

**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:

***First Street Holdings 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:

|                          |                       |
|--------------------------|-----------------------|
| <b>ROLL NUMBER:</b>      | <b>101016905</b>      |
| <b>LOCATION ADDRESS:</b> | <b>5709 – 2 ST SE</b> |
| <b>HEARING NUMBER:</b>   | <b>66229</b>          |
| <b>ASSESSMENT:</b>       | <b>\$20,950,000</b>   |

This complaint was heard on 27th 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. J. Mayer - 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, identified as "Builders Park", consists of nine separate free-standing buildings composed of eight multi-tenant (IWM) and one single-tenant (IWS) structures built at varying times between 1973 and 1999. All nine buildings are on one 9.56329 Acre (Ac) site. The nine building footprints range from 5,225 square feet (SF) to 44,390 SF which in aggregate, create a site coverage of 34.01%.

[4] The assessable building areas for the nine buildings range from 5,225 SF to 49,274 SF. The ratio of office to warehouse finish ranges from 17% to 100%, with eight buildings above 40% office finish and two with 100% finish. The assessed rate per SF for each of the buildings ranges from \$89.77 per SF to \$188.93 per SF. The 9-building complex is assessed at \$20,950,000.

### **[5] Issues:**

1. The City's assessment database for the subject is incorrect regarding several key assessable characteristics.
2. The City has assessed six similar buildings onsite using different per square foot values and this is incorrect and inequitable

[6] **Complainant's Requested Value:** \$19,400,000

**Board's Decision in Respect of Each Matter or Issue:****Issue #1:**

[7] The Complainant argued that the City has incorrect assessment information for certain components of the subject such as age, total building areas, percentage of office finish, and quality rating for certain buildings. He requested that this information be corrected for two reasons – firstly, to support his contention that similar buildings on the site are assessed using different per SF values; and secondly, that future assessments for the subject, or components of the subject, may be negatively impacted when compared to market sale comparables.

[8] The Complainant also argued that compounding this matter, is his view that the subject property as a whole, has not received a multi-building discount as per City Policy, and this leads to an excessive indication of value. He suggested the subject would not sell for this value in the marketplace.

[9] In addition, the Complainant noted that the nine buildings have all been assessed separately and the resultant values amalgamated to arrive at the indicated assessed value. He argued that this is incorrect methodology and the nine buildings should be viewed as one large building on one site and assessed accordingly.

1. Year of Construction (age):

[10] The Complainant provided a matrix containing what he considered to be the Actual Year of Construction (YOC) for each building versus the City's assessment record data. He noted that for six of nine buildings, the YOC date differed. The data presented was as follows:

| Bldg. # | Actual YOC | Assessment Records YOC |
|---------|------------|------------------------|
| 1       | 1955       | <b>1973</b>            |
| 2       | 1989       | <b>1977</b>            |
| 3       | 1990       | <b>1982</b>            |
| 4       | 1991       | <b>1999</b>            |
| 5       | 1999       | 1999                   |
| 6       | 1999       | 1999                   |
| 7       | 1991       | 1991                   |
| 8       | 1994       | <b>1999</b>            |
| 9       | 1994       | <b>1998</b>            |

[11] The Complainant suggested that he:

“ ‘suspected’ that the confusion surrounding the year of construction relates to a development permit application made after these buildings were constructed.”

[12] The Complainant provided a letter from the property manager dated May 14, 2012 wherein the manager provided a matrix identifying, pursuant to his records, the YOC dates for each of the nine buildings. This data is displayed above. The Complainant also noted that he had visited the site three months ago and measured certain areas.

[13] The Respondent argued that the Complainant's YOC dates as reported by the site manager, likely relate to when the buildings were first built. However given the disparity in dates between the City's records and the property manager, he opined that the City's data likely refers to the "effective age" of the subject, given various improvements and/or renovations which might have occurred to the subject's various buildings over the years. The Respondent suggested this data should be re-visited for accuracy in the future.

[14] The Respondent indicated that building age is only one of many factors which is analyzed in the City's model to elicit a building's value under Mass Appraisal. He also observed that the building manager is not in attendance at this hearing to clarify his data or to respond to questions regarding it. He also noted that while the Complainant may have visited the site three months ago and taken measurements, none of that original data has been submitted to the City or this Board.

[15] The Respondent provided several Calgary Composite Assessment Review Board (CARB) decisions – CARB 0540/2010-P; CARB 0855/2011-P; CARB 2082/2010-P; and CARB 1469/2011-P. He focused on page 3 of CARB Decision 0540/2010-P which states:

"While the Board agrees that buildings on multiple building parcels must be analyzed separately due to often great discrepancies in size, age and condition, an adjustment must be made to recognize that the buildings are on a single title."

[16] The Respondent confirmed firstly that the subject has in fact received a multi-building discount in the City's assessment model, and secondly that, contrary to the Complainant's assertions, these Board Decisions clarify that it is incorrect methodology to assess multiple buildings on one title, as one large building.

