

**COMPOSITE  
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 (MGA).

between:

***Optrust West Industrial Inc.*  
(as represented by *Altus Group Limited*), COMPLAINANT**

and

**The City Of Calgary, RESPONDENT**

before:

**C. J. Griffin, Presiding Officer  
B. Bickford, MEMBER  
E. Reuther, MEMBER**

This is a complaint to the Composite Assessment Review Board (CARB) 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: 201083870**

**LOCATION ADDRESS: 11195 – 42<sup>nd</sup> Street SE**

**HEARING NUMBER: 68397**

**ASSESSMENT: \$11,510,000.**

This complaint was heard on 17<sup>th</sup> and 18<sup>th</sup> day of September, 2012 at the office of the Assessment Review Board located at Floor Number 4, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 4.

Appeared on behalf of the Complainant:

- D. Mewha
- M. Robinson

Appeared on behalf of the Respondent:

- T. Luchak

**Procedural Matters:**

[1] The Complainant advised the CARB that this complaint will include an extensive capitalization rate study and argument (Exhibit C2) that will also apply to additional complaints to be heard this same week by this same panel of the CARB, before these same parties. As a matter of expedience the Complainant suggests that all of the evidence, argument and questions relating to same be carried forward to apply to those ensuing Hearings rather than presenting it in each and every case. The Respondent agreed with this recommendation of the Complainant and, accordingly, the CARB agrees to proceed on this basis.

**Property Description:**

[2] The subject is, according to the Property Detail description (Exhibit C-1 pg. 8), a 165,385 Sq. Ft., A2 quality, multi-bay industrial warehouse facility that was constructed in 2007. The underlying site is reportedly 8.55 acres in size. The property has been valued for assessment purposes on the basis of the Direct Comparison (Sales) Approach.

[3] It should be noted that there is an exempt portion to the subject property which accounts for approximately 49,407 Sq. Ft.; however, this portion of the property is identified by a separate roll number and it is **not** under complaint in the matter before us. The size of the property under complaint is approximately 115,978 Sq. Ft.

**Issues:**

[4] There are a number of interrelated issues outlined on the Assessment Review Board Complaint form; however, at the Hearing the Complainant reduced the issues to be considered by the CARB to:

1. The Income Approach to Value is a more reliable method of deriving an accurate indication as to the market value of the subject property.
2. The Assessor reports the size of the subject incorrectly as being 158,278 Sq. Ft. when in reality it is 165,385 Sq. Ft.
3. The Assessor has mistakenly assessed the subject property as having a high degree of finished space; however, that finished space is contained within the exempt portion of the property and should not be assessed.

**Complainant's Requested Value: \$8,530,000. (Exhibit C-1 pg. 4)**

**Party Positions:****Complainant's Position**

[5] The Complainant contends that the Income Approach provides a more reliable indication of the market value of the subject property. Accordingly the Complainant presented (Exhibit C-1 pg. 53) a list of eighteen (18) lease comparables from southeast Calgary that, they maintain, are comparable to the subject. The lease dates for these comparables range from October 2009 to October 2011 and the rented areas range from 30,123 Sq. Ft. to 79,500 Sq. Ft. with an indicated median of 53,986 Sq. Ft. The reported net rental rates range from \$4.90/Sq. Ft. to \$10.90/Sq. Ft. with an indicated median of \$5.75/Sq. Ft. The Complainant also introduced (Exhibit C-1 pg. 54) lease comparables for industrial bays ranging from 25,000 to 50,000 Sq. Ft.

in size and (Exhibit C-1 pg. 55) industrial bays in the 50,000 to 100,000 Sq. Ft. range. The Complainant noted that their applied rental rate of \$5.75/Sq. Ft. is also supported by the two most recent leases in the subject property at \$5.50 and \$5.60 (less tenant improvement allowance) respectively (Exhibit C-1 pgs. 69 - 72). The Complainant introduced (Exhibit C-1 pg. 62) a copy of the *Assessment Request For Information* (ARFI) pertaining to the subject property noting that the reported area of the building is 165,385 Sq. Ft. as opposed to the 158,278 Sq. Ft. reported by the Assessor.

[6] The Complainant introduced their *Altus Income & Direct Sales Comparison Analysis* which incorporates (Exhibit C-2 pg. 14) a capitalization rate study of new industrial buildings of 100,000 Sq. Ft. and over. The study involves four (4) sales recorded between July 2009 and March 2011. All of the sales have a site coverage ratio of 43% except one which has 44%. The buildings range in size from 118,402 Sq. Ft. to 302,135 Sq. Ft. Two methods have been used, a stabilized Net Operating Income (NOI) based analysis where the rents range from \$6.65/Sq. Ft. to \$10.24/Sq. Ft. and a common vacancy rate of 4% has been applied. This analysis derives a median capitalization rate of 7.66% and an *Assessment to Sales Ratio* (ASR) median of 1.02. The second method utilizes market rents from the time of sale that range from \$6.65/Sq. Ft. to \$9.75/Sq. Ft. and a 4% vacancy allowance. This second method indicates a median capitalization rate of 7.47% and an ASR median of 1.00. The sales utilized in this study are well documented and the details of each are provided within the Exhibit. The rents utilized in these analyses are well documented as is the applied vacancy allowance. These analyses form the basis for the Complainant's applied and requested capitalization rate of 7.5%.

