately \$116.00 per SF would be an appropriate rate to value the subject.

- Reconciling the two approaches to value resulted in a requested assessed value of \$1,450,000.
- 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 seven 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 29% to 40%.
 - A net rentable area range of 10,080 SF to 14,000 SF.
 - An assessment rate per SF range of \$162 to \$179.
- A table of eight "Industrial Sales Comparables" that contained the following information:
 - A site coverage range of 15.73% to 54.07%.
 - A net rentable area range of 8,120 SF to 12,002 SF.
 - A time-adjusted sales price per SF range of \$180 to \$251 with a median of \$194.

The Respondent suggested that the two sales comparables with the time adjusted sales price of \$192 and \$150 were most similar to the subject.

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 raised issues in two of the eight the sales comparables used by the Respondent and they should therefore be disregarded or considered differently.

Decision: Issue 2

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

- When combining the sales comparables of both parties, the Direct Comparison Approach to value does not adequately support a reduced assessment. The CARB considered the Complainant's 1st, 2nd, and 4th unadjusted sales comparables together with the Respondent's 2nd, 4th, 5th and 6th sales comparables. These were chosen as the best comparables because they were either not challenged by either party or did not contain discrepancies as highlighted in the Complainant's rebuttal. The adjusted sales comparables presented by the Complainant were ignored because they produced a wider range of sales price per SF and the adjustments (with the exception of time-adjustment) were considered too subjective. In combining the sales comparables, the following information is noted:
 - The time-adjusted sales price ranges from \$116 to \$216.
 - The median time-adjusted sales price is \$150.
 - The average time-adjusted sales price is \$160.
 - Finish % of the subject is higher than all other comparables.
- The internal transfer of ownership is disregarded as evidence of value for the subject property because no evidence was presented to suggest that it was a legitimate sale.
- Less reliance was placed on the Income Approach in this case because the Complainant did not consider using the most recent lease rates of the comparables at \$12. There

were only 2 comparable sales in support of the Complainant's Cap rate.

- The equity comparable analysis provided by the Respondent was not disputed or even rebutted by the Complainant. The CARB notes the equity analysis supports the assessment.

Board's Decision:

The CARB confirms the assessment at \$2,020,000.

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.*