

**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:

***W. & J. Stephens Holdings 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: | 118007400 |
| LOCATION ADDRESS: | 9424 – 60 ST SE |
| HEARING NUMBER: | 68321 |
| ASSESSMENT: | \$2,640,000 |

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 1950 two-building (including one outbuilding) single-tenant industrial warehouse on 5.38 acres (Ac.) of land – including 4.855 Ac. of “Extra Land” in the Foothills (1) industrial park. There is an incremental or “positive” adjustment for the “extra land” of \$2,166,738 at \$446,348 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 \$446,348 per Ac. to account for the so-called “South Foothills reduction” for negative local improvement servicing issues. An additional 10% negative or downward adjustment for a “partial services” factor, has also been applied to the subject, bringing the total downward adjustment to 25%.

- [5] The main building onsite has a 5,000 SF building footprint which is all assessable space; 30% finish; and is valued at \$150.16 per square foot (SF) or \$2,917,533.02. The outbuilding has a 1,855 SF “footprint” and is valued at \$10.00 per SF or \$18,550.00. Although it has only a 3% “actual” site coverage, the subject has been assigned a “typical” site coverage of 30%, resulting in an overall assessment of \$2,640,000 or \$150.16 per SF.

- [6] **Issue:**

What is the market value of the subject based on the Cost Approach to Value instead of the Market Sales Approach to Value?

- [7] **Complainant's Requested Value:** \$1,930,000.

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 about 3%, 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 more than 60 year old main building (1950 YOC), 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 market sales 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 portion of the subject's "extra land" portion of the assessment because it appeared to be well-supported by market sales. He indicated on page 12 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. He did however provide in his rebuttal document C-2, aerial mapping of the Respondent's four property comparables to show the positioning and density of buildings on them and compare them to the subject.

[12] The Complainant argued that using the Marshall and Swift (M&S) Costing methodology, the indicated depreciated value of the main onsite improvement is \$382,863. He argued that when this depreciated value is added to the land value for the site, the overall value should be reduced by 15% to account for the "South Foothills negative local improvement servicing issues.

[13] The Complainant also argued that the overall value of the subject should be reduced by an additional 25% to account for the South Foothills negative partial-services influence adjustment, as provided by the City in its assessment model. He provided the list of "influences" for which the City offers positive and negative additions/reductions in assessed value. In total, the Complainant argued that the subject's assessment, as calculated by Altus using the Cost Approach to Value, should be reduced by total of 40% for both of the indicated negative influences.

[14] The Complainant provided the Marshall and Swift costing sheet calculations for the main building on the subject, noting that it had an "effective age" of 12 years and had been "depreciated" in the calculation by 14%, meaning that approximately 86% of its economic life remained. He clarified that he did not personally visit the site or prepare the costing calculation but was familiar with its content. He offered that the Cost Approach to Value indicates that the subject is not well-served by the City's existing market sales comparison assessment methodology.

[15] The Complainant referenced the City's four market sales comparables used to support the assessment and suggested that these comparables are for "normal" sites, whereas the subject is an "abnormal" site. Therefore, he argued, the City's market sale comparables do not support the City's assessed value for the subject. He suggested that "they tell you nothing".

[16] The Complainant requested that the assessment be reduced to \$1,930,000.

[17] The Respondent argued that the subject has been assessed using the Market (Direct) Sales 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 instead are typical of the warehouse type of land use prevailing in the area of the subject. He noted that while the Complainant argued that the subject's improvement has exhausted most of its economic life, nevertheless in the Marshall and Swift calculations the Complainant provided, the improvement had only been depreciated by 14% and not the 80% to 90% one might have expected under such conditions.

[18] 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 appraisal 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.

[19] The Respondent argued that the Complainant's request to reduce the value of the subject, as indicated by his Marshall and Swift calculations, by an additional 15%, is flawed. By doing so, he argued, 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.

[20] The Respondent also clarified that the subject has received an additional 10% reduction for a "partial services" negative influence. He clarified that the subject may have negative issues with one or more services of potable water, sanitary sewer, and/or storm sewer not being available to the site. He clarified that the previously-noted South Foothills reduction of 15% is, in part, designed to recognize this issue. In addition the City has increased this value by another 10% for a total 25% reduction in assessed value for the subject. Therefore, he argued, the Complainant is incorrect in requesting an additional 25% reduction to the assessment.

[21] The Respondent provided four market sales of property comparables and two assessment equity comparables to support the subject's assessment. He clarified that all four of his market sales have received a 25% assessment reduction for the same issues which affect the subject. He argued that the discounted values for the four properties shown in his matrix, range from \$139.17 per SF to \$180.48 per SF, and the subject at \$150.16 per SF fits well within this range of values. He argued that this evidence supports the assessment.

[22] The Respondent also argued that while the subject has been assessed using the market sales 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.

[23] 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

[24] The Board finds that given the evidence before this Board, the improvement on the subject is not a "special purpose" or "purpose built" building and is correctly assessed using the market sales approach to value.

[25] 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.

[26] The Board finds that the Complainant has not visited the subject and did not personally prepare the Cost Approach to Value calculations for it, and therefore the Board cannot be certain from the evidence presented that the inputs used to calculate the indicated value using this methodology are valid, and have produced a reliable valuation result.

[27] 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.

[28] The Board finds that contrary to the assertions of the Complainant, the subject has already received an additional 10% value reduction in its assessment calculation to compensate for a "partial services" negative influence, which therefore amounts to an overall 25% reduction to the assessed value.

[29] The Board finds that the Complainant provided no market sales or equity evidence to effectively or specifically refute or otherwise critique the Respondent's market and assessment equity evidence used to support the assessment. The Complainant's argument that the "sales tell us nothing" is unfounded.

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

[31] The Board finds that the Respondent's four market sales comparables display individual 25% discounted market values ranging from \$139.17 per SF to \$180.48 per SF, and that the subject's \$150.16 per SF fits well within this range. This evidence supports the assessment.

[32] 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:

[32] The assessment is confirmed at \$2,640,000.

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. C-2 | Complainant Disclosure – Rebuttal |
| 3. 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.*

For Administrative Use Only

| Appeal Type | Property Type | Property Sub-type | Issue | Sub-Issue |
|-------------|---------------|-------------------|--------------|----------------------------------------------|
| CARB | industrial | Single-tenant | Market value | Market sales VS Cost approach to value |