

**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:

***72ND Avenue Industrial (GP) Limited (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:	201179124
LOCATION ADDRESS:	5543 72 AV SE
HEARING NUMBER:	67722
ASSESSMENT:	\$26,320,000

This complaint was heard on the 24th and 25th days 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 #68070 would be carried forward to this hearing.

Property Description:

- [4] The subject property is a 13.94 acre parcel located in the Starfield Industrial Park in SE Calgary. The site is improved with a 314,600 square foot (SF) multi bay warehouse (IWM) that was constructed in 2008, has 3% finish, 51.81% site coverage and an assessable building area of 314,600 SF. The subject is assessed at the rate of \$83.66/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 \$72 psf".

Complainant's Requested Value: \$23,610,000 (Complaint Form)
\$22,140,000 (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 # 68070)
- [7] The Complainant submitted that 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 11, 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 \$5.50/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 \$61.00 to \$76.31/SF and a median of \$70.64/SF in support of the request for an assessment rate of \$70.00/SF.

[14] Similarly, the Complainant, at page 12, provided a table titled Sales Comparison – Based on sales Stabilized rent conclusions, noting the stabilized rent for the subject is \$5.53/SF. Utilizing the stabilized rent, the Complainant again calculated adjustment factors to arrive at a median sale price for the comparables of \$67.63/SF.

[15] The Complainant, at page 14 applied the Income approach to value utilizing the Cap Rate of 7.5%, Vacancy of 4.00% and rent rates of \$5.00 and \$6.00/SF to arrive at an "indicated range of market values" from \$22,147,840 to \$24,161,280, after correcting the building area to 314,600 SF.

[16] The Complainant then applied the Income parameters from the Cap Rate Study to the subject to arrive at a requested market value of \$22,147,840.

[17] The Respondent's Disclosure is labelled R-1.

[18] The Respondent, at page 13, provided a table titled 2012 Industrial Sales Chart which contained 5 sales with time adjusted sales price/SF (TASP/SF) ranging from \$82.33 to \$123.46, noting the subject is assessed at the rate of \$83.66/SF, near the bottom of the range. The sales were all in SE Calgary, with the exception of the sale of 4100 Westwinds DR NE.

[19] The Board finds that the use of adjustment factors ranging from 0.564 to 0.846 (C-1 page 11) and adjustment factors ranging from 0.540 to 0.911 (C-1 page 12) 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.

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

Issue: Is the subject assessed equitably?

[21] The Complainant, at page 13, provided a table titled Equity Information which contained 7 purported comparables with assessment per square foot (Assmt/SF) ranging from \$60 to \$75 noting the subject is assessed at \$84/SF, in support of the request for an assessed rate of \$70/SF.

[22] The Respondent, at page 15, provided a table titled 2012 Industrial Equity Chart which contained 2 comparables with Assmt/SF ranging from \$75.45 to \$90.81, noting the subject is assessed at the rate of \$83.66/SF, within that range.

[23] The Respondent, at pages 58 and 59, provided a response to the Complainant's Equity Chart. The Respondent noted the comparable located at 5350 86 AV SE which is assessed at the rate of \$75.45/SF, is also included in the Respondent's comparables and is likely the best comparable, although it is slightly larger than the subject and has a lower site coverage. It is located within South Foothills and as a result it is receiving a 15% downward adjustment for location. If a 15% adjustment is applied, the resultant rate of assessment would be \$86.76/SF compared to the subject assessment at the rate of \$83.66/SF.

[24] The Board finds that the subject is assessed within the range of the equity comparables and within \$3.10/SF of the best comparable.

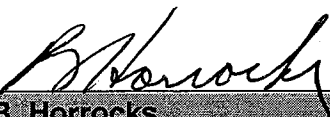
Board's Decision:

[25] The 2012 assessment is confirmed at \$26,320,000.

Reasons:

[26] The Complainant's Cap Rate Study is unreliable because it relies on the application of large adjustment factors.

DATED AT THE CITY OF CALGARY THIS 31 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
3. C2	Complainant Income and Direct Sale Comparison Analysis
4. C3	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.*

For Administrative Use

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