## 2. Building Areas:

[17] The Complainant argued that the building areas of seven of the nine buildings onsite are incorrect. The Complainant provided the City's Assessment Request For Information (ARFI) sheets for the site as completed by the property management company. Using the ARFI, he calculated what he considered to be the positive and negative area differences for each of the nine buildings. He suggested that there was a total of 1,127 SF assessed on the whole site, that the owner "does not collect rent on."

[18] The Respondent argued that while the ARFI is completed by the property manager, it is not considered definitive. It may reference only leased areas, which may not contain all assessable areas such as mezzanine space which is captured in the assessment. He argued that the Complainant has provided no dated and stamped architectural drawings for example, confirming the assessable building areas for any of the nine buildings onsite.

[19] The Respondent clarified that the City uses the original building plans when building permits are applied for a new building, and then periodically inspects the sites to measure and certify all assessable areas. He suggested that smaller building sizes tend to generate more

value. He also suggested that the parties should conduct a joint site inspection of all buildings on the subject to measure the assessable areas.

### 3. Percent Finish:

[20] The Complainant argued that the actual finished areas of buildings # 2, #3, and #8 are different from those in the City's records. The Complainant provided a matrix displaying what the property manager considered to be the differences between the assessed, and the manager-identified (May 14, 2012 letter) finished areas for all nine buildings. The Complainant argued that the data regarding per cent of building finish for each of the captioned three buildings, should be corrected since it will carry forward – erroneously – to future assessments.

[21] The Respondent referenced and re-iterated his position regarding this matter - all as outlined in #2 (Building Areas) above.

### 4. Quality Rating:

[22] The Complainant argued that the quality ratings for six similar "Butler" buildings (#2, #3, #4, #7, #8, #9) are somewhat different. One is rated as "C"; two are rated "C+"; and three are rated "B". He suggested they all:

- are multi-tenant warehouses
- have similar building dimensions, including width and wall height
- have the same exterior cladding (metal)
- are approximately the same age (circa 1991)

[23] The Complainant argued that "Butler" building #2 is rated as a "C" quality building and is assessed at \$132.93 per SF, therefore the other five buildings in this "Butler" grouping should be assigned the same "C" quality, and be assessed at the same value per SF. He argued that the quality rating plays a major role in the City's assessment model, and therefore a higher rating will lead to a higher assessment. Ultimately he argued that in the case of the six "Butler" buildings, this must be corrected.

[24] The Respondent clarified that while the six "Butler" buildings may all appear to be "similar" from the exterior as defined by the Complainant, they are not "identical" when both the interior and exterior are examined. He clarified that the quality of construction materials used in finishing is important, and the City has inspected the site to confirm its data – although he was unsure as to the dates(s), nor was he involved.

[25] The Respondent noted that the Complainant provided no interior photos of any of the finished areas in any of the buildings onsite. Using the Assessment Explanation Supplement (AES) for the subject, he noted that several characteristics of each of the buildings are quite different, such as – age (YOC); building footprint; assessable area; level of interior finish and use – one being an IWS building and the remainder IWM buildings.

[26] The Respondent noted that these characteristics not only assist in establishing the quality rating for each building – which can be quite different from building to building on the same site, but are key to developing an assessment for each of them. He argued the quality ratings for each of the onsite buildings is correct.

[27] The Respondent argued that the subject is assessed using the Market Approach to Value and the Complainant has provided no market evidence – neither sales nor equity evidence, to support his position. In contrast, the Respondent provided five market sales and three equity comparable properties to support the values used to assess the subject. He argued that single-tenant buildings are worth slightly more in the marketplace than IWM buildings – both types existing onsite the subject.

### **Board Findings for Issue #1:**

[28] The Board finds that the data submitted by the parties regarding any and all of the four sub-issues – i.e. year of construction (YOC); building areas; per cent finish; and quality, is conflicting, unverified, inconclusive, and cannot be reconciled.

[29] The Board finds that the building manager is not in attendance at this hearing to either speak to his May 14, 2012 letter or respond to questions regarding it.

[30] The Board finds that neither it nor the Respondent has received any of the Complainant's site visit data to assist in resolution of this issue.

[31] The Board finds that while both parties may in fact be correct in whole or in part in their data sets regarding these four sub-issues, there is no verifiable and convincing data before the Board that absolutely and definitively points to the correct values, for any of the sub-issues.

[32] The Board finds that the value inputs provided by the City in the subject's assessment must stand.

[33] The Board finds that the several CARB Decisions provided by the Respondent support and confirm the principle that multiple buildings on one site must be valued separately, then be given a multi-building discount, and further that the Respondent has applied this principle to the subject.

