

**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:

583611 Saskatchewan Ltd. (as represented by Altus Group Limited), COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

***K. D. Kelly, PRESIDING OFFICER
A. Zindler, MEMBER
E. Bruton, 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:	118005107
LOCATION ADDRESS:	9816 – 52 ST SE
HEARING NUMBER:	66385
ASSESSMENT:	\$3,340,000

This complaint was heard on 21st day of August, 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. J. Smiley – Altus Group Limited*

Appeared on behalf of the Respondent:

- *Mr. I. McDermott - Assessor – City of Calgary*
- *Mr. J. Tran - Assessor – City of Calgary*

REGARDING BREVITY:

- [1] The Composite Assessment Review Board (CARB) reviewed all the evidence submitted by both parties. The extensive nature of the submissions dictated that in some instances certain evidence was found to be more relevant than others. The CARB will restrict its comments to the items it found to be most relevant.

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

- [2] None.

Property Description:

- [3] The subject is classified as a 1979 two-building single-tenant industrial warehouse on 4.44 acres (Ac.) of land – including 3.59 Ac. of "Extra Land" in the Foothills (1) industrial park. There is an incremental or "positive" adjustment for the "Extra Land" of \$1,600,394 at \$446,250 per Ac. The typical market rate of \$525,000 per Ac. for the area's I-G zoned land has been adjusted downward by 15% to \$446,250 per Ac. to account for the so-called "South Foothills reduction" for negative local improvement servicing issues. An additional negative or downward adjustment for a "multi-building" factor has also been applied to the subject.

- [5] The first building has an 8,150 SF "footprint"; 10,050 SF of assessable space, 38% finish, and is valued at \$126.61 per square foot (SF) or \$1,272,399.29. The second building has a 3,055 SF "footprint" and the same amount of assessable space; 0% finish; and is valued at \$152.95 per SF or \$467,262.25. In aggregate, the two buildings have been assigned a combined "typical" site coverage of 30% and an overall assessment of \$3,340,000 or \$254.87 per SF.

- [6] **Issue:**

What is the market value of the subject based on the Cost Approach to Value instead of the Direct Comparison Approach to Value?

- [7] **Complainant's Requested Value:** \$2,559,733.

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

[8] The Complainant clarified that while the subject has a *de facto* site coverage of less than 6%, for assessment purposes the City has assessed it at a deemed "typical" 30% site coverage. He argued that this is incorrect and that one must look at the actual site coverage to determine a correct market value.

[9] The Complainant argued that because of the subject's low site coverage, and, its 33 year old buildings, the value of the site is primarily in the land. These two factors he argued, make the subject unique in the marketplace, and therefore the Cost Approach to Value is the preferred methodology to value the site and not the Direct Comparison Approach used by the Assessor.

[10] The Complainant confirmed however, under questioning from the Respondent, that the subject is not constructed of "special purpose" or "purpose-built" buildings, nor is low site coverage unique for the subject's locale. He also confirmed that the subject is a warehouse complex of the type typically found in the area.

[11] The Complainant clarified that he did not disagree with or contest the City's \$525,000 per Ac. valuation for the land component of the subject's "extra land" portion of the assessment because it appeared to be well-supported by market sales. He indicated on page 13 of his Brief C-1 that "We concur with this value for properties in this size range." He provided no independent market sales data to compare to the subject itself, or to the City's land valuation.

[12] The Complainant argued that using the Marshall and Swift (M&S) Costing methodology, the indicated depreciated value of the two onsite improvements are \$576,024 and \$102,663 respectively. He argued that when these depreciated values are added to the land value for the site, the overall value should be reduced by 15% to \$2,550,000 to account for the "South Foothills negative local improvement servicing issues."

[13] The Complainant provided the Marshall and Swift costing sheets for both the larger and smaller buildings, noting that they had been depreciated in the calculation by 50%, meaning that at least half of their economic life had elapsed. He clarified that he did not personally visit the site or prepare the "Costing" calculation but was familiar with its content, although he could not personally attest to the accuracy of the "Costing" inputs. He offered that the Cost Approach to Value indicates that the subject is not well-served by the City's existing Direct Comparison assessment methodology.

