

**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:

Brewers' Distributor Ltd. (as represented by Linnell Taylor & Associates), COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

***K. D. Kelly, PRESIDING OFFICER
K. Coolidge, MEMBER
P. Pask, MEMBER***

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

ROLL NUMBER:	054009303
LOCATION ADDRESS:	2930 Centre AV NE
HEARING NUMBER:	65907
ASSESSMENT:	\$9,500,000

This complaint was heard on 25th day of June, 2012 at the office of the Assessment Review Board located at Floor Number 4, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 6.

Appeared on behalf of the Complainant:

- *Mr. D. Sheridan - Linnell Taylor & Associates*

Appeared on behalf of the Respondent:

- *Mr. G. Bell - Assessor – City of Calgary*

REGARDING BREVITY:

[1] The Composite Assessment Review Board (CARB) reviewed all the evidence submitted by both parties. The extensive nature of the submissions dictated that in some instances certain evidence was found to be more relevant than others. The CARB will restrict its comments to the items it found to be most relevant.

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

[2] None.

Property Description:

[3] The subject is an owner-occupied single-tenant (IWS) industrial warehouse property in the Franklin Park industrial area of northeast Calgary. It is improved with an 110,522 square foot (SF) 1974 era warehouse building used for the storage of beverages. The 8.51 acre property has 7% office finish; 29.82% site coverage; and is assessed at \$86.04 per SF of building area for an indicated value of \$9,500,000.

[4] Issues:

1. The subject is atypical due to size; age; low office finish and wall heights, and is assessed in excess of typical market comparables.

[5] Complainant's Requested Value: \$7,070,000

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

Issue #1

(a) Market Approach

[6] The Complainant provided a matrix of three market sales of properties he considered similar to the subject. Two sales occurred in 2010 and one in 2011. They were unadjusted as to time. He identified important similarities and differences between each of them, as compared to the subject. He focused on the respective age (actual year of construction - AYOC) of the

comparables; site coverage ratios; office/warehouse ratios; clear wall heights, and respective market sale valuations per square foot. He noted the subject had been assessed at \$85.96 per SF whereas the three comparable properties had sold for a weighted average of \$63.13 per SF and a median value of \$64 per SF. The Complainant provided the RealNet and Commercial Edge data sheets for the three sales.

[7] The Complainant also carefully explained how he had provided positive and negative "adjustments" to several of the site characteristics for each of his three market sales to improve their comparability to the subject. The "adjustments" applied were based upon his matrix analysis of 130 industrial property (unadjusted as to time) market sales from each of years 2009 to 2011 inclusive. He calculated what he perceived to be current market value indicators on a per square foot basis from three perspectives - by age of structure (AYOC); by site coverage ratio; and by percentage of office finish (ratio of office/retail finish to warehouse).

[8] He ultimately concluded that his three "adjusted" properties were similar to the subject and reflected a more correct market value of \$62 per SF and an indicated assessment of \$6,850,000 to be applied to the subject. In his Rebuttal document C-2, the Complainant argued that he had openly disclosed his adjustments whereas the Respondent did not.

[9] The Respondent argued that the Complainant's analysis of his 130 sales was flawed and unreliable because there was insufficient data regarding the individual site characteristics for each property used in his analysis such that they could not be compared to each other or to the subject. He noted that they had not been adjusted as to time either.

[10] He argued there was no data identifying any of the 130 sales as being either a single or multi-tenanted building; level of office finish each might contain; level of retail space, if any, in each site; degree of site coverage; age of the improvements; validity of the sale (i.e. portfolio; arms length or not, etc.), and so on. He indicated the Complainant's data is merely an array of market sales from a point in time, and hence no weight should be placed upon his analytical conclusions derived from them.