[34] The Board finds that the subject is assessed using the Market Approach to Value. The five market sales and three equity comparables provided by the Respondent support the assessment. The Complainant provided no market evidence, nor did he effectively challenge the Respondent's sales/equity evidence.

[35] The Board finds that the proposal by the parties for a joint site inspection and measurement of all buildings on the subject is warranted.

### **Issue #2**

[36] The Complainant clarified that he had no complaint against the assessment rate (i.e. dollar value per SF) applied to buildings #1, #5, #6 on the subject site. However, he argued that buildings #2, #3, #4, #7, #8, #9 are "similar Butler Buildings" which are all assessed using

different values per SF ranging from \$132.93 to \$178.81 per SF. He argued as in Issue #1 (4) above that they all:

- are multi-tenant warehouses
- have similar building dimensions, including width and wall height
- have the same exterior cladding (metal)
- are approximately the same age (circa 1991)

[37] The Complainant provided exterior photos of the six buildings, and the tenant roll for the entire site. He also provided a matrix containing the "Face Rate – First Step" rent rates charged to tenants in the six structures. He argued that because the rents in the six buildings are similar, and the buildings all display similar characteristics as listed above, they must therefore be similar and should be assessed identically at \$132.93 per SF – the rate the City has applied to Building #2.

[38] The Complainant prepared a "Direct Capitalization" estimate of value calculation for the site using site-specific values for "Rents" and "OpCosts", noting that "The other inputs used (e.g. vacancy rate; non-recoverables) are standard market rates." He calculated that the indicated per square foot value for the site using this methodology is \$130.31. Therefore he argued that buildings #3, #4, #7, #8, #9, should be assessed at \$132.93 per SF – the same value as building #2.

[39] The Complainant then provided a matrix of re-calculated values for each of the nine buildings using his re-constituted valuation parameters, and concluded that the subject should be assessed at \$19,400,000.

[40] The Respondent argued that the Complainant's calculation of value using the Direct Capitalization approach (i.e. Income Approach To Value) is flawed and invalid because he mixes actual and typical values in his equation, which is not accepted industry practice. Therefore his estimate of value for the subject at \$19,400,000 is invalid.

[41] The Respondent argued that the level of finish in buildings is a major "driver" in the City's assessment model under Mass Appraisal. He noted that two buildings have 100% finish; one has 85%; another two 50% and 53%; three others at 40%, 43%, and 46%, while the remaining one has 17%. Therefore, while the buildings may appear similar from the exterior, they are far from identical inside, and this has a major affect on individual building value – all as noted on the subject's 2012 Assessment Explanation Supplement (AES) for the site. He reiterated that the Complainant provided no photographic evidence, or building diagrams, or personal site visit notes regarding any of the interior finished areas onsite.

[42] The Respondent clarified that while the buildings in question may have similar or identical building footprints, it can be seen from the AES that four of the buildings have assessable areas greater than the building footprint which would indicate upper office or mezzanine space – all of which is assessable. Thus, the difference in level of finish and assessable areas, account in large part for the difference in values applied to the Complainant's "Butler" buildings.

[43] The Respondent reiterated that the subject is assessed using the Market Approach to Value and the Complainant has provided no market evidence – neither sales nor equity evidence, to support his position. In contrast, the Respondent provided five market sales and

three equity comparable properties to support the values used to assess the subject.

**Board Findings for Issue #2:**

[44] The Board finds that each of the nine buildings on the subject have been properly assessed by the Respondent using the individual and unique characteristics of each building to define their respective values under Mass Appraisal.

[45] The Board finds that the Complainant's calculation of value using the Direct Capitalization approach (i.e. Income Approach To Value) is flawed and invalid because he mixes actual and typical values in his equation, which is not accepted industry practice.

[46] The Board finds that the Complainant provided insufficient verifiable photographic and/or diagrammatic evidence to convince the Board that the per cent of finished to unfinished area in any of the buildings as calculated by the City is incorrect.

[47] The Board finds that it accepts the City's argument that the level of finish in a building is a major "driver" of value in its assessment model under Mass Appraisal.

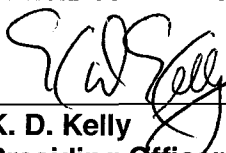
[48] The Board finds that the subject has in fact been provided a multi-building discount under the City's assessment model – contrary to the Complainant's assertions, and in accordance with previous CARB Decisions.

[49] The Board finds that the Respondent's market sales and equity evidence supports the assessment. The Complainant provided no market or equity evidence.

**Board's Decision:**

[50] The assessment is confirmed at \$20,950,000.

DATED AT THE CITY OF CALGARY THIS 1 DAY OF August 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.*

**For Administrative Use Only**

| Appeal Type | Property Type        | Property Sub-type               | Issue            | Sub-Issue            |
|-------------|----------------------|---------------------------------|------------------|----------------------|
| CARB        | Industrial warehouse | Multi-buildings on one property | Data corrections | Internal site equity |