

**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, Revised Statutes of Alberta 2000 (the Act).

**between:**

***414635 Alberta Ltd. (as represented by Altus Group Limited), COMPLAINANT***

**and**

***The City Of Calgary, RESPONDENT***

**before:**

***Ivan Weleschuk, PRESIDING OFFICER  
Arlene Blake, MEMBER  
James Pratt, MEMBER***

This is a complaint to the Calgary Assessment Review Board in respect of property assessments prepared by the Assessor of The City of Calgary and entered in the 2012 Assessment Roll as follows:

<b>Roll Number:</b>	<b>133001909</b>
<b>Property Location:</b>	<b>2500 107 Avenue SE</b>
<b>Hearing Number:</b>	<b>67567</b>
<b>2012 Assessment:</b>	<b>\$5,170,000</b>

This complaint was heard on June 11, 2012 at the office of the Assessment Review Board located at Floor Number Four 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 4.

Appeared on behalf of the Complainant:

- *Mr. David Mewha*
- *Mr. Matthew Robinson*

Appeared on behalf of the Respondent:

- *Mr. Jason Lepine*
- *Mr. Ian McDermott*

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

No procedural or jurisdictional matters were raised, so the Board proceeded to hear the merits of the complaint.

**Property Description:**

The subject is more or less a rectangle-shaped parcel located in the Shepard Industrial District in southeast Calgary. It is a 4.57 acre property with two buildings on the site. The main building was constructed in 1999 and has a 20,974 ft<sup>2</sup> footprint, and is a warehouse with office extension. The second building was constructed in 2003 and is a 3000 ft<sup>2</sup> warehouse. Access to the property is off 107 Avenue SE. The property is zoned Industrial-General (I-G).

The property is assessed using a sales comparison approach. The assessment methodology assumes that the property consists of each respective building plus associated land reflecting 30% site coverage, and compares these theoretical properties with sales of similar improved properties. Land not allocated to a building is considered surplus and assessed at the market value of vacant land.

**Issues:**

The Complainant raised the following two issues, as the basis for the complaint:

1. **Is the subject property correctly assessed using the sales comparison approach?**
2. **Is the subject property equitably assessed compared to similar properties?**

**Complainant's Requested Value:**

\$4,700,000	Complaint Form
\$4,465,696	Requested at Hearing

**Board's Decision in Respect of Each Matter or Issue:****A. Complainant's Evidence**

The Complainant's position was that the assessed value did not reflect the market value of the property. Specifically, the market value per square foot assigned to the main building was too high, and the market value assigned to the warehouse was also too high. The Complainant agreed with the City's value for vacant, bare industrial land of \$525,000 per acre applied to the surplus land.

According to the 2011 Assessment Explanation Supplement (Exhibit C1, page 8), the City applied a rate of \$133 per assessable square foot of building area to represent the main building and associated land area, and a rate of \$224.38 per square foot of assessable building area to the warehouse (3000 ft<sup>2</sup>) building and associated land area. The Complainant stated that the warehouse was a basic structure and did not cost \$224.38/ft<sup>2</sup>, and when compared to the main building was inferior and could not possibly be worth more. A cost estimate of the warehouse building apparently using Marshall & Swift costing software was presented that indicated that the "insurable cash value" (cost new less depreciation) of the warehouse was \$211,478 or \$70.49/ft<sup>2</sup>.

The Complainant then presented data on three comparable sales to demonstrate that the City's assessment for this type of property was in excess of the market value, as demonstrated by Assessment to Sales Ratios (ASR) being more than 1 (Exhibit C1, page 26).

Based on the sales analysis done by the Complainant, a rate of \$109/ft<sup>2</sup> of assessable building area was more indicative of the market.

