

**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:

***BLG ENTERPRISE CORP., COMPLAINANT
(Represented by Assessment Advisory Group)***

and

The City Of Calgary, RESPONDENT

before:

***Board Chair P. COLGATE
Board Member M. PETERS
Board Member A. ZINDLER***

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 2011 Assessment Roll as follows:

ROLL NUMBER: 115059107

LOCATION ADDRESS: 3517 64 AVENUE SE

HEARING NUMBER: 64842

ASSESSMENT: \$1,310,000.00

This complaint was heard on 11th day of August, 2011 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:

- *Mathew Wong – Assessment Advisory Group - Representing BLG Enterprise Corp.*
- *Troy Howell – Assessment Advisory Group - Representing BLG Enterprise Corp.*

Appeared on behalf of the Respondent:

- *Cliff Yee – Representing the City of Calgary*
- *Rob Ford – Representing the City of Calgary*

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

The Board derives its authority to make this decision under Part 11 of the Municipal Government Act. The parties had no objections to the panel representing the Board as constituted to hear the matter. No jurisdictional or procedural matters were raised at the outset of the hearing, and the Board proceeded to hear the merits of the complaint.

Property Description:

The subject property is 0.57 acre site with site coverage of 28.82% and a total building footprint of 7,200 square feet. There are two buildings on the site – building one, constructed 1974, is a single tenant warehouse with an assessable area of 4,800 square feet. Building two, constructed 1975, is a single tenant industrial warehouse with an assessable area of 2,400 square feet. Land use designation is Industrial – General.

Issue:

The assessed value is not reflective of the property's market value
The assessment is incorrect assessed based upon an analysis of adjusted sales.

Complainant's Requested Value: \$869,400.

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

Complainant's Evidence:

The Complainant provided the Board with a copy of the 2011 Property Assessment, The City of Calgary Assessment Summary Report, maps and photographs of the subject property.

Three sales comparables were provided to the Board in support of the Complainant's requested assessment change. The properties were located at 4415 64 Avenue SE (Comparable 1), 3528 80 Avenue SE (Comparable 2) and 6111 36 Street SE (Comparable 3). All comparables are

located in the Foothills Industrial Park.

The analysis (Page 34 of C1) determines a revised square foot rate for each property. Comparable 1 is adjusted by a total percentage adjustment of +15%, the difference in building size at +5% and site coverage at +10%. Comparable 2 is adjusted by a total percentage adjustment of +15 %, the difference in building size at +5% and site coverage at +10%. Comparable 3 was adjusted by a total percentage adjustment of +20%, the difference in building size at +10% and site coverage at +10%. Based upon the analysis the Complainant is requesting a rate per square foot of \$121.00 for a revised assessment of \$869,400 (47200 square feet X \$121.00).

The evidence submitted by the Complainant identifies the subject property having a C quality classification for the two warehouses, while Comparable 1 and 2 are classified as a C quality structure and Comparable 3 is classified as a B quality structure.

Additional evidence submitted by the Complainant included an outline of the AAG Valuation Methodology, which the Complainant referred in questioning, from the Warehouse Valuation Guide' Page 38 and an additional page from the Warehouse Valuation Guide concerning 'Figure 6. Form Whs3 – Example of Sales Adjustment Processx'.

Also submitted as evidence for the Board's consideration were Composite Assessment Review Board Decisions – CARB 2077/2010-P, CARB 2093/2010-P, CARB 2103/2010-P and CARB 2086/2010-P, which the Complainant stated supported the adjustments made to the sale prices of the submitted comparables.

Respondent's Evidence:

The Respondent provided a location map and 2 photographs of the subject building.

The Respondent's evidence consists of three primary pieces of evidence in support of the assessment value – a 2011 Assessment Explanation Supplement, an Industrial Equity Comparables chart containing 7 comparable properties, an Industrial Sales Comparables chart with 13 sales to substantiate the rate per square foot being applied to the subject and an Industrial Sales Comparables chart of 5 sales of properties with multiple buildings.

