

**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

ISH Capital Inc.
(as represented by AEC International), COMPLAINANT

and

The City Of Calgary, RESPONDENT

before

L. Yakimchuk, PRESIDING OFFICER
Y. Nesry, MEMBER
J. Rankin, 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: 097001200
LOCATION ADDRESS: 4216 54 Av SE
FILE NUMBER: 68443
ASSESSMENT: \$26,240,000

This complaint was heard on August 22, 2012 at the office of the Assessment Review Board located at Floor Number 4, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 1.

Appeared on behalf of the Complainant:

- *J. Luong, AEC International*

Appeared on behalf of the Respondent:

- *J. Lepine, Calgary Assessment*

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

[1] After the Complainant, J. Luong, AEC International had presented his evidence, the Respondent, J. Lepine, Calgary Assessor asked the Board to confirm the assessment and stop the hearing on the grounds that the burden of proof had not been met. Mr. Luong argued that he had presented ample evidence to convince the Board the assessment was too high and there was not enough sales evidence to produce a Multi-Regression Analysis (MRA) because the subject property was not typical.

[2] The Board decided that it would be valuable to hear both the Complainant's and the Respondent's presentations to achieve fairness and balance in the hearing process, as it had heard only the Complainant's testimony at that point.

Property Description:

[3] The subject property is assessed with 12 Industrial Warehouses on 16.7 Acres (A) of land in SE Calgary. The buildings are assessed individually, varying in value with size and finish. Building sizes vary from 18,840 square feet (sf) to 51,409 sf. Total assessed value is \$26,242,184 (\$84.55/sf).

Issues:

[4] Is the property assessment too high? Are there enough sales of similar properties to assess the property using Multiple Regression Analysis (MRA)?

Complainant's Requested Value: \$25,055,000 (reduced to \$21,575,000 in rebuttal)

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

Evidence and Arguments

[5] The Complainant introduced a list of 20 multi-building properties from NE, SE and SW Calgary which had been sold from July, 2009 to June, 2011. The properties had two to eight buildings and ranged in year of completion (YOC) from 1928 to 2009, with a variety of sizes of buildings between 288 sf to 91,876 sf. Values ranged from \$55.48/sf to \$600.42/sf. Mr. Luong argued that there were no properties sold in Calgary which could be compared to the subject property, therefore Sales Comparison was not a possibility in finding an assessed value in this

case.

[6] The Complainant presented a list of leases for bays of various sizes in Industrial Warehouses. The values of the leases ranged from \$5.50/sf to \$8/sf. The average of the leases was \$6.45/sf. He argued that \$6.50 would be an accurate rate to apply in an Income calculation of value.

[7] Mr. Luong went on to calculate an Income Approach value based on a capitalization rate derived from six sales of properties between 45,984 sf and 177,747 sf and built between 1970 and 2009. Mr. Luong used a typical rent of \$6.50/sf and shortfall of \$2.52, and typical non-recoverable rate of 2% and vacancy rate of 4.50%. Using these numbers, he calculated a 7.84% capitalization rate which he adjusted to 7.75%. The resulting Income Value was \$25,055,382.

[8] The Respondent, J. Lepine, presented a list of seven key characteristics which the City considered in Industrial Property assessment:

- 1) Building Type – IWS (single tenant), IWM (multiple tenant) IOBS (outbuilding, single tenant)
- 2) Net Rentable Area
- 3) Actual Year of Construction
- 4) Region/Location
- 5) Interior Finish Ratio
- 6) Site Coverage
- 7) Multiple Buildings

[9] Mr. Lepine stated that multiple-building warehouses are not aggregated and assessed as one building. They are assessed as individual buildings and then multiplied by a coefficient which reduces the value because they are located on a multiple-building lot. The sum of the reduced values is the Assessed value. The Respondent introduced a 2012 Industrial Sales Chart of Industrial Warehouses located in SE Calgary. He compared the sales values of the individual warehouses with the values of the subject warehouses on the multi-lot subject. He said the closest paired comparables were a 19,200 sf warehouse on the subject property with 22% finish with a \$1,775,187.13 (\$92.45/sf) assessment, compared to a 21,449 sf warehouse on a single-building property with 21% finish with a time adjusted sales price (TASP) of \$2,695,156 (\$125.66/sf). (R1-p32, C1-p7).

[10] Mr. Lepine disputed the leases which Mr. Luong had used to develop a typical rent rate of \$6.50. He presented the Assessment Request for Information (ARFI) for the tenants used in the Complainant's Sales comparables (C1-p16). The bays leased ranged in sizes including buildings with one tenant and bays between 1000 sf and 2000 sf. Mr. Lepine argued that the sales would justify a lease rate much higher than the \$6.50 used in the Complainant's Income valuation. He also argued that the properties used to support the rent rate study were not all comparable to the subject. The Respondent argued that the Complainant had no evidence to support the rent rate, or the capitalization rate presented in the Income valuation, and the calculation was invalid.

[11] In rebuttal, Mr. Luong took the lease numbers presented by the Respondent and used them to recalculate an average capitalization rate of 9.11% (used 9%), which would have further decreased the value of the property to \$21,575,000. In his summation he said that the value of the property could be best be calculated using the Income approach and there were no Sales to support an MRA.

[12] The Respondent challenged the Complainant's use of Sales which the Complainant

argued were not sufficient for an MRA, to produce a capitalization rate. Mr. Lepine also questioned the use of lease rates supplied by the City to change the capitalization rate but not to change the rent in the Income calculations. Further he argued that the existing Sales supported the Assessment and showed that the coefficient for Multiple Building properties did work.

Board Findings

[13] The Board found that the Income Approach calculations presented by the Complainant used a combination of City typical rates and actual rates, which is contrary to the methods used for mass evaluation. Therefore, the Board did not accept the value calculated by this method. Further, the numbers used by the Complainant were often not supported by the evidence.

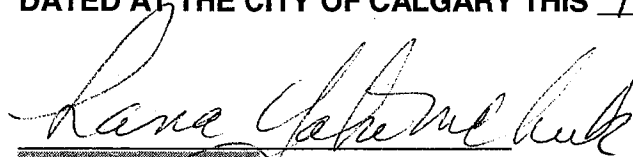
[14] The Board found that the Sales of individual warehouses indicated that the City had taken into consideration the distinction between multi-building properties and single-building properties, and that the assessed value was less than the total of individual assessments on separate lots.

[15] The Board decided that the best value presented at the hearing, for the subject property, was the City of Calgary's assessed value.

Board's Decision:

[16] The Board confirms the assessed value of \$26,240,000.

DATED AT THE CITY OF CALGARY THIS 7th DAY OF September 2012.



Lana Yakimchuk
Presiding Officer

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

NO.	ITEM
1. C1	Complainant Disclosure
2. C2	Complainant Rebuttal
3. R2	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 MGB Administrative Use Only:

Decision No. 0808-2012-P

Roll No. 092028703

Subject	Type	Issue	Detail	Issue
CARB	Industrial Warehouse	Multi	Sales Approach	Income