Applying the main building rate obtained from market data, the warehouse rate using the cost approach and the agreed to \$525,000/acre value for surplus land, the Complainant presented the requested assessed value calculation as follows:

Main Bldg	25,894 ft <sup>2</sup> x	\$109/ft <sup>2</sup>	=	\$2,822,446
Warehouse	3,000 ft <sup>2</sup> x	\$ 70/ft <sup>2</sup>	=	\$ 210,000
Surplus land:	2.73 ac x	\$525,000/ac	=	<u>\$1,433,250</u>
				\$4,465,696

**B. Respondent's Evidence**

The Respondent presented sales comparables (Exhibit R1, page 19), and discussed the Complainant's sales and equity comparables, arguing that the Complainant's comparables were not comparable.

### C. Board's Conclusions

In considering the issue before the Board, the "test" is defined in the Municipal Government Act, and specifically Matters Relating to Assessment and Taxation Regulation (MRAT).

*4(1) The valuation standard for a parcel of land is  
(a) market value, .....*

Both parties presented sales that they argued were comparable to the subject. There were various weaknesses in this data, and the Board was of the opinion that some adjustments to the sales presented was likely necessary to reflect the actual characteristics of the subject. Neither party presented comparable sales data with such adjustments. The Board concluded that the evidence presented was not sufficient to alter the rates used in the assessment.

In considering the evidence presented by the Complainant, the Board identified a significant error in methodology as well as in the calculation of the requested assessed value. While both the sales comparison and cost approaches are valid approaches to value property, they are distinct and separate approaches. It is not correct to value a property using a mix of the two approaches, as was done by the Complainant. The correct method would have been to value the subject property using the cost approach, and then value the subject property using the sales comparison approach. Then these two values could have been reconciled to arrive at a value conclusion, selecting the result of either one or the other of the approaches. The Complainant did not do either a sales comparison or a cost approach, but rather a sales comparison approach on the main building, and a flawed "cost" approach on the warehouse.

The objective of the cost approach is to provide the contributory market value of each component of a property, and then take the sum as an indication of the market value of the whole property. In applying the cost approach, the Complainant did not provide a value that reflected the contributory market value of the warehouse. The number presented was the "insured cash value" of the warehouse, which does not reflect the value of this improvement in the market.

The mixing of the two approaches also resulted in the Complainant not accounting for the value of the land that the warehouse occupies. Furthermore, the contributory value of land on an improved parcel is likely different than the value of vacant (surplus) land, but no evidence was provided for this component of the property, nor was it considered in the Complainant's calculation.

The table below is presented, showing in some detail the methodology used by the City. Note that the rate applied to the assessable building area also includes the value for the associated land that represents 30% site coverage. The determination of the surplus land is also shown. This calculation, when compared to the Complainant's calculation presented previously, illustrates the errors discussed.

	Assessable Building Area (ft <sup>2</sup> )	Associated Land (ac)	Rate per Assessable ft <sup>2</sup>	Rate for Surplus Land (\$/ac)	Assess Value
Main Bldg	25,894	1.61	\$133.00		\$3,443,902
Warehouse	3,000	0.23	\$224.38		\$ 673,140
Surplus Land		2.73		\$525,000	\$1,433,250
		4.57			\$5,550,292

The actual assessment calculation presented on page 8, Exhibit C1 totals \$5,567,440, apparently due to using land sizes to more than two decimal points and other rounding factors. This calculation supports the assessed value of \$5,170,000.

Because of the flawed methodology and errors in the calculation of the requested assessment by the Complainant, the equity argument also fails.

#### **Board's Decision**

Because of the flaws in the calculation of the Complainant's requested assessment, the Board concludes that it cannot be relied on. Because the Complainant did not demonstrate that the assessment was incorrect, the equity issue fails as well. Therefore the Board confirms the 2012 Assessment of \$5,170,000.

DATED AT THE CITY OF CALGARY THIS 25 DAY OF June 2012.



**Ivan Weleschuk**  
Presiding Officer

**APPENDIX "A"****DOCUMENTS PRESENTED AT THE HEARING  
AND CONSIDERED BY THE BOARD:**

<b>NO.</b>	<b>ITEM</b>
1. C1	Complainant Disclosure
2. R1	Respondent Disclosure
3. C2	Complainant Rebuttal

*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.*