[11] The Respondent argued that several of the adjustments proposed by the Complainant are so large (e.g. 15.5%; 22%; 36.43%) that the results are largely subjective, unreliable, and meaningless. He also argued that the 60% site coverage of the Complainant's comparable property at 415 Manitou Rd SE, renders comparability to the subject at 29.82% site coverage, meaningless. Therefore he argued that on the whole, the Complainant's market sales are not comparable to the subject.

[12] The Respondent also argued that the Complainant's three market comparables were all assessed using the Cost Approach to Value as "special purpose", unique buildings, and therefore were not comparable to the subject which is a typical warehouse building assessed using the Market Approach to Value.

[13] The Respondent provided seven market sales and four equity comparables, arguing that their individual characteristics more closely match the subject and support the assessment. He also indicated the City had adjusted the subject's assessment to account for the age and condition of the site. He noted the subject's site coverage is 29.82%, closely matching the City typical of 30%. Therefore he argued the subject compares favourably to similar typical city industrial properties.

(b) Income Approach

[14] The Complainant further supported his alternate market valuation for the subject with an Income Approach to Value calculation. He identified what he considered to be typical inputs for use in his calculation, including rents, vacancy, and shortfall. He noted the subject appeared to have been assessed by the City for Business purposes for approximately \$5.53 per SF, however he opted to use a \$6 per SF rent from his comparable at 1616 Meridian Road NE instead.

[15] The Complainant argued that the sale of his comparable property at 1616 Meridian Rd reflected a Capitalization rate of 10%. He also estimated a market Cap rate range of 6% to 12% to be the norm based on a review of 130 industrial sales from 2009 to 2011. Therefore, based on alleged deficiencies in the subject, he arbitrarily selected a 9% Cap rate for his calculation of alternate value for the subject. Based on his Income Approach calculations, the Complainant argued that the indicated market value of the subject is \$7,260,000.

[16] The Respondent argued that the Complainant's Income Approach to Value calculation is flawed and unreliable because he provided no market evidence to support his 9% capitalization rate; the \$2.25 per SF shortfall; or 1% Vacancy rate used in the calculation. He noted that in the calculation the Complainant has also relied on a \$6 per SF rent value based on data from only one of his sales comparables. He argued that the inputs are largely speculative guesses at market value and hence the resulting value conclusions are meaningless.

Board Findings on Issue #1:

[17] The Board finds that the Respondent is correct in his criticism of the Complainant's methodology and analysis of thirty months of 130 unadjusted market sales used to identify his preferred "adjustments". There is a distinct lack of supporting data for each of the market sales used, and thus the "adjustments" the Complainant derives therefrom, and uses to test his three market sale comparables, are subjective and unreliable.

[18] The Board finds that none of the 130 sales analyzed by the Complainant to calculate his Cap rate range were clearly identified for the Board or Respondent. Hence the Board considers the Complainant's adjusted market value conclusions are also unreliable.

[19] The Board finds that the magnitude of the adjustments used by the Complainant for his three market comparables, also casts considerable doubt on the comparability of each of them to the subject. Moreover, the Board finds that as compared to the subject, all three comparables are completely different and unique types of buildings, each of which have been assessed using the Cost Approach to Value, and hence are not comparable to the subject which, as a typical warehouse, was assessed using the Market Approach to Value.

[20] The Board also finds the Complainant's Income Approach to Value calculation to be completely unreliable since there is minimal or no market evidence to support the input variables used in the calculation. The Board finds that the inputs are largely arbitrary and speculative at best.

[21] The Board finds that the Respondent's market sales and equity evidence supports the assessment.

Board's Decision:

[22] The assessment is confirmed at \$9,500,000.

DATED AT THE CITY OF CALGARY THIS 18 DAY OF July 2012.


K. D. Kelly
Presiding Officer

APPENDIX "A"

**DOCUMENTS PRESENTED AT THE HEARING
AND CONSIDERED BY THE BOARD:**

NO.	ITEM
1. C-1	Complainant Disclosure
2. C-2	Complainant Disclosure – Rebuttal
3. R-1	Respondent Disclosure

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.*