

**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:

***Concert Real Estate Corporation (as represented by Altus Group Limited),
COMPLAINANT***

and

The City Of Calgary, RESPONDENT

before:

***Board Chair, J. Zezulka
Board Member, J. Rankin
Board Member, S. Rourke***

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: 009001090

LOCATION ADDRESS: 1145 - 65 Avenue NE

HEARING NUMBER: 68197

ASSESSMENT: 3,310,000.00

This complaint was heard on the 17 and 18 day of July, 2012, at the office of the Assessment Review Board located at Floor Number Four, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom Four.

Appeared on behalf of the Complainant:

- *C. Van Staden*

Appeared on behalf of the Respondent:

- *J. Young*
- *M. Hartmann*

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

(1) At the outset of the hearing, the Complainant objected to the inclusion of certain documents contained in the Respondent's submission, on the grounds that the information contained on those pages was confidential, and could possibly prejudice the client. By agreement between the parties, pages 16 and 17, and pages 115 to 117 of exhibit C3 were removed from the evidence package, and certain items were redacted.

Property Description:

(2) The subject is a single tenant industrial warehouse, located in the Deerfoot Business Centre, of NE Calgary. The assessable building area is 27,785 s.f. The date of construction is 1998. The site area is 1.38 acres. Site coverage is 46.34 per cent.

Issues / Appeal Objectives

(3) (a) The property is currently being assessed using the sales comparison approach. The assessment calculates to \$119.18 per s.f. of building. The Complainant does not dispute the valuation method. However, the Complainant maintains that the assessment amount is in excess of its market value for assessment purposes.

(b) The property suffers from chronic vacancy that should be reflected in the assessment calculations.

Complainant's Requested Value: \$2,640,000

Evidence / Argument

(4) In support of the argument, the Complainant submitted four sales comparables in the NE quadrant of the City including the sale of the subject in September, 2008. Building sizes ranged from 27,785 to 37,667 s.f.. Site areas ranged from 1.40 to 2.22 acres. All except one of the comparable buildings was built in the same year as the subject. Selling prices range from \$92 to \$112 per s.f.

(5) The Complainant submitted the September, 2008 selling price of the subject, at a time adjusted selling price of \$112 per s.f. For reasons that were not explained, the subject has been vacant since that time. The owners have been actively marketed the property for lease, unsuccessfully, since that time.

(6) The Complainant attempted to adjust the comparables and other properties contained in the analysis, on the basis of income. That exercise produced a range of adjusted selling prices from \$87 to \$97 per s.f.

(7) The Complainant also submitted an income capitalization test that resulted in a value indication of \$2,679,268 to \$2,857,866. The inputs used included actual rents obtained from the tenant roll in effect at the time of the 2008 sale, a 10.00 per cent vacancy rate, and a 7.00 per cent capitalization rate.

(8) The Respondent submitted nine comparable properties, including the four used by the Complainant. The median time adjusted selling price appeared at \$115 per s.f.

Board's Decision

(9) The Board rejects the Complainant's method of adjustment based on income. In the Appraisal of Real Estate text book, published by the Appraisal Institute of Canada, it states; *"Appraisers must take care not to attribute differences in real property rights conveyed or changes in market conditions to different economic characteristics. Caution must also be exercised in regard to units of comparison such as net operating income (NOI) per unit. NOIs per unit reflect a mix of interactive economic attributes, many of which should only be analysed in the income approach.. Direct comparison analysis must not be presented simply as a variation of the income approach, applying the same techniques to reach an identical value indication."*

This Board concurs with that sentiment.

(10) The Complainant raised the issue of vacancy, but did not pursue it with any evidence. The Board accepts the Complainant's position, but prefers the sales comparison approach over the income capitalization calculations, so the question of vacancy becomes mute.

(11) In this case, the Board places most weight on the sales data. The Board also recognizes that adjustments to sales data are invariably the product of subjective judgement of the individual appraiser, or assessor. Typically, the process produces a range, rather than a precise amount. It is then left to the valuer to adopt the most appropriate value.

(12) In this case, there is the 2008 sale of the subject. Both parties to this hearing agree on the time adjusted selling price. The time adjusted selling price falls within the range indicated by the adjusted data of both parties.

(13) With the foregoing in mind, the Board finds that the most appropriate value indicator for the subject is the 2008 time adjusted selling price, being \$3,106,325.

(14) The assessment is reduced to \$3,100,000, truncated.

DATED AT THE CITY OF CALGARY THIS 29 DAY OF August, 2012.



Jerry Zezulka
Presiding Officer

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

Decision No. 1134/2012 - P			Roll No. 009001090	
<u>Subject</u>	<u>Type</u>	<u>Issue</u>	<u>Detail</u>	<u>Issue</u>
CARB	Industrial	Sales comparison	Market value	Comparables, vacancy