The Supplement provides the details with respect to the subject property – footprint, assessable area, and the percentage of finish, year of construction, site coverage and rates per square foot of \$178.00 for building 1 and \$191.31 for building 2, the variables used in the determination of the assessment value.

In rebuttal of the Complainant's comparable properties, the Respondent raised a number of concerns.

The Respondent spoke to the comparable at 6111 36 Street SE not being classified as a warehouse by the City of Calgary but an office. The Respondent referred to the Complainant's submission (C1, Pages 16 &17). The Assessment Summary Report identifies the structure as CS0801 Offices Under 20,000 S.F. and Office/Lowrise (1-4 storey). Further support for the Respondent's agreement was presented in a RealNet printout (R1, Pages 40-41) which identifies the structure as a 'Flex Office' and 'a single two storey office building'.

The subject property has multiple buildings on the site. The City of Calgary in the determination of the assessment value now applies a negative allowance in recognition of multiple buildings on a property. The Respondent notes the Complainant has made no adjustment for this variable on the three comparables provided, which have only 1 building on their sites. Supporting documentation is found in the Respondent's submission (R1, Page 25-38) in the form of decisions – CARB 0855/2011-P and ARB 0540/2010-P, and a percentage reduction analysis of 2010 decisions.

The Respondent submitted four decisions which supported their position for evidence to be submitted to support the requested adjustments – ARB 1041/2010-P, ARB 1046/2010-P, ARB 0530/2010-P. and CARB 1034/2011-P.

ARB 0394/2007-P was submitted also in support of the Respondent's position. Also an industrial warehouse complaint the decision speaks to the requirement for analysis to be conducted using similar properties

Findings of the Board

Complainant's Submission:

The submission of the Complainant raised a number of concerns for the Board. Of primary concern is the lack of market evidence or analysis in the percentage adjustment being applied to the sales. During questioning by the Board, the Complainant referred the Board to the AAG Valuation Methodology (C1, Page 18) and the Statement from the Appraisal Institute of Canada – 'It is the appraiser's experience and judgement that is important,' and therefore there was no need to submit any evidence as to how the adjustments were derived.

This position concerns the Board as it seems to go against the intent of the Appraisal Institute of Canada and their position on determining values. Within the quoted passage (Appraisal Institute of Canada 'Basics of Real Estate Appraising' 1994 Chapter 11 – The Direct Comparison Approach (VI) Types of Adjustment Pg 241) is another sentence which reads – 'This should not diminish the importance of using mathematics to assist in the value judgement.' Additionally, the opening paragraph to the AAG Valuation Methodology states 'our statistical analysis incorporated a measure of variance using coefficients of dispersion' which indicated to this Board analysis is conducted by the Complainant, who chooses not to submit this work.

Further the Board refers to the Complainants Submission on Physical Differences (C1, Page 19.), which reads 'Physical Differences such as superior height, a newer building, a better location, etc. must also be accounted for because they have an impact on the sale price. Establishing appropriated adjustments for these differences requires analysis of the sales data and stratifying sales into homogeneous classes'. Another reference from the same page states, 'Adjustments to sales data should be completed on the basis of research and analysis of the data.'

It is the opinion of the Board any analysis on the sales should be submitted in support of the adjustments. With no analysis submitted, the Board is not prepared to accept the requested adjustments and the requested change to the assessment. The burden of proof therefore fails for the Complainant.

The Board also notes there is not recognition for the differences in quality between the subject and each of the comparables, which would occur in standard appraisal technique. The Respondent stated this was recognized in other adjustments, but the explanation received as to how the adjustments were determined did not appear to recognize this variable in the calculation. The Respondent had stated the calculation for coverage was a change of 5% for every 9% of difference between the subject and the comparable. Year of construction is adjusted at a rate of 5% for every 10 years of difference between the subject and the comparable. Building size adjustment is based upon an adjustment of 5% for every 7000 square feet of difference between the subject and the comparable.

