

**CALGARY
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 (the Act).

between:

Investors Group Trust Co Ltd., as represented by Altus Group Limited, COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

S. Barry, PRESIDING OFFICER

P. Pask, MEMBER

D. Steele, MEMBER

This is a complaint to the Calgary 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:	009023607
LOCATION ADDRESS:	7912 10 ST NE
HEARING NUMBER:	68196
ASSESSMENT:	\$21,240,000

This complaint was heard on the 18th day of September, 2012 at the office of the Assessment Review Board located at Floor Number 4, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 5.

Appeared on behalf of the Complainant:

- *C. Van Staden, Altus Group Limited*

Appeared on behalf of the Respondent:

- *K. Cody, City of Calgary*

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

[1] The following Complaints were heard during the week of September 18 through to and including September 20, 2012:

File No.	Decision No.	Roll No.	Address
68196	1825/2012-P	009023607	7912 10 ST NE
66805	1818/2012-P	009023706	7757 8 ST NE
67649	1819/2012-P	031001894	3740 27 ST NE
68182	1824/2012-P	031024003	4300 26 ST NE
68179	1823/2012-P	031024300	4152 27 ST NE
68174	1822/2012-P	032041592	2415 PEGASUS RD NE
67690	1820/2012-P	200478519	3800 WESTWINDS DR NE
68115	1821/2012-P	200776896	2777 HOPEWELL PL NE

[2] **Common Issues:** The same Board members were in attendance throughout the week and the Parties were represented by the same individuals. Many of the issues, arguments, questions and responses were common throughout. At the request of the Parties and with the concurrence of the Board, those commonalities were carried forward from the hearing where they were first raised to subsequent hearings, without being restated in full in each hearing or in each written decision.

[3] **S. 299, MGA:** In each of the Complaints, the Complainant referenced information related to s. 299 of the Act. In each case, the Complainant confirmed that there was no claim that the Respondent was in default with respect to the requested disclosure.

[4] **Confidentiality:** In all but one of the Complaints, the Complainant, in writing by way of the transmittal page on the various documents, stated that there were pages within those submissions that were confidential and that "MUST remain out of the public domain." The Board advised the Complainant that Complaint Hearings are public hearings and that there was no mechanism in place by which some documentation could be kept from the public domain unless the Complainant did not enter it into evidence. In all cases, the Complainant chose to submit the documents into evidence in support of the Complaint.

Property Description:

[5] The property under Complaint is a 13.15 acre, roughly triangular parcel located at 7912 10 ST NE in the Deerfoot Business Centre. Its land use classification is Industrial General (I-G). It contains 3, multi-tenanted warehouses with assessable areas of 107,200 square feet (sq.ft.), 33,600 sq.ft. and 40,080 sq.ft., for a combined area of 180,880 sq.ft. It is assessed using the Sales Comparison Approach to value.

[6] The property is assessed as three separate buildings based on their individual sizes, year of construction and percentage of finish. The overall area of the buildings is used to determine site coverage only. A separate assessed rate per sq.ft. is applied to each building: \$112.26 for the largest building; \$126.98 for the smallest building and \$123.41 for the remaining building. These rates reflect the market value reduced by the application of a multiple building coefficient. The overall assessment for the property when this is applied is \$117.46 per sq.ft.

Issues:

[7] Is the 2012 total assessment too high having regard to the physical condition of the property and when tested against the application of various valuation approaches and assessment tests?

Complainant's Requested Value:

[8] The Complainant requested that the assessment be reduced to \$20,070,000 based on the Cost Approach to value and in comparison with a property at 3 Freeport Way.

Board's Decision in Respect of Each Matter or Issue:**1. Assessment to Sales Ratio:**

[9] The Complainant advised that she had extracted 164 sales of individual warehouses from the City's list of non-residential sales covering the period between July 2008 and June 2011. From this data, she calculated the minimum, maximum, median and mean, time adjusted assessment to sales ratios. She identified the coefficients of dispersion and variation of these ratios. The Complainant contended that it is the position of the International Association of Assessing Officers (IAAO) that "the overall ratios between the various groupings" cannot be more than 5 per cent. The Complainant said that the analysis she performed indicated that the indicated ratios had exceeded that limit. The Complainant further quoted an IAAO document as follows: "... Ratio statistics cannot be used to judge the level of appraisal of an individual parcel".

[10] The entirety of the City's list of sales was in evidence but the Complainant's selected list and analysis were not. Without the analysis that supports the Complainant's conclusions, it is not possible to form an opinion on the results.

[11] In any event, it is not the Board's role to rule on the validity of the Respondent's asset range. *Matters Relating to Assessment and Taxation Regulation* AR 220/2004 (MRAT), s.10 in

particular, governs the quality standards and procedures established through the Alberta Assessment Quality Minister's Guidelines and s. 293 of the Act.

[12] The Complainant's position on the assessment to sales ratio carried little weight in the Board's deliberations on the merits of the Complaint.

2. Shape:

[13] The Complainant pointed to the irregular shape of the parcel, noting that it cannot be assessed, appropriately, as three separate parcels. Nor would it achieve as much value if it were developed with only one building that would not be able to maximize the size and shape of the parcel. In the absence of any specific market evidence to support the impact of the shape on the value of the parcel, the Board placed little weight on this factor in its deliberations on the merit of the Complaint.

