

**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:

Markis Holdings Ltd. (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: 033039108

LOCATION ADDRESS: 3625 - 12 Street NE

HEARING NUMBER: 68169

ASSESSMENT: \$1,520,000.00

This complaint was heard on the 19th 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 171 and 172 of exhibit R1 were removed from the evidence package, and certain items on page 174 were redacted.

Property Description:

(2) The subject is an industrial warehouse classified as IWS by the City. The property consists of a 7,332 s.f. building, situated on a 0.91 acre site. The building was constructed in 1975. Wall height is 11 ft. According to the City, there are 0.3489348 acres of extra land, assuming 30 per cent site coverage from the existing building. The site is an interior parcel on 12 Street NE.

(3) The subject is currently being assessed by the sales comparison approach to value. The assessment is based on a rate of \$206.75 per s.f. of building including the extra land.

(4) The Complainant takes the position that the assessment does not properly reflect market value, arising from the City's treatment of the extra land.

Complainant's Requested Value:

(5) \$927,500

Evidence / Argument

(6) The Complainant submitted seven comparables in NE Calgary. Building sizes range from 4,845 s.f. to 9,506 s.f. Site sizes range from 0.16 to 1.10 acres. Site coverage ranges from 20 to 66 per cent, compared to 19 per cent for the subject. Time adjusted selling prices range from \$89 to \$199 per s.f. Although not provided by the parties, the Board calculates the median time adjusted selling price to be \$166 per s.f. According to the Complainant, the best comparable is the property at 428 - Moraine Road NE, with a time adjusted price of \$166.00 per s.f. That building is slightly larger than the subject, but has similar site coverage. The comparable is five years older than the subject. The second best comparable, at 323-41 Avenue NE, has a time adjusted selling price of \$89 per s.f. After adjusting for land, the

Complainant presented an adjusted selling price of \$161 per s.f.

(7) The Complainant also submitted cost calculations that produced a depreciated improvement cost of \$199,971 after GST, and land value of \$728,000, for a total estimate of \$927,971. According to the Complainant, the building has reached the end of its economic life. That proposition was not controverted by the Respondent.

(8) An income analysis prepared by the Complainant produced a range of values from \$766,312 to \$819,161. The rent adopted was derived from the Assessment Request for Information Form (ARFI) from the City. However, there was no explanation about the 10.0 per cent vacancy used.

(9) The Respondent submitted two sets of comparables for the subject. The first set contained properties in the NE quadrant. The median building size was 7,819 s.f. or 6.6 per cent larger than the subject. Site sizes were significantly smaller than the subject. Median site coverage was 47.45 per cent, compared to the subject at 18.56 per cent. The median selling price was \$159 per s.f.

(10) The second set of comparables involved properties in the SE quadrant. All of these properties are newer than the subject, but no adjustment was applied for age. Building sizes are somewhat similar, and site coverage is similar. The median selling price is \$242 per s.f.

(11) In response to the Complainant's income analysis, the Respondent stated that small warehouse properties are almost always owner occupied, and these types of purchasers usually pay more for a property than a typical investor. For this reason, an income analysis is distorted and does not present a true picture.

Board's Decision

(12) The Board does not accept the Respondent's treatment of the extra land. Based on the juxtaposition of the building on the site, the Board has difficulty accepting that any of this site could be subdivided.

(13) The Board does not agree with the Respondent's comments relative to the income capitalization calculations. Any prudent purchaser, be it for owner occupancy or otherwise, would almost certainly exercise due diligence in an acquisition decision. And no informed purchaser is likely to pay more for a property than the cost of replacement.

(14) The Board agrees with the Complainant that the subject building is nearing the end of its economic life. In that respect, none of the comparables presented by either party could be considered as truly comparable, since, in the subject instance, the land represents the greatest component of market value. The value of the subject land was agreed upon by both parties at \$728,000.

(15) The economic life of any improvement is governed, at least in part, by the value of the land it sits on. The value of the subject land is agreed upon by both parties at \$728,000. The Board finds that the Complainant's cost calculations, adjusted to reflect a less aggressive depreciation estimate, most realistically represent the value of the existing building. The Board adopts 40 per cent as an appropriate depreciation amount.

(16) With the amended inputs, the revised assessment calculates to \$1,035,6474, truncated to \$1,030,000,000.

(17) The assessment is reduced to \$1,030,000.00.

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



Jerry Zezulka
Presiding Officer

APPENDIX "A"

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

NO.	ITEM
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1. C1; General Rebuttal Submission of the Complainant
2. C2 Follow Up Rebuttal Submission of the Complainant
3. C3 Evidence Submission of the Complainant
4. C4 Site Specific Rebuttal Submission of the Complainant
5. R1 Evidence Submission of the Respondent

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 MGB Administrative Use Only

Decision No. 1142/2012 - P			Roll No. 033039108	
<u>Subject</u>	<u>Type</u>	<u>Issue</u>	<u>Detail</u>	<u>Issue</u>
CARB	Industrial	Market value	N/A	Value of extra land