During questioning by the Respondent it was pointed out there was an inconsistency in the Adjustments applied in the Complainant's analysis of the sales. Specifically, the percentage adjustment to Comparables 2 and 3 for the building size – Comparable 2, with 19,560 square feet of area, was adjusted +5% and Comparable 3, with 13,200 square feet of area, was adjusted +10%. The Respondent had testified the adjustment for building area was 5% for every 7,000 square feet of difference between the subject and the comparable. It would appear the percentage adjustments had been incorrectly applied to the Comparables. The Respondent stated it was a clerical error and did not significantly affect the requested amount. Calculations by the Board indicate it would adjust the requested rate per square foot from \$121.00 to \$126.00 per square foot.

The Board has accepted the Respondent's position the comparable at 6111 36 Street SE is not a valid comparable and therefore will not consider the comparable in the Board's deliberations

With respect to the Composite Review Board decision of 2010, the 2011 Board is not bound by the decisions of prior year's Boards, as each year is a new assessment with changing market conditions affecting the values. The Board may take guidance from past decisions with respect to physical conditions such as lot size or building areas, but must make its own decision with respect to the current year's assessment. The Board finds the decisions provide little guidance as there is insufficient evidence contained in the decisions to show how the Boards make their determinations and the evidence submitted. The Board does take some guidance from the decisions CARB 2077/2010-P, CARB 2093/2010-P and CARB 2086/2010-P when addressing the Respondent's submissions – specifically the statement - 'the adjustments applied were not supported by evidence'. Although speaking to the Respondent, the rule is equally applicable to the Complainant. Adjustments, without evidence, carry less weight with the Board.

Respondent's Submission:

The Board reviewed the Respondent's equity comparables which indicated the subject property was assessed in the same manner as the comparables. The subject property, assessed at rates of \$178.00 and 191.31 per square foot, falls within the range of rates per square foot provided by the Respondent – \$170.00 to \$197.00. The board recognizes the variances in the rates are a result of difference in the level of each variable, i.e. parcel size, rentable area, the percentage of finish.

Upon review, the Board finds the sales, while coming from different regions of the city, provided support the rate per square foot applied to the subject property. The Board looked to only those sales in the Foothills Industrial Park and found the provided sales further support the rate

applied to the property under complaint.

The Industrial Sales Comparables chart of multiple building properties also supports the rates applied to the subject property showing a range in price per square foot for time adjusted sales prices of \$182.00 to \$230.00. (R1, Pg. 19)

As stated previously, the Board agrees with the Respondent, the property at 6111 36 Street SE is not a valid comparable for an analysis of warehouse properties. The description of the structure having 10 foot wall height, as well as the photograph on the page from RealNet, leads to the Board's exclusion of the named property as a comparable.

The Respondent does raise interesting arguments with respect to the multiple building and the South Foothills Adjustments. As the Assessment Advisory Group was a party to the creation of the adjustments, based upon the 2010 decisions, they should accordingly have made adjustments in their calculations for 2011 revised rates requested.

Lastly, the Board looks to the presentation of Assessment Review Board and Composite Assessment Review Board decisions. Both parties have presented decisions in support of their positions with respect to the disclosure of supporting evidence.

It is the opinion of this Board, the presentation of supporting evidence can only enhance the quality of any presentation and is a critical part of supporting a position by either party. With that said, it is the opinion of the Board, based upon prior decisions – Manyluk v. Calgary (City), MGB Board Oder 036/03 (Page 8), Shirley Anne Ruben et al v. City of Calgary MGB 239/00 (Page 15) and Imperial Parking Ltd v. Calgary (City) Board Oder MGB 140/02 (Paragraphs 34 and 37) - there is a greater onus on the Complainant to provide the evidence to support their case, for failing to do so means the burden of proof has not been met.

Board's Decision:

The Board finds the Complainant has failed to provide sufficient market evidence to substantiate a change to the assessment.

The Board confirms the assessment at **\$1,310,000.**

DATED AT THE CITY OF CALGARY THIS 12th DAY OF SEPTEMBER 2011.


Philip Colgate
Presiding Officer

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

NO.	ITEM
1. C1	Complainant Disclosure
2. R1	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.*