[14] The Complainant requested that the assessment be reduced to \$2,550,000.

[15] The Respondent argued that the subject has been assessed using the Direct Comparison Approach to Value and not the Cost Approach because, as the Complainant has confirmed, the improvements on the subject are not "special purpose" buildings, and are typical of the warehouse type of land use prevailing in the area of the subject. He noted that while the Complainant has argued that the subject's improvements have exhausted about 50% of their economic life, nevertheless in the Marshall and Swift calculations the Complainant provided, the improvements had only been depreciated by about 50%, and not 80% to 90% one might have expected under such conditions.

[16] The Respondent clarified that through analysis of current market data, the City has determined that industrial warehouse properties like the subject typically have a 30% site coverage. Therefore when low site coverage properties like the subject are being assessed, according to accepted assessment practice, the City adjusts the site coverage up to 30% so that they can be compared more accurately with other similar sites. He intimated that this practice is of minor benefit to such sites because as site coverage increases, values decrease slightly, but at 30%, there is essentially neither a benefit nor detriment as the Complainant has suggested.

[17] The Respondent argued that the Complainant's request to reduce the final value of the subject as indicated by his Marshall and Swift calculations, by an additional 15%, is flawed. By doing so, he argued, it would have the affect of also reducing the value of the replacement costs for the improvements by 15% which is erroneous. He clarified that if it were relevant and warranted, only the land portion of the calculation would be reduced, however he noted that the subject has already received a 15% reduction in the land value to compensate for the "South Foothills" servicing affect. He maintained that no further reduction is warranted.

[18] The Respondent provided two market sales of property comparables to support the subject's assessment. He also argued that while the subject has been assessed using the Direct Comparison approach, the Complainant has provided no market sales to refute those provided by the City to support the assessment of the subject. He also argued that the Complainant has accepted the \$525,000 per Ac. land value which was also used to assess the "extra" land portion of the assessment.

[19] The Respondent argued that the Complainant has provided insufficient evidence to support his argument that the subject is over-assessed. He requested that the Board confirm the assessment.

Board Findings

[20] The Board finds that given the evidence before this Board, the improvements on the subject are not "special purpose" or "purpose built" buildings and were correctly assessed using the market sales approach to value.

[21] The Board finds that unlike the Complainant, and given the evidence before the Board in this hearing, it does not consider a two-issue combination of low site coverage and dated buildings on this property to be indicative of the need to assess the site using the Cost Approach to Value.

[22] The Board finds that the Complainant has not visited the site and is unable to personally clarify or verify any of the various inputs into the Altus Cost Approach calculation, nor is the person who prepared the calculation present before the Board to respond to questions regarding the calculation. Therefore the Board is unable to validate any of the inputs to the calculation.

[23] The Board finds that contrary to the assertions of the Complainant, the subject has already received a 15% land value reduction in its assessment calculation to compensate for the so-called "South Foothills" servicing affect.

[24] The Board finds that the Complainant provided no market sales or equity evidence to refute or otherwise critique the Respondent's market evidence used to support the assessment.

[25] The Board finds that the Respondent's two market sales display individual site characteristics (i.e. building size; site coverage; building age; etc) which closely match each other and the subject, and hence support the assessment of the subject.

[26] The Board finds that the Respondent's two market sales comparables for multi-building 4+ acre sites, display individual characteristics and market values which support the assessment.

[27] The Board finds that the Complainant supplied insufficient information to demonstrate that the assessment of the subject is incorrect and/or inequitable.

Board's Decision:

[28] The assessment is confirmed at \$3,340,000.

DATED AT THE CITY OF CALGARY THIS 21st DAY OF September 2012.


K. D. Kelly
Presiding Officer

APPENDIX "A"

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

NO.	ITEM
1. C-1	Complainant Disclosure
2. R-1	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.*

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Appeal Type	Property Type	Property Sub-type	Issue	Sub-Issue
CARB	industrial	Two-building single tenant	Market value	Cost Approach versus Direct Comparison Approach