

**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:

Haworth Ltd. (as represented by Altus Group Limited), COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

B. Horrocks, PRESIDING OFFICER

H. Ang, MEMBER

D. Morice, 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:	200755759
LOCATION ADDRESS:	10 SMED LN SE
HEARING NUMBER:	68114
ASSESSMENT:	\$56,230,000

This complaint was heard on the 25th day of July, 2012 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. D. Mewha (Altus Group Limited)

Appeared on behalf of the Respondent:

- Mr. J. Lepine (City of Calgary)

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

- [1] There were no concerns with the Board as constituted.
- [2] There were no preliminary matters. The merit hearing proceeded.
- [3] It was agreed by the parties that all evidence and argument with respect to the Income approach to value contained in C-2 and C-3 from Hearing #67722 would be carried forward to this hearing.

Property Description:

- [4] The subject property is a 45.02 acre parcel located in the Starfield Industrial Park in SE Calgary. The site is improved with a 722,632 square foot (SF) single bay warehouse (IWS) that was constructed in 1999, has 9% finish, 36.85% site coverage and an assessable building area of 757,072 SF. The subject is assessed at the rate of \$74.29/SF using the Sales comparison approach to value.

Issues:

- [5] The Assessment Review Board Complaint Form contained 11 Grounds for complaint. At the outset of the hearing the Complainant advised there were two outstanding issues, namely: "The assessment of the subject is in excess of its market value for assessment purposes" and "The aggregate assessment per square foot applied to the subject is inequitable with assessments of other similar and competing properties and should be \$60 psf".

Complainant's Requested Value: \$47,000,000 (Complaint Form)
\$49,088,000 (Hearing)

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

Issue: What is the market value for assessment purposes?

- [6] The Complainant's Disclosure is labelled C-2. (Hearing # 67722)
- [7] The Complainant submitted they have selected the Income approach to value because there is insufficient sales data to make direct sales comparisons. The Complainant, on page 5, noted there are only 12 sales in the period July 2008 to June 2011 in the 100,000 to 249,999 SF size range and of those 12 sales there were 8 that were invalid for various reasons, leaving only 4 for further analysis for its Cap Rate Study. The Respondent did not challenge the validity of those remaining 4 sales.
- [8] The Complainant, at page 13, provided a table from third party sources titled Reported City Wide Vacancy Rates – Q2 2011, noting the city wide vacancy rates for Q2, 2011, ranged from 3.5% to 7.0% with an average of 4.6%. The Complainant selected a vacancy rate of 4.0% to be applied consistently in their Cap Rate Study.

[9] The Complainant, at page 14, provided a table titled Capitalization Rate Study (Over 100,000 sqft, New Construction) which contained the 4 remaining sales (validated by the City), noting the stabilized Cap Rate ranged from 6.18% to 7.86% with a median of 7.66%.

[10] The Complainant, at page 15, provided a table titled Cap Rate Leases/Rent Roll Verification and concluded the market rents within the 4 sales ranged from \$6.65 to \$9.75/SF, which yield market lease Cap Rates ranging from 6.92% to 7.95% and a median of 7.47%.

[11] The Complainant concludes the stabilized Cap Rate and market rent Cap Rate support a Cap Rate of 7.50% to be used in their Income approach to value. The Respondent noted the Cap Rates were derived using rental rates that ranged from \$6.65 to \$10.25/SF.

[12] The Complainant's Disclosure is labelled C-1.

[13] The Complainant, at page 30, provided a table titled Leasing Comparables noting that in general the lease rates decrease as the space size increases. It was noted there was a lease of 191,551 SF signed on August 1, 2011 for \$5.18/SF. The Complainant submitted that because the subject was significantly larger than any recent SE leasing activity that a lease rate at the lowest end of the spectrum (\$5.00/SF) was selected for application in the Income approach to value.

[14] The Complainant, at page 28, provided a table titled Sales Comparison – Based on sales market rent conclusions, noting the market rent for the comparables ranges from \$6.50 to \$9.75/SF while the market rent for the subject is \$5.00/SF. The Complainant then calculated an adjustment factor for each of the comparables and applied it to the sale prices which resulted in adjusted sale prices ranging from \$55.45 to \$69.37/SF and a median of \$64.22/SF in support of the request for an assessment rate of \$64.00/SF.

[15] The Complainant, at page 29, used rent rates of \$5.00/SF and \$6.00/SF in the Income approach to value to create a market range of \$49,088,000 to \$58,905,000.

[16] The Complainant, at page 29, applied the parameters of \$5.00/SF rent rate, 4.00% vacancy rate and 7.50% cap rate, in the Income approach to value to arrive at the requested market value of \$49,088,000.

[17] The Complainant, at page 65, submitted a conditional offer to purchase for the sum of \$47,000,000 which was accepted by the owner in February 2011.

[18] The Respondent's disclosure is labelled R-1.

[19] The Respondent, at page 11, provided a table titled 2012 Industrial Sales Chart which contained 5 sales with time adjusted sale prices ranging from \$82.33 to \$123.46/SF, noting the subject is assessed at the rate of \$74.29/SF. In addition, it was noted that the property located at 4100 Westwinds DR NE is the most comparable to the subject, although it is less than 50% of the subject size, and it sold for a TASP/SF of \$82.33.

[20] The Board finds that the use of adjustment factors ranging from 0.513 to 0.769 (C-1 page 28) to be excessive and indicative of purported comparables not being comparable. Further, if the sales comparables utilized in the Cap Rate Study are not indeed comparable, the resultant Cap Rate should not be relied upon.

[21] The Board finds the Offer to purchase the subject for \$47,000,000, to be the most compelling evidence, however it did not result in a valid sale of the subject for whatever reason and as such it can only be accepted as the likely lower limit of the market value. The lack of an asking price from the owner leaves the Board without an upper limit and the inability to establish a range of market values.

[22] The Board finds that the Industrial Sales Chart provided by the Respondent to be more compelling evidence of the range of market values and notes the subject assessment falls below the range.

Issue: Is the subject assessment inequitable?

[23] The Complainant, at page 37, provided a chart titled Equity Information which contained 4 purported comparables with assessments per SF (Assmt/SF) ranging from \$60 to \$68/SF, noting the subject is assessed at \$73/SF.

[24] The Respondent, at page 13 provided a table titled 2012 Industrial Equity Chart which contained 3 equity comparables with assessment rates per SF ranging from \$63.09 to \$90.81/SF noting the subject is assessed at the rate of \$74.29/SF, within the range. The Respondent argued that looking at the end value of the subject in comparison to the Complainant's equity comparables would suggest that the approximate \$15,000,000 difference represents the value of 133,000 extra SF of building and 17 more acres of land.

[25] The Board finds the Respondent's equity comparables and argument more compelling.

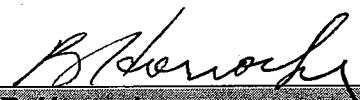
Board's Decision:

The 2012 assessment is confirmed at \$56,230,000.

Reasons:

The assessment falls below the range of comparable market values and within the range of equity comparables.

DATED AT THE CITY OF CALGARY THIS 28 DAY OF August 2012.



B. Horrocks
Presiding Officer

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

NO.	ITEM
1. C1	Complainant Disclosure
2. R1	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

Subject	Property type	Property Sub-type	Issue	Sub-issue
CARB	warehouse	Single bay	Sales Approach	Market value