

**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

PensionFund Realty Limited
(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: 117007906
LOCATION ADDRESS: 5498 76 Av SE
FILE NUMBER: 68390
ASSESSMENT: \$14,040,000

This complaint was heard on August 20, 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:

- *Brock Ryan, AEC International*

Appeared on behalf of the Respondent:

- *J. Lepine, Calgary Assessment*

Property Description:

[1] The Multi-Tenant Industrial Warehouse at 5498-76 Av SE was assessed with 159,686 square feet (sf) on 7.76 Acres (A) of land in SE Calgary. The 1998 building is assessed at \$14,046,194.37 (\$87.96/sf)

Issues:

[2] Is the Sales Approach the appropriate method for assessing the value of the subject property?

Complainant's Requested Value: \$12,200,000

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

Evidence and Arguments

[3] The Complainant, B. Ryan, on behalf of AEC International, stated that the assessed value of the subject property is too high because the limited number of sales in proximity to the valuation date made the City of Calgary's Multiple Regression Analysis (MRA).

[4] Mr. Ryan presented an Income argument based on the Rent Roll and a Transaction Analysis Data Input Sheet for the rental of a portion of the subject property, new and renewal leases for other properties, sales values of comparable properties, and typical rates for Industrial Warehouses. Using these inputs, he calculated a rent rate of \$6.03/sf and a capitalization rate of 7.92% (adjusted to 6.92% for the newer age of the subject building). He used the City's typical vacancy rate of 4.50%, with typical short fall of \$2.43 and non-recoverables of 2%. The resulting value was \$12,784,860 (\$80/sf). (C1, p53).

[5] The Complainant produced a Cost estimate based on Marshall and Swift listings. He valued the building as a "C" Average building. The resulting value for this warehouse property was \$11,528,000.

[6] The Complainant also presented an equity comparison of a variety of multi-bay warehouses (Year of Completion: 1980 to 2004, Size: 131,421 sf to 235,576 sf, Site Coverage: 44% to 59%) with a median value of \$78/sf. The details for each comparable building were included in the presentation.

[7] The Respondent, Mr. J. Lepine, Calgary Assessor, asked for the ages and bay sizes of the properties used to calculate the typical rent rate, but the Complainant did not have those numbers. The Complainant said that these properties were all similar as they were on the inventory of his client, who owned similar properties and maintained them well. He argued that age of the buildings doesn't appear to matter in rent, but did not provide evidence to confirm this.

[8] The Complainant confirmed that of the buildings used in the rent analysis, one is a single tenant (1972) 145,500 sf building and the remainder are multi-tenant.

[9] Mr. Lepine presented a list of Sales (August 2008 to April 2010) of SE Calgary warehouses ranging in age from 1998 to 2008, and in size from 139,103 sf to 301,930 sf. Three of these properties were multi-tenant and two were single-tenant warehouses and the site coverage ranged from 27% to 51%. Median Time Adjusted Sales Price (TASP) for these comparables was \$91.05/sf.

[10] The Respondent also presented a list of Industrial Business Lease Comparables for properties similar to the subject. The eight properties, ranging in Year of Completion (YOC) from 1995 to 2001, demonstrated lease rates from \$7.00 to \$9.65/sf. Mr. Lepine also argued that the Complainant's comparable leases were for individual warehouses on multi-warehouse properties, and that these multi-building properties were treated differently for assessment purposes, with lower assessments for comparable buildings.

[11] A 2012 Industrial Equity Chart of seven warehouse properties ranging in YOC from 2005 to 2008 with site coverage from 32% to 60% showed a median assessment of \$101.81/sf. The Respondent also created an Industrial Equity Chart using the Complainant's Equity list and the City Equity list, which resulted in 13 properties with a median assessment of \$82.81/sf.

[12] Finally, Mr. Lepine argued that factors affecting assessment should not be taken in isolation but together. Differences in age of comparables to the subject property are greater to the negative in the Complainant's comparables than they are to the positive in the Respondent's comparables. Four direct Sales used in the Complainant's capitalization study are too old to use in a Sales comparison chart, and no adjustment has been made for lease rates for older buildings used to arrive at the Income Approach value.

[13] Mr. Ryan concluded that there are not enough Sales of large warehouses to create a Multiple Regression Analysis for properties of this size, and that the Income Approach is a fair method for arriving at the assessment of income-producing properties.

Board Findings

[14] 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.

[15] The Board decided that the Cost Approach to valuation would be appropriate for properties which are not typical, with no comparable properties. That is not true in this case, where a list of similar properties, some of which have been sold within the three year period prior to the assessment, exists.

[16] The Sales presented by the Complainant for the capitalization study were for buildings 34 to 41 years older than the subject. There was an arbitrary correction to the median value of these properties, but the Board did not find that this correction was supported. The Sales presented by the Respondent were for properties that were generally the same age or up to 10 years newer than the subject. In both cases, single tenant and multi-tenant buildings were

included. The median value for the three multi-tenant warehouse sales presented by the City was \$91.05, somewhat higher than the assessed rate for the subject (\$87.96/sf). The Board decided that this value supported the assessment of the slightly older subject.

[17] The Equity comparables presented by the City and the Complainant included one single-tenant warehouse, one warehouse from the Central district of Calgary, and 11 other comparables ranging in YOC from 1995 to 2007. The site coverage of the remaining properties ranged from 32% to 59%, and the median assessed value of the 11 properties was \$99.38/sf. The most comparable property on the list in terms of site coverage and size was nine years newer and assessed at \$101.81/sf. The Board decided that the assessment of the subject property fell within the range of assessments of comparable properties.

Board's Decision:

[18] The Board confirms the assessment at \$14,040,000.

DATED AT THE CITY OF CALGARY THIS 4 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	Single	Sales Approach	Income