

**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: 090091703

LOCATION ADDRESS: 410 38A AV SE

HEARING NUMBER: 56180

ASSESSMENT: \$ 2,080,000

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 single tenanted warehouse property located in the "North Manchester" industrial area of SE Calgary. The subject property contains one building that was built in 1971 and has a net rentable area of approximately 8,680 square feet (SF).

According to the Respondent's Assessment Explanation Supplement (AES), the building is situated on an assessable land area of approximately 1.36 acres and has a building to site coverage ratio of approximately 12.94%. In addition, the AES indicates that the subject contains 0.81 acres of "extra land". The property has a land use designation of "Industrial – General" (I-G). The building indicates a 23% Finish and is assessed at a rate of \$239.00 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 2010 Market Value Assessment (MVA) represents a 7.77% increase from 2009 and this is not supported in a recessionary economy nor given the condition and locational obsolescence issues facing the subject.
2. The Direct Comparison Approach, Income Approach and Equity Approach to value all support a lower assessment for the subject property.

Complainant's Requested Value:

\$1,300,000 on the complaint form revised to \$1,200,000 at this hearing.

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

ISSUE 1: The 2010 Market Value Assessment (MVA) represents a 7.77% increase from 2009 and this is not supported in a recessionary economy nor given the condition and locational obsolescence issues facing the subject.

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 an adjacent, alleged contaminated property owned by the City of Calgary.
- Documentation supporting the photographs included the following:
 - A claim by the Complainant that the subject property suffers from serious draining problems as a result of inadequate installation of an adequately sized line along 38A Av SE.
 - An owner installation of a sump station to deal with the drainage problem.
 - A claim by the Complainant that the Improvements are dated and in poor condition.
 - A limited Phase II Environmental study of the subject property dated October 2, 2000, comparing contamination levels of a few specific contaminants to a previous soil sampling completed in March, 1999.

The Respondent provided an "Assessment Brief" document that was entered as "Exhibit R1" during the hearing. A 2008 City of Calgary ARB decision was submitted showing in this previous appeal, no contamination issues were raised. During testimony, the Respondent raised the issue that the contamination studies submitted by the Complainant were dated.

Decision: Issue 1

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

- The CARB finds that the Complainant's assertions relative to the subject property raised in issue 1 are without merit for the following reasons:
 - Assessments of property are performed each year, using mass appraisal techniques, to arrive at an approximation of fair market value. There was no significant evidence provided by the Complainant to suggest that the subject's 7.77% increase in assessment value from the prior year was affected by recessionary pressures.
 - With regards to the alleged drainage problem affecting the site; it is likely that the owner installed sump station alleviated the problem, if one did indeed exist.
 - With regards to the alleged contamination issue. The CARB finds that the Phase II environmental study was performed nine years prior to the assessment year and therefore did not prove that a contamination issue existed within the assessment year.

ISSUE 2: The Direct Comparison Approach, Income Approach and Equity Approach to value all support a lower assessment for the subject property.

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

- A Direct Sales Comparison Approach to value was calculated to arrive at an overall requested value of \$1,280,000 by using a table of six comparable sales to the subject. Adjustments of sales comparables were made for dissimilar attributes to the subject. The

- table of direct sales comparables contained the following information:
- A net rentable area range of 4,081 SF to 16,268 SF.
 - A site coverage range of 35% to 49%.
 - An adjusted sales price per SF range of approximately \$122 to \$167, with a mean of \$147. The Complainant concluded that a mean of approximately \$145 per SF would be an appropriate rate to value the subject, based on three of the six comparables.
- An Income Approach to value was calculated and arrived at an overall requested value of \$1,200,000 by using the following parameters:
 - The building's 8,851 SF was given a lease rate of \$11.00 per SF. The lease rate was based on lease rate comparables of similar properties with consideration given to the subject's smaller building size and single tenant occupancy.
 - A Vacancy rate of 1%. Based on published reports with consideration given to the subject's recent vacancy experience.
 - A Shortfall rate of \$4.00 per SF. Based on comparisons to similar properties and published reports.
 - A Capitalization rate (Cap rate) of 8.00%. Based on published reports and comparable market sales.
 - An Equity Approach to value was calculated to arrive at an overall requested assessment of \$1,115,000 by using one comparable located at 437 – 36 AV SE, immediately north and adjacent to the subject. The comparable contained the following attributes:
 - A net rentable area range of 20,160 SF.
 - A site coverage range of 35%.
 - An assessment rate per SF \$125.50.
 - Reconciling the three approaches to value resulted in an overall requested assessed value of \$1,200,000.
 - 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 six 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 12% to 20%.
 - A net rentable area range of 7,000 SF to 9,600 SF.
 - An assessment rate per SF range of \$236 to \$273.
- A table of five "Industrial Sales Comparables" that contained the following information:
 - A site coverage range of 15.73% to 39.03%.
 - A net rentable area range of 4,840 SF to 20,699 SF.
 - A time-adjusted sales price per SF range of \$216 to \$251 with a median of \$217.

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 took issue with two of the Respondent's six equity comparables and should therefore be disregarded. Concerns were raised with regards to multi building properties and net rentable area.

- The Complainant raised issues in two of the Respondent's five sales comparables and should therefore be disregarded or considered differently. Concerns were raised with regards to net rentable area.

Decision: Issue 2

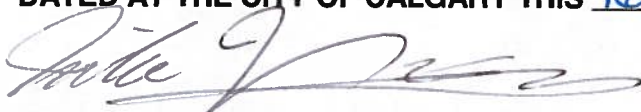
In view of the above considerations, the CARB finds as follows with respect to Issue 2:

- The Direct Comparison Approach to value does not adequately support a reduced assessment. The CARB considered the sales comparables submitted by both parties. The CARB considered the two most important parameters of comparability to the subject to be 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 four of the Respondent's five sales comparables. In doing so, the CARB finds that the median time-adjusted sales price per SF derived from those four sales comparables support the assessment rate for the subject.
- Less reliance was placed on the Income Approach in this case because the Complainant failed to account for the value in the extra land of the subject.
- The Equity Approach to value does not adequately support a reduced assessment. The CARB considered the equity comparables submitted by both parties. The CARB considered the two most important parameters of comparability to the subject to again be 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 three of the Respondent's five equity comparables. In doing so, the CARB finds no compelling reason to reduce the assessment on the basis of inequity.

Board's Decision:

The CARB confirms the assessment at \$2,080,000.

DATED AT THE CITY OF CALGARY THIS 16 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:

- the complainant;*
- an assessed person, other than the complainant, who is affected by the decision;*
- the municipality, if the decision being appealed relates to property that is within the boundaries of that municipality;*
- 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.*