### **Respondent's Position**

[7] The Respondent introduced (Exhibit R-1 pg. 9) their 2012 Industrial Sales Chart which incorporates four (4) sales including the subject and the sale of 4141 – 110 Ave SE which was reportedly sold in concert with the subject. One of the remaining sales analysed, 930 – 64 Ave. NE, is also incorporated into the sales analysed by the Complainant. The sales were recorded between December 2008 and March 2011 and the building sizes range from 118,402 Sq. ft. to 158,278 Sq. Ft. (the subject). The Time Adjusted Sales Prices (TASP) of these sales ranges from a low of \$85.85/Sq. Ft. to a high of \$123.46/Sq. Ft. The Respondent contends that this information supports their valuation of the subject at \$106/Sq. Ft.

[8] The Respondent takes issue with aspects of the Complainant's evidence in that, they contend that the Complainant has utilized lease data from airport properties (hangars) and the Complainant's applied vacancy allowance has been derived from third party sources. As a result of the foregoing the Respondent maintains that the capitalization rate of the Complainant is unreliable and should not be given consideration by the CARB.

### **Complainant's Rebuttal:**

[9] The Complainant's Rebuttal deals with evidence and argument related to the use of the Income Approach to Value income producing properties and the Assessor's policy, both past and current, relating to same. Additionally the rebuttal highlights, through appraisal literature, that the sales comparison approach is the most subjective valuation approach. The Complainant also argues, through the rebuttal, that the Assessor is incorrect in how income property sales have been analyzed. More specifically, that the Respondent makes no adjustment to the sale price of income properties. The Complainant maintains that (Exhibit C3 pg. 3): "If the sale is to be analyzed using 'typical' rental parameters, then the sale price should

be adjusted to reflect what would have been paid for the property given the assumptions used". The rebuttal also contains a review of the Fairness and equity argument as well as the Onus of proof material in regards to the subject assessments.

**Board's Decision:**

[10] The assessment is **reduced** to: **\$8,530,000**. (net of the exempt portion which is not under complaint)

**Decision Reasons:**

[11] With regard to the first issue which deals with the methodology employed by the Assessor to derive the assessed value, the CARB is less concerned with the method employed and more concerned with the final value estimate. Having said that, the CARB is of the judgment that the market value of an income producing property is, more often than not, directly related to the income the property produces or the income that the property is deemed capable of producing.

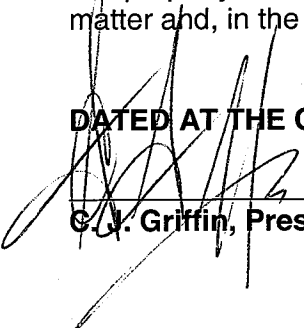
[12] The Complainant did value the property by using the income approach and the inputs applied are, in the judgment of the CARB, well supported. The Respondent provided little germane evidence to discredit either the application of the income approach or the accuracy or acceptability of the inputs utilized therein.

[13] The Assessor has valued the subject property through application of the Direct Comparison (Sales) Approach but the analysis incorporates an analysis of the sale of the subject property (Exhibit R-1 pg. 9) whereby a gross TASP, inclusive of the exempt portion, of \$14,410,617 is derived. This same sales chart (Exhibit R-1 pg. 9) also indicates an assessed value for the subject property as being \$16,732,321 which is in direct conflict with the Assessor's own analysis of the sale. This makes no sense to the CARB and serves to discredit the entire case of the Respondent insofar as the assessed value is concerned.

[14] The second issue concerns the property size; however, very little evidence was produced by either party that could serve to provide a sound basis upon which the CARB might make a determination on this matter. The Complainant did produce an ARFI which supports their contention that the subject is 165,385 Sq. ft. in size as opposed to the Assessor's indicated 158,278 Sq. Ft. In order to make a determination on a matter of size the CARB requires, at minimum, a set of plans or similar documentation on which to base a decision. In that no such evidence was forthcoming from either party the CARB suggests the two parties meet and review their respective documentation to resolve this issue.

[15] The third issue before the CARB deals with the percentage of finished area in the subject property and whether or not this finished area is contained within the exempt portion of the property or not. There was little germane evidence produced from either party on this matter and, in the judgment of the CARB, it remains inconclusive.

DATED AT THE CITY OF CALGARY THIS 11 DAY OF Oct 2012.

  
G. J. Griffin, Presiding Officer

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

<b>NO.</b>	<b>ITEM</b>
1. C1	Complainant Disclosure
2. C2	Complainant Income & Sales Analysis
3. C3	Complainant Rebuttal
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.*

**For MGB Administrative Use Only**

<i>Decision No. 1799-2012-P</i>		<i>Roll No. 201083870</i>		
<u><i>Subject</i></u>	<u><i>Type</i></u>	<u><i>Issue</i></u>	<u><i>Detail</i></u>	<u><i>Issue</i></u>
CARB	Industrial	Market Value	Sale of Subject	Time Adjusted Sale Price