

**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:

Altus Group Ltd., COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

L. Wood, PRESIDING OFFICER

I. Zacharopoulos, MEMBER

D. Steele, MEMBER

This is a complaint to the Calgary Assessment Review Board 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: 090077009

LOCATION ADDRESS: 3909 MANCHESTER ROAD SE

HEARING NUMBER: 58867

ASSESSMENT: \$2,430,000

This complaint was heard on 5th day of October, 2010 at the office of the Assessment Review Board located at Floor Number 3, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 9.

Appeared on behalf of the Complainant:

- Ms. C. Van Staden

Appeared on behalf of the Respondent:

- Ms. M. Lau
- Mr. J. Young

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

There were no procedural or jurisdictional matters raised by the parties during the hearing.

Property Description:

The subject property is a multi tenant warehouse situated on a 1.07 acre site in North Manchester. The building was constructed in 1972, has a rentable building areas of 19,125 sq ft and finish of 24%. The land use designation is I-G, Industrial General. The site coverage ratio is 40.90%.

Issues: (as indicated on the complaint form)

1. The characteristics & physical condition of the subject property support the use of the income approach utilizing typical market factors for rent, vacancy, management, non-recoverables and capitalization rates; indicating an assessment market value of \$113 psf.
2. The aggregate assessment per square foot applied to the subject property does not reflect market value for assessment purposes when using the direct sales comparison approach and should be \$114 psf.
3. The aggregate assessment per square foot applied is inequitable with the assessments of other similar and competing properties and should be \$98 psf.

Complainant's Requested Value: \$1,875,000

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

The Board notes that there were several statements on the appendix to the complaint form; however, it will only address those issues that were raised at the hearing. The values, as indicated on the complaint form, may have changed at the time of hearing.

1. **The characteristics & physical condition of the subject property support the use of the income approach utilizing typical market factors for rent, vacancy, management, non-recoverables and capitalization rates; indicating an assessment market value of \$113 psf.**

The Complainant submitted that the income approach is the preferred method of valuation for the

subject property as the City failed to capture the fall of the market in the 2010 assessments. She stated the subject property would have to achieve a rental rate of \$10.70 psf with an 8% capitalization rate and 5% vacancy rate in order to be assessed at \$2,430,000 (Exhibit C1 page 26).

The Complainant submitted the Assessment Request for Information ("ARFI") for the subject property dated December 2008. It indicates that four tenants lease five areas within the subject property between 1,885- 6,800 sq ft for a rental rate of \$5.76- \$6.00 psf (Exhibit C1 pages 19-22).

She also submitted 93 lease comparables from the Central quadrant in 2008- 2009 (Exhibit C1 pages 27 & 28). The areas range between 760- 9,600 sq ft and lease for \$6.95- \$18.00 psf. Based on the median lease rate of \$9.50, the Complainant requested that the assessment for the subject property be reduced to \$2,157,539 (Exhibit C1 page 26).

The Respondent submitted a chart entitled "Test of Altus Income Values v. Sales" to support his position that Complainant's data inputs of \$9.50 psf rental rate, 5% vacancy and 8% capitalization rate, undervalue the sales comparables as presented by both parties (Exhibit R1 page 56). The Respondent indicated that he had used a \$9.25 psf rental rate in error (as opposed to \$9.50 psf).

The Board is not persuaded by the Complainant that the income approach is the preferred method of valuation in this instance. The Complainant failed to address the fact that there is a 2008 lease in the subject property for \$5.76 psf. There was no relationship established between the actual rents that the subject property is achieving and the market rent analysis as put forward by the Complainant.

2. The aggregate assessment per square foot applied to the subject property does not reflect market value for assessment purposes when using the direct sales comparison approach and should be \$114 psf.

The Complainant submitted five sales comparables that ranged from \$95- \$216 psf (time adjusted) in support of her request that the subject property should be assessed at \$114 psf (Exhibit C1 page 25). The sales comparables are comprised of both single and multi tenant warehouses located in the Central quadrant. The warehouses were built in 1953- 1971, with net rentable areas of 16,190- 20,782 sq ft and site coverage of 17.56%- 54.25%. The Complainant indicated that the comparable located at 5678 Burleigh Crescent SE is most similar to the subject property. It sold in December 2007 for \$2,000,000 (\$121 psf) and has a time adjusted sale price of \$114 psf.

The Respondent submitted seven sales comparables that ranged from \$114- \$216 psf (time adjusted) in support of the assessment of the subject property at \$127.33 psf (Exhibit R1 page 55). The Respondent excluded the comparable located at 4822 Centre Street SW from his analysis as it is the golf dome. The sales comparables are comprised of both single and multi tenant warehouses located in the Central quadrant. The warehouses were built in 1953- 1974, with net rentable areas of 16,190- 25,617 sq ft and site coverage of 17.04%- 41.53%. He also included two of the Complainant's comparables in his analysis (5678 Burleigh Crescent SE and 4623 1 Street SE).

In reviewing the Complainant's sales comparables, the Board was not convinced by the unexplained market adjustments. The Board finds the Respondent's sales comparables establishes a range and the subject property falls within that range, thereby confirming the assessment.

3. The aggregate assessment per square foot applied is inequitable with the assessments of other similar and competing properties and should be \$98 psf.

The Complainant submitted ten equity comparables that ranged from \$98- \$136 psf in support of her request that the subject property should be assessed at \$98 psf (Exhibit C1 page 24). The equity comparables are comprised of both single and multi tenant warehouses located in the Central quadrant. The warehouses were built in 1962- 2009, with net rentable areas of 16,528- 21,800 sq ft and site coverage of 39.12%- 41.92%. The Complainant indicated that the comparable located at 1372 Hastings Crescent is most similar to the subject property and it was assessed at \$98 psf.

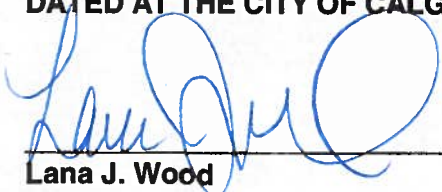
The Respondent submitted seven equity comparables that ranged from \$126- \$135 psf in support of the assessment of the subject property at \$127 psf (Exhibit R1 page 53). The equity comparables are multi tenant warehouses located in the Central quadrant. The warehouses were built in 1958- 1973, with net rentable areas of 17,876- 19,912 sq ft and site coverage of 33%- 41%. The Respondent indicated that the equity comparable that the Complainant was relying on received a 30% deduction due to roof problems. The Respondent also included a chart of both parties' equity comparables and indicated that the overall median was \$129 psf (Exhibit R1 page 54).

The Board finds the parties' equity comparables establish a range and the subject property is within that range, therefore no reduction in assessment is warranted in this instance.

Board's Decision:

The decision of the Board is to confirm the 2010 assessment for the subject property at \$2,430,000.

DATED AT THE CITY OF CALGARY THIS 24 DAY OF NOVEMBER 2010.



Lana J. Wood
Presiding Officer

APPENDIX A**DOCUMENTS RECEIVED AND CONSIDERED BY THE ASSESSMENT REVIEW BOARD:**

| NO. | ITEM |
|------------|--|
| Exhibit C1 | Evidence Submission of the Complainant |
| Exhibit C2 | Altus Binder |
| Exhibit C3 | Assessment Review Board decisions & legislation excerpts |
| Exhibit R1 | City of Calgary's Assessment Brief |

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.*