3. Equity Comparisons:

[14] In presenting its equity comparisons the Complainant, with one exception, used large footprint properties ranging in size from 110,464 sq.ft. to 301,871 sq.ft. The exception, at 1616 27 Av. NE was shown with a footprint of 43,822 sq.ft. and a total assessable building area of 211,350 sq.ft. It was agreed that there was an error in reporting this property. The Complainant asserted that all the comparables were multi-building properties and it was the aggregate of the building sizes that was being presented, rather than the individual buildings. The Respondent contested Westwinds as being a single, rather than multi-building property.

[15] The Complainant acknowledged that the equity examples required adjustments to make them comparable to the subject. She advised that these adjustments were made on an analysis of paired assessments that resulted in a median adjusted assessment per sq.ft. of \$110, including the property erratum.

[16] The Complainant provided no supporting documentation for the buildings included in the equity analysis. The Board was not able to determine from the written documentation which were single-building or which were multi-building parcels. The analysis to support the adjustments was not in evidence and the Board had no way to determine the appropriateness of the adjustments that were made. Accordingly, the Board was not able to make a positive determination on the equity argument.

4. Sales Comparisons:

[17] Three of the equity comparisons were also used by the Complainant in the sales comparison approach; however, no support was provided for any of the sales within the Complainant's disclosure documents. The Complainant contended that 3 Freeport Way was the best comparable although it needed to be adjusted for size, age and land area. The Complainant contended that with those undocumented adjustments, Freeport would provide an assessment per sq.ft. of \$112 sq.ft. versus the overall assessed value of the subject at \$117 per sq.ft. All of the sales comparables were at the high end of total building area, ranging from 118,402 sq.ft. to 301,930 sq.ft.

[18] The Respondent provided documentation to show that one of the Complainant's sales was not arms length and therefore invalid as per a Non Residential Property Sale Questionnaire requested by the City. That document asserts that it was a sale between related parties and part of a portfolio and was also affected by environmental issues. While the document noted that there was an appraisal within the previous 12 months that showed a higher value, the appraisal was not in evidence. The Respondent also contested the status of 3 Freeport as a multi-building parcel

[19] Again, in the absence of evidence to support the sales and because the Board could not determine the actual comparability to the subject of the properties shown, little weight was given to the sales comparison approach argument.

5. Cost Approach:

[20] The Complainant provided a summary report, using Marshall & Swift (M&S), for each of the three buildings and added a land value using the City's rates to arrive at an assessed value of \$20,072,547. The detail of the inputs and calculations was not provided. Each building indicated 100% Storage Warehouse. The Complainant averred that M&S allows between 3 to 12 per cent finished space within warehouses and that any office space above that and the City's statement of finished space was included as Mezzanine – Office in her calculations.

[21] The Respondent noted that the three buildings contain 18 per cent, 24 per cent and 26 per cent office space and that the Complainant's approach is arbitrary and doesn't correctly reflect the Marshall & Swift input parameters. Neither Party produced M&S documentation.

[22] In the absence of more detailed calculations and text from Marshall & Swift, the Board found that the Complainant had insufficient evidence to support the requested assessment.

Board's Decision and Reasons:

[23] The Board must come to a conclusion about the market value of the property as of July 1, 2011 having regard to s. 289(2) of the Act; specifically, the characteristics and physical condition of the property on December 31, 2011. In this respect, the Board determined it must look at one parcel of land on which 3 warehouses are constructed. The Respondent's methodology was clearly articulated: each building was assessed based on its specific characteristics of size, year of construction and finished area and a multi-building co-efficient was applied, thus reducing the individual assessments to reflect a loss of value in that they were all located on one parcel and could not be sold independently of each other.

[24] In reviewing the Complainant's argument of equity and sales, the Board was not able to examine the specific properties that were advanced as comparable.

[25] While the Board does not rule on one valuation method over another, it recognizes that the Cost approach is generally applied to special purpose buildings not, as in this case, very standard and typical warehouse properties. Regardless of how that issue might have been determined, the evidence advanced on the costing of these buildings was not sufficiently supported, given the issues raised by the Respondent.

[26] Finally, although not documented above, the Complainant raised the argument that, once the Complainant has established a *prima facie* case, the onus shifts to the Respondent – that the Complainant is only required to cast doubt on the assessment and is not required to prove what the correct and equitable assessment should be. The Complainant also stated that unless the Respondent provides direct proof that the Complainant's evidence is in error then it is deemed to be correct.

[27] The Board has difficulty accepting the latter part of this argument but that is not relevant here. What is relevant is that, in the Board's opinion, the Complainant did not establish a *prima facie* case. Accordingly, the Complaint failed.

Board's Decision:

[28] The 2012 Assessment is confirmed at \$21,240,000

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



S. Barry
Presiding Officer

APPENDIX "A"

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

NO.	ITEM
1. C1	Complainant's Disclosure
2. R1	Respondent's Disclosure
3. C2	Complainant's Rebuttal
4. C3	Complainant's Legal Argument and Closing Summary

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.: 1825/2012-P		Roll No.: 009023607		
Subject	Property Type	Ppty Sub-type	Issue	Sub-Issue
CARB	Warehouse	Multi Tenant 3 bldgs on parcel	Sales	Equity Cost ASR Confidential Info S.299 Shape